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SUMMARY OF KEY PERFORMANCE INDICATORS

SUMMANT OF KL	FERFURIVIAINGE INDICATURS		
INDICATOR	WUAT DOES IT MEASURE?	2009 PERFORMANCE	2010
INDICATOR	WHAT DOES IT MEASURE?	PERFURMANCE	PERFORMANCE
PROFESSIONAL EXCELLENCE	CE CONTRACTOR OF THE CONTRACTO		
Code of Integrity and Professional Excellence (CIPC) reports to helpline	Total number of professional conduct issues reported through the compliance helpline	136	150
CIPC investigations	Total number of valid reports investigated	53	53
CIPC non-compliances	Total number of breaches of CIPC identified through the compliance helpline	17	29
PEOPLE			
Employee turnover	% of employees that leave SGS each year of their own will	10.3%	11.1%
Gender ratio	% male employees % female employees	65.4% 34.6%	64.8% 35.2%
Equal opportunity ratio	(Female managers/female employees) /(Male managers/male employees)	0.58	0.60
Sickness absence rate	Number of days of sickness absence as a percentage of total days worked	1.74	1.65
Training hours	Number of annual training hours per FTE	16.8	21.1
HEALTH AND SAFETY			
Number of recordable incidents	Number of lost time, restricted duty, medical treatment incidents and fatalities	914	691
TRIR	Number of lost time, restricted duty, medical treatment incidents and fatalities per 200 000 hours worked	2.28	1.64
LTIFR	Number of lost time incidents and fatalities occurring per 200 000 hours worked	1.09	0.80
Near misses	An event, situation or physical environment which had the potential to cause injury, damage or loss to people, property and the environment, but which was avoided by circumstance	1 491	1 982
ENVIRONMENT			
CO ₂ emissions	Total annual CO ₂ emissions (tonnes)	170 958	192 211
Carbon intensity (People)	Annual CO ₂ emissions per employee (tonnes/FTE)	4.23	4.50
Carbon intensity (Revenue)	Annual CO ₂ emissions per revenue (tonnes/CHF million)	47.2	52.2
Total electricity consumption	Total annual electricity consumed (million kWh)	182	199
Electricity consumption (People)	Annual kilowatt hours of electricity consumed per FTE	4 504	4 662
Energy Efficiency in Offices (electricity and fuel)	Baseline annual kilowatt hours per square metre for SGS-owned offices	-	209
Energy Efficiency in Laboratories (electricity and fuel)	Annual baseline kilowatt hours per square metre for SGS-owned laboratories	-	494
Water use	Annual water purchased (m³)	824 431	960 866
Water intensity	Annual water purchased per employee (m³/FTE)	21.6	22.5
COMMUNITY			
Investment in Community	Donations to community organisations and voluntary groups (CHF '000)	348	418
Investment in Sponsorship	Sponsorship of community programmes (CHF '000)	446	590
Total community projects	Total number of projects	96	155

SUMMARY OF TARGETS AND COMMITMENTS

FOCUS AREA/SHARED GOAL	TARGET/COMMITMENT	TIMELIN
PROFESSIONAL EXCELLENC	DE COMPANY OF THE COM	
Excel in the way we do business	Integrate e-learning module on sustainability into global HR development programmes	End 201
PEOPLE		
Improve our social performance	Continue to report on progress of the global roll-out of HR programmes to support The Plan	Ongoin
	Carry out a benchmark study to map our human rights impacts and responsibilities	End 201
	Report on the restructuring of our HSE programme and initiatives, and their impact on the safety performance across our Group	Ongoin
ENVIRONMENT		
Reduce our environmental impacts	Reduce emissions from SGS-owned commercial buildings by 10% by 2014, and by 20% by 2020 using a 2010 baseline	201 202
	Share results of our energy efficiency in buildings pilot studies and best practices with operations and facilities managers, and develop tools and resources for affiliates to use in greening their own operations	Ongoir
	Provide Green IT solutions to SGS business units covering the selection, purchasing, use and disposal of IT equipment	End 20 ⁻
	Pilot Green IT programmes in our business units and monitor and measure progress towards delivering savings	Ongoir
	Report on progress with a view to setting firm targets for implementing electric vehicles and forecasting carbon savings	Mar 20 ²
	Present an update on the waste inventory in our 2011 Report along with a review of waste management projects	Mar 20°
	Continue to engage suppliers on green procurement and encourage our buyers to consider sustainable options and lifecycle impacts when making purchasing decisions	Ongoir
	Continue to raise environmental awareness and promote responsible environmental behaviours and practices across the business	Ongoir
	Develop effective models to incorporate sustainability into our acquisition process	End 201 ongoir
	Harness the talent of our employees and empower local teams to implement environmentally responsible programmes	Ongoir
COMMUNITY		
Involvo	Communicate our Group Community Policy and Guidelines across the Company	End 201
Involve employees in supporting our communities	Explore possible additional community programmes and ensure that existing programmes are aligned with the Community Policy	Ongoin

INTRODUCTION

WE ARE





SGS is the world's leading inspection, verification, testing and certification company. With our headquarters in Geneva, the Company employs over 64 000 people and operates a global network of more than 1 250 offices and laboratories around the world, SGS helps customers to operate in a more sustainable way by improving quality and productivity, reducing risk, verifying compliance and increasing speed to market. Our services cover all industry sectors and touch the products and services that consumers around the world rely on every day. From the energy that powers the cars we drive and the homes we live in, from the food on our plates to the clothes on our back, from the quality of the air we breathe to the safety of the pharmaceuticals we take, SGS provides independent services that make a difference to people's lives. Our value lies in how our services benefit our clients and, ultimately, their customers.

From our beginnings in 1878 as a grain inspection house, SGS has steadily grown into our role as the industry leader. Listed on the SIX Swiss Exchange, the SGS Group posted revenues of CHF 4.8 billion and an operating margin of 17.8% in 2010. An annual general meeting of shareholders is held every year with the outcomes posted on the SGS website.

The current structure of SGS comprises 10 business units operating globally. Each region is led by a Chief Operating Officer (COO) and each business line is led by an Executive Vice President (EVP). The COOs and EVPs, in conjunction with functional Senior Vice Presidents (SVPs) and the Group's CEO, Chief Financial Officer and General Counsel, make up the Operations Council.

The Operations Council meets regularly throughout the year to determine Group-wide strategies and priorities and review performance. Management is overseen by a Board of eight non-executive Directors, including the Chairman, Sergio Marchionne.

OUR VISION

Our vision is to be the most competitive and the most productive service organisation in the world. Our core competencies of inspection, verification, testing and certification are at the heart of what we do and are continually being improved to ensure that we are best-in-class. Our chosen markets are determined by Our ability to be the most competitive provider and to consistently deliver unrivalled service to our global network of customers.

OUR EXPERTISE AND ACTIVITIES

Through a global network of laboratories, offices and field operations, SGS delivers a wide range of services across ten business lines. These are summarised as follows:

AGRICULTURAL SERVICES

SGS services help ensure the integrity of the food chain from seed development and soil testing through to harvesting and trade inspection at export or import.

MINERALS SERVICES

SGS offers a wide range of services from inspection and testing of commodities to advanced services which optimise the recovery of metals in processing plants.

OIL, GAS AND CHEMICALS SERVICES

SGS delivers custom tailored solutions and services to the Upstream and the Downstream Oil and Gas industry, leveraging our truly global network as well as technological innovation and know-how to bring significant value to our customers.

LIFE SCIENCE SERVICES

SGS provides outsourcing services on the quality and safety of drug ingredients and the development of pharmaceutical products to help our customers improve efficiency, reduce costs and ensure product safety.

CONSUMER TESTING SERVICES

SGS inspection and testing services ensure the integrity, quality, safety and regulatory compliance of every kind of consumer product, from textiles to appliances, furniture, food, and electronics.

SYSTEMS AND SERVICES CERTIFICATION

SGS offers audit and certification services to enhance our customers' business processes and help them to deliver extra value, improve quality management and performance, minimise risk and gain competitive advantage.

INDUSTRIAL SERVICES

Our teams of engineers and technicians ensure that products and installations in the energy, process and construction industries meet applicable requirements.

ENVIRONMENTAL SERVICES

SGS helps customers to integrate environmental management into their operations by providing analytical and data interpretation services.
Through our international network
of laboratories and experts, SGS
aims to improve integrity, quality and
efficiency, and minimise our customers'
environmental impacts.

AUTOMOTIVE SERVICES

SGS provides expert support on the design, construction and operation of vehicle inspection solutions.
Governments, manufacturers, financing and insurance companies and consumers rely on our independent, accurate and secure solutions to limit damages, improve used car remarketing, and support road safety.

GOVERNMENTS AND

INSTITUTIONS SERVICES

SGS applies valuable trade knowledge to verify trade information, set up electronic business processing and scanning operations, and assess efficiency and legal compliance in aid delivery schemes and forestry operations.

AMERICAS
21.2% Revenues
20.5% Employees

EUROPE, AFRICA & MIDDLE EAST 51.0% Revenues 43.9% Employees

ASIA PACIFIC 27.8% Revenues 35.6% Employees

9

NEED TO BE SURE

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Trust lies at the heart of SGS' business proposition. This means applying the same degree of scrutiny to our own operations as we do to our customers' and conducting our business with absolute integrity and professional excellence. Our success and value to society depends on us exercising foresight, judgement and responsiveness to the needs of all our stakeholders.

ABOUT THIS REPORT

SGS is committed to providing stakeholders with an annual written account of our sustainability performance and plans. This is our second Corporate Sustainability Report prepared for our employees, associates, customers, investors and other interested stakeholders. It presents an updated account of Our responsibilities and performance and describes HOW SGS is implementing a corporate global sustainability plan alongside the professional sustainability services we deliver to our customers in response to market and societal needs.

In developing this Report and our wider engagement model we have used the AA1000 Accountability Principles Standard as a framework for identifying, prioritising and responding to sustainability challenges. The selection of data and other content published here have been mapped against the Global Reporting Initiative (GRI) G3 guidelines. In addition we have included areas that we believe are important for our business and our key stakeholders.

Feedback on last year's Report, published in March 2010 can be found on page 25. It reinforces the view from the majority of employees and customers who responded to our survey that the areas reported on were both relevant and useful to them. We have taken on board their suggestions to include more employee-led stories within Our People and Community sections, and have included more definitive improvement targets. The focus of this year's Report centres on the core sustainability programmes we are implementing across our global operations.

Our published and online Reports form part of the tools we use to engage our employees, customers and other stakeholders in our sustainability approach. In addition to the full Report, which is available as an interactive and downloadable pdf and in printed format, we have prepared a fact sheet summarising our achievements, performance updates and improvement targets. These can be accessed via our website: www.sgs.com/cs-report

As previously, we have chosen to report under the four pillars of our corporate sustainability management system.

PROFESSIONAL EXCELLENCE

Trust lies at the heart of the value we deliver to our customers and society.
Our conduct is measured by our ability to consistently deliver integrity, ethics, capability and quality without compromise.

PEOPLE

People are our most important asset. Our responsibilities extend to ensuring that our employees are safe at work, are treated fairly and with respect, and that they are empowered to fulfil their potential and positively contribute to our business success and sustainability agenda.

ENVIRONMENT

We are committed to conducting our business in a way that protects the environment. We also recognise our broader role in contributing to environmental management through our range of professional products and services.

COMMUNITY

We rely on our ability to attract talent and local knowledge to our business, and offer jobs, income and development opportunities to communities. Our support for the UN Millennium Development Goals enables us to respond locally to some of the most challenging issues facing the sustainability of our planet.

The scope of this Report covers all our regions and business lines and relates to the year ending 31 December 2010. Some narrative outlining our progress includes activities up to the point of Report publication in early 2011.

OUR REPORTING SCOPE

During the year, SGS acquired ten new businesses, representing more than 1 300 new employees primarily in Europe. Given the scale, nature and timing of the businesses we acquired we do not consider the effect of these acquisitions to have had a material bearing on our sustainability performance for the year. Nevertheless, we have included commentary on acquisitions in the Report where we consider it might be of particular interest to our stakeholders. These acquisitions will be incorporated into our reporting scope for 2011. The full list of acquisitions is available at www.sgs.com/about_sgs/recent_acquisitions

LIMITATIONS OF REPORTING SCOPE

The data presented in this Report covers employees, but with some minor exceptions does not include subcontractors working on behalf of SGS. Despite the efforts we are putting into our sustainable data management (as described on page 27), we accept that in these early stages of reporting there will continue to be some discrepancies in data captured locally. This may result in some figures being under- or over-stated.

In the interest of accurate disclosure, we have made a conscious decision to limit our scope in these early Reports to areas where we have a higher level of confidence in the data. In doing so we accept that we are not yet providing complete detailed coverage of every country. While we collect data from every country we operate in, performance is tracked and reported using those countries that have been identified as representative of our Group performance. These 'trend countries' cover more than two-thirds of employees and over three-quarters of revenue. Over time the scope will broaden as our sustainability reporting becomes more established and the awareness of sustainability increases across the Group.

We now routinely collect data using over 80 indicators of sustainability covering people, environment, business, community, reputation and trust. These are used internally to highlight performance and drive improvement. In 2010 we introduced new performance indicators around our core programme of Energy Efficiency in Buildings to better track energy consumption and emissions from SGS offices and laboratories.

REPORT ASSURANCE

SGS has consulted a number of internal and external experts on our assurance approach who have confirmed that using the SGS Sustainability Report Assurance Services and the GRI Guidelines is considered the most appropriate approach for a company which has assurance as part of its professional service offering. We have therefore adopted the same approach to assurance for this Report as previously.

The Report content has been formally reviewed by the Sustainability Steering Committee. Internal assurance was carried out on this Report. The scope of assurance included the text, performance data and a review of the management of this data. The Report has been compiled in accordance with the GRI G3 Guidelines and has achieved a Level C. This has been independently checked by GRI.

To further enhance our data assurance and reporting process, SGS has started to implement a programme of year-round assurance in 2011 using assurors in our regions to check the veracity of our sustainability data and Report content.

FURTHER INFORMATION AND FEEDBACK

We are genuinely interested in hearing your views on this Report and your thoughts on how SGS can best engage stakeholders in our sustainability journey.

You can do this by using the link at the end of this Report to access a confidential survey. Alternatively please contact a member of our Corporate Sustainability team via

corporate.sustainability@sgs.com

For employees we have provided a dedicated intranet site on sustainability to help you find more information, review the latest performance data and share knowledge, advice and best practice.



DEAR STAKEHOLDERS,

2010 was an exciting year for SGS. We continued to grow our business, primarily through acquisitions, and secured our sector leadership by delivering services that promote sustainable development, create trust, help manage risk and uncertainty, and bring competitive advantage to our customers. During the year we announced The Plan, an ambitious commitment to achieve a turnover of CHF 8 billion and an operating profit margin of 20% by 2014. Our sustained growth and value to society relies on us managing our environmental footprint whilst upholding the highest standards of integrity, safety and human rights.

The leadership team has developed targets that will ensure we achieve our sustainability goals in line with business growth. Over the next three years we will focus on 'doing more with less'; improving the energy efficiency of our offices and laboratories and 'greening' our global systems for IT, car fleets and procurement. We will also need to ensure that we have the right mix of technical skills and competencies in the business by advancing our programmes on leadership, personal development, sustainability awareness, equal opportunities, human rights and community engagement. These initiatives form our core global sustainability programmes which are fully owned by the functions and complement the many initiatives inspired by employees in our local operations which already contribute to sustainable development.

While there is more work to be done, we believe that the progress made in 2010 provides a strong foundation to help us towards our goal. We strengthened our management of health and safety with the appointment of a Vice President Group Health and Safety reporting to the CEO. We established sustainability roles amongst our affiliates to work alongside the Vice President Corporate Sustainability and instigated a year-round cycle of Report Assurance using assurors in our regions. We also extended our stakeholder dialogue through an online stakeholder survey on sustainability reporting and management, and created bespoke e-learning modules on sustainability aimed at our employees.

Our continued success relies on our entrepreneurial spirit to examine market forces and identify services that respond to changing customer and societal needs. During the year we acquired ten outstanding businesses and in parallel developed new services in the areas of hydrocarbon fingerprinting, specialised seed testing under drought conditions, eco-fuel testing, compressed natural gas cylinder inspections, used oil testing, soil and ground water screening, integrated forest control services and a forest plantation standard. It is this responsiveness to customer needs coupled with our responsible business approach that enabled us to be recognised as a sustainability leader. For the second consecutive year SGS has been included in the Dow Jones Sustainability Europe Index, the most prestigious equity index for companies judged best in class in sustainable business management. This achievement would not have been possible without the talent and dedication of our teams around the world.

2010 was about setting in place a strong foundation to manage a global sustainability programme that will support and help secure our continued business growth. As we embark on this endeavour we will maintain our commitment to corporate sustainability and use our growing network to expand our reach further than ever before. We hope that you will find this Report a useful tool for stakeholder engagement and we look forward to hearing from you on how we can further develop and improve our sustainability reporting.

Sergio Marchionne

Chairman

Christopher Kirk
Chief Executive Officer





At SGS, sustainability is about managing a long-term profitable business while taking into account all the positive and negative environmental, social and economic effects we have on society.

Since 2008, SGS has been developing and implementing a formal Group-wide sustainability strategy across our business units and geographical regions. This year, we focused on promoting our sustainability agenda through the business functions. The heads of business functions each work in collaboration with the Vice President Corporate Sustainability to design, pilot and implement the core programmes that address our key sustainability impacts. All our programmes are aligned to The Plan.

GOVERNANCE

SGS is committed to maintaining universally accepted standards of corporate governance and business integrity. We are legally bound by the regulations of the SIX Swiss Exchange and our governance structures and processes are described in our Annual Report.

The SGS Board of Directors has overall responsibility for strategies and key business policies, including those which impact on sustainability performance. The Board is assisted in discharging its responsibility for risk management, regulatory compliance and the adequacy of internal controls by the Audit Committee. The Professional Conduct Committee assists both the Board of Directors and Management in defining policies relating to professional conduct and oversees their implementation.

The Operations Council comprises individuals responsible for the operational management of the Group's activities and is chaired by the CEO. Its remit includes the approval and implementation of business strategy and covers elements relating to sustainability.

The Group Chief Compliance Officer supports the implementation of a compliance programme based on the SGS Code of Integrity and Professional Conduct. The Chief Compliance Officer reports to the CEO, attends all meetings of the Board of Directors and its Committees, and has direct access to the Chairman of the Board.

The Sustainability Steering Committee was established in 2008 and is chaired by the CEO. It comprises 12 members of senior management including Chief Operating Officers, Executive Vice Presidents and Senior Vice Presidents, each with a specific focus on certain aspects of SGS' sustainability programme. The Committee meets twice a year and is responsible for developing the Group sustainability strategy, monitoring performance and agreeing areas for improvement. Our Operations Council endorses the strategy and periodically reviews progress.

EXTERNAL INFLUENCE AND ENGAGEMENT BOARD OF DIRECTORS

OPERATIONS COUNCIL

SUSTAINABILITY STEERING COMMITTEE

SUSTAINABILITY SUB-COMMITTEES

SUSTAINABILITY MANAGEMENT SYSTEM

	CEO		C	00				E	VP	S			SVP
Sustainability Steering Committee		AFRICA*	NORTH AMERICA	SOUTH EAST ASIA PACIFIC	WESTERN EUROPE	AGRICULTURE SERVICES	CONSUMER TESTING SERVICES	GOVERNMENTS AND INSTITUTIONS SERVICES*	MINERALS SERVICES	OIL, GAS & CHEMICALS SERVICES Environmental services	SYSTEMS & Services certification	CHIEF COMPLIANCE OFFICER	INVESTOR RELATIONS, CORPORATE DEVELOPMENT & CORPORATE COMMUNICATION
CHAIRMAN													
ENVIRONMENT													
PEOPLE													
BUSINESS													
COMMUNITY													
INTERNAL REPORTING													
COMMUNICATION AND REPUTATION													•

^{*} COO Africa also heads Governments and Institutions Services

The Group sustainability programme is overseen by the Vice President Corporate Sustainability who reports directly to the CEO and is supported by the respective heads of businesses and regions. The Chief Operating Officers, Executive Vice Presidents and Senior Vice Presidents provide strategic direction and leadership on sustainability. In addition to our core sustainability programmes, which are managed globally, the regions are given the flexibility to develop local programmes and initiatives that are relevant to each business and its stakeholders.

"During 2010 we focused on establishing core sustainability programmes with the heads of business functions: Corporate Finance, Facilities Management, IT, Fleet Management and Human Resources. Together we designed and piloted projects that will be implemented across our global network in 2011 and beyond. One such project involved looking at our energy efficiency in SGS-owned buildings, including a review of resource consumption, waste generation and waste disposal. The pilot, which is described on page 58, has identified the potential for substantial reductions and will drive a four-year strategy that will be implemented across our offices and laboratories.

"This year I also spent time in the regions supporting the implementation of our global sustainability plan using a combination of 'top down' leadership through the functions and encouraging a 'bottom up' approach via employee initiatives. The development of regional sustainability sub-committees is evolving with a number of new teams around the world. I believe it will take time for these to become fully established but am encouraged by the interest and enthusiasm in the affiliates in initiating the process.

"One of the highlights of my regional visits was attending a sustainability day in Jakarta hosted by the Managing Director SGS Indonesia and attended by 1 400 customers. SGS awarded prizes to customers in the cement, oil and banking sectors who had shown outstanding contributions to sustainable development through their work. This is a perfect example of how we are involving stakeholders in our sustainability approach. I also had the opportunity to present how sustainability has been integrated into The Plan during the SGS 'GIANT STEPS' global leadership conference in Montreux.



"As part of our formal dialogue process I spent time with elected employee representatives at a meeting of our Euroforum Works Council discussing our sustainability management and reporting approach. The process was very constructive and led to the President of the Works Council offering to contribute a statement in this Report as part of our stakeholder dialogue. This can be found on page 73.

"Looking back on the year I have been encouraged by the scale and pace of progress in developing and implementing global sustainability measures. This would not have been possible without the full support and leadership of senior management and the personal drive of our employees. Looking ahead we will be challenged to proactively manage our sustainability risks and opportunities alongside our ambitious growth plans for the business. Nevertheless, I am confident we have invested sufficient resources and intelligence into establishing a solid foundation upon which to manage these programmes and achieve successful short and longer-term outcomes in sustainability."

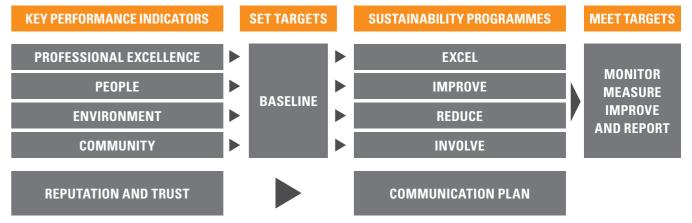
DANIEL RÜFENACHT VICE PRESIDENT CORPORATE SUSTAINABILITY

SUSTAINABILITY MANAGEMENT SYSTEM

In 2008, the Sustainability Steering Committee approved a sustainability management system to define and measure the Company's sustainability impacts, engage stakeholders in a dialogue around our shared goals, implement programmes, and monitor and communicate our progress to stakeholders.

Performance is monitored through a sustainability balanced scorecard.

SUSTAINABILITY MANAGEMENT SYSTEM



Our sustainability management system defines our direct impacts and shared goals as follows:

- Governance and risk management is defined by laws and regulations, financial and structural governance including internal
 controls, committees and shareholders, risk management system, policies and procedures, and the direct and indirect impacts
 of our sustainability services. Our shared goal is to EXCEL in the way we do business.
- **Direct social impact** is defined by our Company vision and corporate values, as well as our Code of Integrity and Professional Conduct, our respect for human rights, our Quality Health Safety and Environment policy, and our Human Resources and procurement polices and practices. Our shared goal is to IMPROVE our social performance.
- **Direct environmental impact** is defined by our environmental management system, our environmental policy and the measurement of performance, including our carbon footprint. Key impact areas for us include climate change, water management, waste and pollution. Our shared goal is to REDUCE our environmental impact.
- **Philanthropy** is defined by our community investment policy which includes guidelines on philanthropic activities, principles of charitable donations and our support for communities in need. Our shared goal is to INVOLVE our people in supporting the needs of communities in which we live and work.

- · Code of Integrity and Professional Conduct
- Corporate Security Manual
- Due Diligence Guidelines for the Engagement of Agents, Consultants and Other Intermediaries
- Fraud Prevention Guidelines
- General IT Guidelines *
- Group Financial Manual
- Group Sustainability and Reporting Manual
- Group Treasury Manual
- Information Security Incident Reporting Procedures
- IT Resources Usage Policy
- Purchasing Terms Policy
- Supplier Management Policy
- Sustainability Data Self-Assessment Checklist

PEOPLE

- Bonus Policy
- · Certifying Programmes Policy
- Emergency Evacuation Procedure
- Employment Policy
- Expatriate Policy
- Human Rights Policy/Guidelines *
- Human Rights Self Assessment Checklist*
- · Quality, Health, Safety and **Environment Manual**
- · Quality, Health, Safety and Environment Policy
- Recruitment Policy
- Residential Security Guidelines
- · Security Incident Reporting Procedures
- Travel Security Guidelines

COMMUNITY

- Building Policy
- Environment Policy
- Green Building Guidelines *

ENVIRONMENT

- Green Car Fleet Policy *
- Green IT Guidelines Procurement Policy

- Community Policy
- Group Community Guidelines *

A selection of our policies is available on our website at www.sgs.com

* Policies currently under development

SUSTAINABILITY SUB-COMMITTEES AND LEADERS

To date, a number of sustainability sub-committees have been established at various locations around the world. In addition to engaging functional leaders to integrate sustainability within their domains, several key sustainability roles were established to oversee the implementation of SGS' core sustainability programmes and develop specific local initiatives. These appointments included a Sustainability Director and supporting team in France as well as specialists in building energy efficiency and Green IT in Switzerland to support our global programmes.

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In determining which areas to focus and report on we have considered:

- The significance of our impacts, as defined in the Sustainability Management System (page 21).
- The risks to our business and our sphere of influence
- The expectations of employees and external stakeholders

RISK MANAGEMENT

Business risks are identified through the business lines. The assessment and mitigation of local and regional risks are overseen by respective Chief Operating Officers and Executive Vice Presidents. More significant risks are raised with the Operations Council which is accountable to the Audit Committee for maintaining the adequacy of the risk management process. More information on our risk management process can be found in our Annual Report.

During 2008 we conducted a sustainability risk profile with the Sustainability Steering Committee to evaluate those issues which might potentially pose a risk to business revenue or our reputation. In the last two years, we have reviewed areas which posed the highest combined risk to revenue and reputation and made these a focus for our global programmes. These programmes are described in further detail in the subsequent chapters.

OBSERVE ACT Laws & Regulations Health & Safety Human Resources Risk Management Corporate Governance Waste Management Vision & Values Code of Integrity & Professional Conduct Communication on Sustainability Direct & Indirect SGS Community Involvement Sustainability Services Stakeholder Engagement

Biodiversity/Ecosystems HIGH

Climate Change

Water Management

Sustainable Procurement

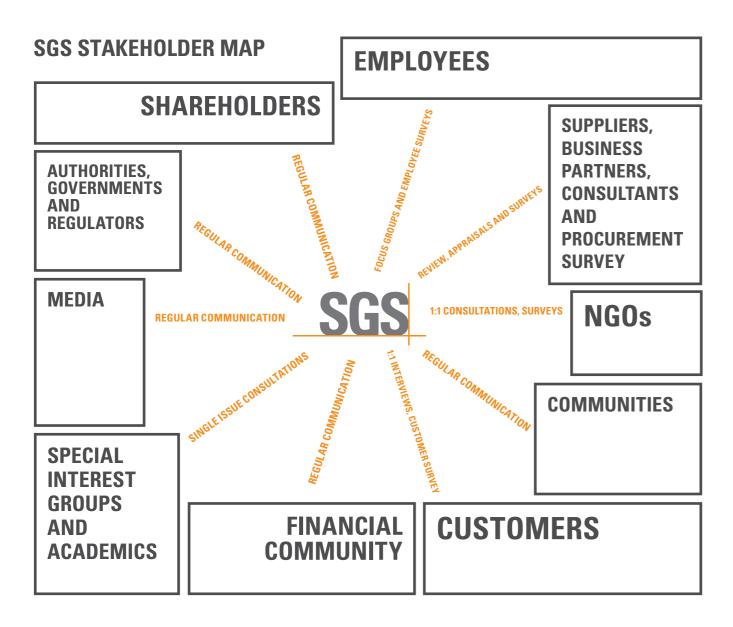
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LOW

STAKEHOLDERS

We continually consult stakeholders at corporate, regional and business unit levels. Their input helps drive improvements in our existing service offer and delivery, the development of new sustainability services and standards, as well as our approach to managing and reporting sustainability. Below is an illustrative map of some common stakeholder groups that are applicable to the majority of our business areas. This is reviewed annually to ensure it accurately reflects our stakeholder universe. Over time we intend to broaden and deepen this profile as we forge strategic engagement with additional stakeholder groups.



STAKEHOLDER DIALOGUE

During 2010, we continued to monitor our sustainability approach with internal and external stakeholders. Their feedback is vital to informing the development of our professional services, our global corporate sustainability programmes and our local initiatives. Examples of stakeholder dialogue in 2010 included the Euroforum Works Council, Green Procurement Survey and the Voice of the Customer Survey.



FEEDBACK ON OUR 2009 REPORT

Following the launch of SGS' first Corporate Sustainability Report in March 2010, we invited you to tell us what you thought about the Report and, most importantly, how we might improve it. We were pleased to have received over 700 responses to our online survey from employees, customers, suppliers, business partners, NGOs and community members.

We would like to take this opportunity to thank you for your time and valuable input which has helped to shape this Report and our future reporting plans.

For 77% of you

the Report increased or significantly increased your level of understanding of sustainability.

Nearly all of you thought it was important that SGS publishes a Corporate Sustainability Report and you thought that all sections of the Report were important.

80% of employees felt more positive about SGS and our commitment to sustainability after reading the Report.

SGS after reading the Report.

We have begun to address a number of specific recommendations during the preparation of this year's Report content. In general, respondents said they would like to see more voices from employees, customers and community organisations; more detailed reporting of emissions from laboratories; and more information on innovations and new services from SGS which contribute to sustainable development.

Results of the online survey, including qualitative comments and recommendations from employees and customers, are reviewed by the CEO and the Sustainability Steering Committee.

81% of customers who responded felt more positive about

MEASURING

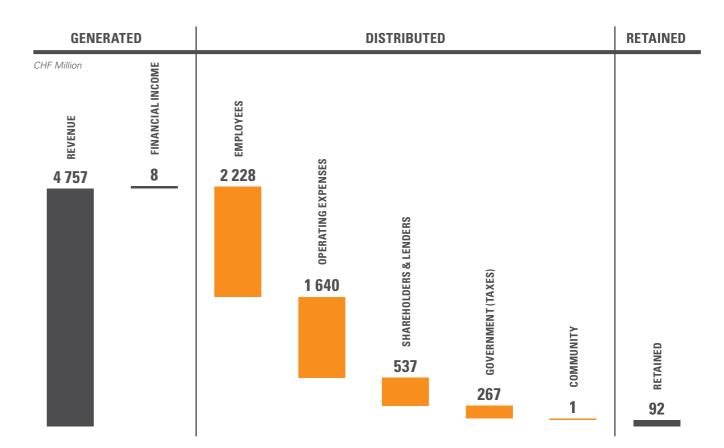
OUR PERFORMANCE

While the SGS Annual Report provides information on our financial position and performance it is also important to measure the broader economic impact of our organisation on society. In this process we take the economic value generated by SGS through our services and from other income and look at how this value is distributed amongst our stakeholders. These global figures are presented on an accruals basis.

SGS GROUP STATEMENT OF ECONOMIC VALUE GENERATED & DISTRIBUTED

F Million	2010	%
CONOMIC VALUE GENERATED		
Revenue	4 757	
Financial Income	8	
TOTAL ECONOMIC VALUE GENERATED	4 765	100.00
CONOMIC VALUE DISTRIBUTED		
EMPLOYEE WAGES AND BENEFITS		
Salaries and wages	2 228	
TOTAL	2 228	46.76
OPERATING EXPENSES		
Subcontractors' expenses	313	
Depreciation, amortisation and impairment	225	
Other operating expenses	1 102	
TOTAL	1 640	34.42
PAYMENTS TO SHAREHOLDERS AND LENDERS		
Financial expenses	15	
Dividends paid *	522	
TOTAL	537	11.27
PAYMENTS TO GOVERNMENT		
Income taxes	215	
Other taxes	52	
TOTAL	267	5.60
PAYMENTS TO COMMUNITY		
Community contributions and charitable donations	1	
TOTAL	1	0.02
TOTAL ECONOMIC VALUE DISTRIBUTED	4 673	98.07
PONOMIC VALUE DETAINED		
CONOMIC VALUE RETAINED	92	1.93

^{*} Dividends due to non-controlling interests and to shareholders as proposed by the Board of Directors.



SUSTAINABILITY INDICATORS

The Corporate Finance team in partnership with Corporate Sustainability developed a data management tool called Solaris which uses the Group financial management platform to input and consolidate sustainability data for all countries. During 2008, all countries were provided with templates to enable accurate and consistent data capture.

Since then, an accompanying handbook, the Group Sustainability and Reporting Manual, has been developed to provide guidance on the most reliable sources of information and the importance of having supporting documentation to substantiate all data. As a result of these efforts, all countries are now able to track sustainability performance across a large number of quantitative indicators. The data enables each business to understand how it compares to others within SGS. It can also help us identify where we need to improve as a company.

DATA MANAGEMENT

Each country must report on sustainability performance every half-year. Where appropriate, impacts are monetised to help us focus on the contribution that sustainability makes to our operational efficiency.

All data is managed by our Finance team who apply the same rigour to this as to our financial data. The team has strong support from respective functions including Compliance, Continuous Improvement, Corporate Communications and Investor Relations, Human Resources, Quality, Health Safety & Environment (HS&E) and Technical Governance.

As part of our commitment to continuously improve our sustainability reporting, we invested time during 2010 to further enhance our data management system. We began by reviewing the assurors' comments on our 2009 Report which highlighted the need to further standardise the scope and method of calculation for some key performance indicators where variations exist at business unit and country level.

These findings led us to make a number of IMPROVEMENTS:

We revised the Group Sustainability Manual to ensure that our explanations on how to collate and record data were clearer, using sample calculations to illustrate how to accurately record data. We also linked each KPI to the corresponding GRI indicator where appropriate to help country finance managers to understand the relevance of reporting certain data.

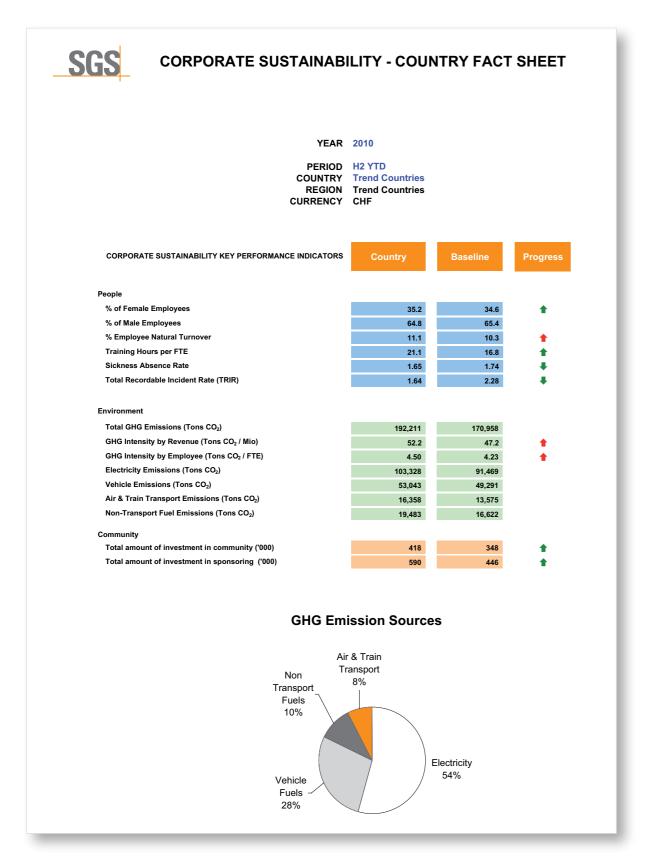
 We modified the Solaris data management system was to enable countries to input data using preferred local measurements. Using the system to automatically apply the correct conversion factors should

reduce the margin of error.

- We designed a Solaris Data
 Review Template to improve the data
 validation process. Automatic warnings
 were implemented within the system
 to flag up any nuances in data entered
 based on previous country submissions
 and accumulated trend data.
- We devised a self-assessment checklist for use by country finance managers in preparation for data assurance.
- We introduced standardised methodology to estimate or extrapolate data that is missing.
 For example, being able to record a full year's data by the time of our accounting cut-off date means that in some instances we need to accrue for the final quarter. The methodology outlines how such missing data should be estimated and requires that all assumptions are recorded for audit purposes.
- We conducted a training session on sustainability data management at the Regional Finance Meetings to discuss the inputs and outputs of sustainability data management.

Through addressing the recommendations made by our Sustainability Report assurors, we were able to glean new insights and knowledge about our approach and anticipate future audit requirements which have led to us making some adjustments to certain key performance indicators. These are explained in the body of this Report. We have also provided explanations where it has been necessary to restate 2009 data.

With the measures we have put in place, we are confident that data reported is supported by an audit trail, from a clear definition of the indicator through to the final consolidated figures included in this report. We will have a number of challenges going forward to make our data comparable year-on-year in a growing business, and we are working to develop a methodology to be able to distinguish and report on the impact that future acquisitions will have on our overall emissions, compared with the impact of organic growth.



Example of internal template for data reporting

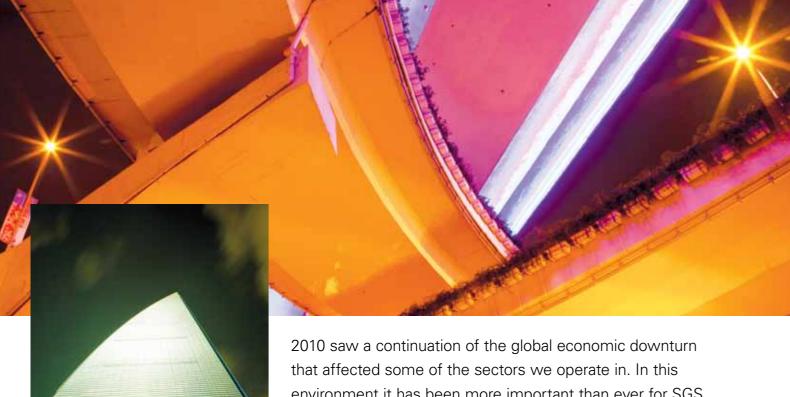
PROGRESS

2009 COMMITMENTS

In our 2009 Report, we included a number of improvement goals to focus efforts around our key impacts. Some have been met while others have been revised in line with The Plan and our current performance. A summary of progress appears on page 72. The Sustainability Steering Committee has also agreed a range of additional targets and commitments to support The Plan to 2014. These are described in the Looking Ahead section in the following chapters.







environment it has been more important than ever for SGS to understand how we add value to our customers and to provide our services in the most effective and efficient way possible. In this section we describe how we are adapting and continuously improving to meet customers' needs.

This year we have seen a continued rise in sustainabilityrelated services as companies and governments focus on developing sustainable solutions. This has been apparent across most of our business areas; sustainability is now an integral part of consumer goods design and manufacture, agriculture, energy, transport and mining. The growing global demand for sustainable technologies and practices has fuelled the need for new types of inspection, testing and certification.

SGS continuously innovates to develop the services that our customers want and that society needs; we develop ways of providing these services more efficiently and, above all we continue to aspire to the highest standards of business integrity wherever we operate.

"SUSTAINABILITY INTEGRATION IS **HAPPENING**

D HAVE IMAGINED. IT SEEMS TO BE CATCHING ON WITHIN SGS AND IS

WIDELY SEEN

FOR DEVELOPING **NEW SERVICES** ACROSS A RANGE OF BUSINESSES. IT HAS

HUGE POTENTIAL

FOR US AND OUR STAKEHOLDERS."

CHRISTOPHER KIRK

DID YOU KNOW?

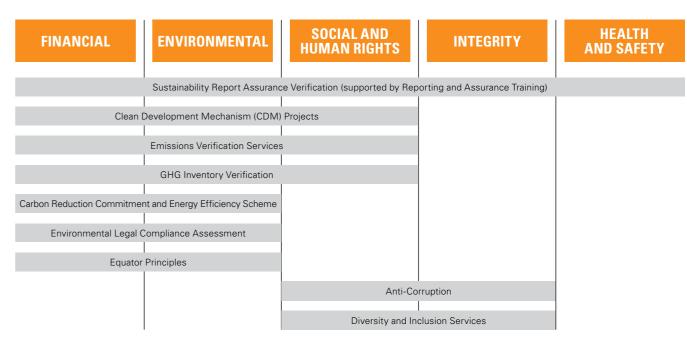
- > SGS is one of the few companies in the world to offer earthquake-resistance testing.
- in the European Emissions Trading Scheme.
- full-scale rotor blade testing.

CONTRIBUTION WE MAKE TO SUSTAINABILITY

SGS provides a wide array of services that contribute to sustainability. Our service offers contribute to environmental management. ensure the safety of consumer products, help government departments to combat corruption, monitor working conditions in factories and certify the safety management systems that protect workers from injury. Many areas of sustainability are now

The following table illustrates how SGS' professional services can not only help our customers express their own corporate values across the sustainability spectrum, but also embed them into their products and services.

COMPLETE SUSTAINABILITY SOLUTIONS



Find out more about our sustainability services on www.sqs.com

During 2010 SGS became an associate of cotton throughout the supply chain.

ENERGY AND CLIMATE CHANGE

The SGS Climate Change Programme validates projects and certifies reductions in greenhouse gas emissions. We have over 80 experienced greenhouse gas assessors working globally. SGS' energy reduction services help customers to reduce their energy consumption and overall carbon footprint through training in responsible energy use, auditing of energy consumption and supervision of energy reduction projects. Our carbon offsetting scheme and a carbon neutrality label help organisations communicate their carbon emissions and their commitment to overall carbon reduction. Using radiocarbon dating, SGS has recently introduced an innovative test to measure the proportion of carbon emissions in flue gases that are derived from bio fuels.



The SGS carbon label is a quantitative benchmark to illustrate the level of carbon neutrality achieved by an organisation. Five ticks indicate 100% neutrality, whereas one tick indicates a minimum of 20% neutrality.

Wind energy services

SGS Wind Energy certifies wind farm projects at each stage of development and tests critical turbine components. Our blade testing centre in Tianjin, China is able to test turbine blades up to 70m in length.

Under the 2007 Kyoto protocol, companies are able to offset emissions through carbon reduction projects in developing countries under a process called the Clean Development Mechanism (CDM). SGS is a world leader in the validation of CDM projects which include tree planting, investment in low energy equipment, and renewable energy development.

Water management and testing services

SGS is developing a global network of scientifically-managed 'stress environments' to test the drought resistance of agricultural crops under stringently controlled conditions. We also support water management and irrigation projects and provide environmental testing of soil and groundwater around construction sites to identify the possibility of ground water contamination. In the Indian state of Andhra Pradesh, SGS services have helped the government to build irrigation projects.

Working with Vestergaard Frandsen, SGS has assured the efficacy and safety of a life-saving drinking straw which contains a filter to remove bacteria and viruses from drinking water, reducing the risk of disease in areas with limited access to clean water.

FOOD SAFETY AND AGRICULTURAL **SUSTAINABILITY**

Agricultural crop services

SGS helps farmers understand how to maximise yields, select the best varieties and to farm efficiently whilst optimising use of fertilisers and pesticides.

We offer an innovative test for nutrient deficiency or excess, and can accurately track soil quality and fertiliser using GPS mapping and soil sampling. Our chemical testing prevents the use of unauthorised pesticides in the food chain.

Forestry monitoring programme

Illegal logging poses a significant threat to sustainable development. The SGS Forestry Monitoring Programme helps governments to implement national and regional validation schemes for legal timber. We also certify that products meet the Forest Stewardship Council (FSC) forestry standard. In Africa, the Congolese Government uses our traceability service to verify that timber has been extracted legally from the expansive forests of the Congo.

Marine product traceability

selectively serve food certified according to the Marine Stewardship Council standard for sustainable seafood. Using SGS' Product Traceability service, school canteens in Norrköping now serve fish

Better Cotton Initiative

member of the Better Cotton Initiative which aims for responsible stewardship





Find out more about our sustainability services on www.sgs.com

In this second table, we have mapped a cross-section of our services from 'cradle to cradle' to illustrate the scope of support

SGS provides to customers across product life cycle stages. The table includes examples of services that are available globally

PRODUCTION

Crop Services

ISO14001

Product Carbon Footprinting including PAS 2050

Project Finance Monitoring

Smart Metering

Sustainable Events

Wind Power Operators

Wind Power Projects

REACH Directive Compliance

Alternative Fuels

Gas Analysis

PAS55

Environmental Monitoring

WASTE TO RESOURCE

Renewable Fuel Transport Obligation (RTFO)

Renewable Obligation: Fuel Measurement and Sampling Guidance (OFGEM)

Vehicle Safety and Emissions Testing

Restricted Substances Testing

CSR Supply Chain Monitoring

OHSAS18001

SA8000

Sustainable Cotton

USE

END OF LIFE

Environmental Monitoring

Waste Electrical & Electronic Equipment (WEEE) Directive

Over the following pages we highlight a selection of SGS services to show how they contribute to a compliant, safe and

and we recognise that there are many more services we provide at local level.

COMMISSIONING

sustainable society.

LIFE CYCLE STAGES

DESIGN

Ecodesign

REACH Directive Compliance

SAFETY AND SECURITY

In addition to safety management systems certification, SGS ensures that equipment, installations and consumer goods meet required safety standards. Our non-destructive testing of metals and other materials monitors the integrity of equipment used in the nuclear, oil and gas industries, and our pipeline integrity system checks the safety of oil and gas pipelines.

SGS is one of a few companies in the world to offer earthquake resistance testing. Our laboratory in Korea provides valuable information to minimise the risk of damage to vital infrastructure such as power plants and communications in the event of an earthquake.

ANTI-CORRUPTION

Being able to demonstrate the highest levels of business integrity is important for most organisations. Our auditing and certification of anti-bribery policies and compliance programmes help ensure robustness and reduce the risk of lapses. Internationally, our trade validation services reduce the risk of fraud and instil confidence.

SGS' Destination Inspection service uses a combination of high technology tools, such as cargo x-ray scanners and risk management databases, to facilitate compliant trade, detect fraudulent transactions and identify illegal cargo.

NEW TECHNOLOGIES

Many sustainability solutions will emerge from the development of new technologies. Quite often the limiting step is not the research but the testing of technologies to ensure that they are commercially viable, safe and have public confidence. Our Testing and Certification services play an important role in helping accelerate technologies such as new construction materials, analysis of bio-fuels and life cycle analysis of consumer goods.

SGS has developed a new mobile air monitoring laboratory to monitor pollutants and dust in the air, capable of sampling and processing over 25 000 results per day. The facility was used at the 2010 FIFA World Cup in South Africa to monitor and maintain air quality around the Durban Stadium.

CASE STUDY SGS ENVIRONMENTAL SERVICES, LAKEFIELD, CANADA

The Lakefield Environmental Services business learned from its Lab Excellence Voice-of-Customer (VOC) survey in January 2009 how customer service could be enhanced by improving turn-around times (TAT). This opinion aligned with feedback from the Client Services team which highlighted some inconsistencies in the delivery of laboratory results which averaged 75% on-time.

The Lean project team tackled the TAT problem, and as a result, made drastic improvements as shown in the table below:

PROJECT KPI	BEFORE LEAN	6 WEEKS AFTER LEAN
TAT (from login to results)	7.6 days	3.9 days
Defects per week at results approval stage	137 defects	14 defects
Defects per week at client services stage	89 defects	21 defects

After six weeks of implementing Lean, TAT was reduced to almost half, while defects per week at results approval and Client Services stages drastically reduced.

On-time delivery increased from 75% to 90% and the Client Services team reported positive feedback from customers. These findings were further confirmed in the VOC survey in January 2010 which highlighted that customer satisfaction in TAT was also matched by improved customer perceptions of value for money.

SERVICE DELIVERY AND IMPROVEMENT

'Lean' is a programme to continuously improve the efficiency of SGS' service delivery and optimise our interface with customers. It consists of four strategic programmes: laboratory excellence, back office operations, sales relationships and laboratory information management. Following successful trials in Asia, our Operations Council decided to roll out Lean across the Company. The programme is currently being implemented across our laboratories and offices with over 100 live projects. Efficiency improvements continue to be achieved through small teams who design and implement solutions to improve the way we work. This year we expanded our Lean Leader Training and introduced a Lean qualification which 40 SGS employees have now attained. This has built a solid platform for accelerating the programme and ensuring it becomes an integral part of our management approach.

Lean helps SGS' operational efficiency by reducing or eliminating activities that do not add value, and improving those that do. This coordinated, strategic approach has led to improvements in our response time, reductions in customer complaints and improvements in turn-around time and on-time delivery. By processing more samples through the same laboratories with reduced energy, resources, equipment, consumables and water, SGS is able to expand its business whilst reducing the environmental impact per sample.

The environmental benefits of the Lean programme are tracked using our sustainability data management system. The positive attitude of employees actively seeking new and better ways of working through Lean is leading to tangible environmental savings. For example, in our Hong Kong and Shenzhen laboratories, more efficient sample processing saved 1 880 000 sheets of paper in a year.

Our customer opinion survey, 'Voice of the Customer' helps SGS to understand and respond to customer interests, suggestions and expectations. The survey will typically cover quality of service, technical capabilities, turnaround time, administration team, reporting format, satisfaction in queries being dealt with, courtesy and value for money. Since 2008, SGS has conducted a total of 247 Voice of the Customer surveys in 23 countries and has obtained responses from 4 793 customers.



PROFESSIONAL INTEGRITY

Everyone who relies on SGS' services must have total confidence that they will be delivered reliably and professionally. Some of the ways in which we meet our responsibilities include:

TECHNICAL COMPLIANCE

SGS businesses have specialised technical governance units which ensure compliance with internally-set quality standards and industry best practices. Each develops its own set of specific rules and frameworks for technical governance, determined by relevant legislation, regulation and best practice. The adequacy of such programmes and corresponding controls falls within the scope of Internal Audit.

OUR CODE OF INTEGRITY AND PROFESSIONAL CONDUCT

SGS' standards of business conduct are set out in our Code of Integrity and Professional Conduct (the Code) which is available in 29 languages. The goal is to ensure that the highest standards of integrity are applied to all Group activities worldwide in accordance with international best practices. It sets out the universal behaviours expected of all employees and people working on behalf of SGS under the following headings:

- Integrity of services
- Employee relations
- Integrity of financial and company records
- Fair competition
- Conflicts of interest
- Compliance with laws
- Procurement
- Insider trading
- Improper advantages
- Confidentiality

INTEGRITY TRAINING

We ensure that the highest standards of integrity are applied by providing a Group-wide integrity and professional conduct training programme for all employees. Training raises awareness of the Code and incorporates businessspecific case studies which are refreshed annually. Fraud awareness forms a part of our integrity training. The programme is supported by five e-learning modules which are provided for all employees joining SGS including employees from newly acquired companies.

· Serious incidents are reported to the appropriate member of the Operations Council and there is a regular halfyearly report of non-compliances to the Board of Directors.

We are aware that certain environments where SGS carries out direct inspections on clients' premises are potentially more vulnerable than others to offers of incentives. This risk is mitigated by conducting 'mystery audits' whereby a second audit is used to calibrate the initial audit's findings and by participating in cross industry initiatives to develop and share best practices between inspection companies and with clients.

COMPLIANCE MONITORING AND ASSURANCE

We monitor and assess compliance with the Code in a number of ways:

- All employees and people working on behalf of SGS are required to sign the Code upon joining SGS to indicate that they understand it and will comply with it.
- · Operational management are required to explain and action any noncompliances and sign a compliance management declaration every year.
- · All operations are audited for compliance with the Code at least once every three years by our Internal Audit team.
- SGS has an Integrity Helpline available to both employees and business partners to ask questions or raise concerns about professional conduct.
- The Chief Compliance Officer assesses, reports and makes recommendations on any significant non-compliances.

CASE STUDY SGS CHILE

Using mechanics from SGS Automotive and Inspectors from SGS OGC businesses to pilot the integrity training initiative, SGS Chile prepared examples of integrity questions and situations that might be encountered in a working environment. Participants were asked to take photographs or prepare drawings of how they saw themselves in each situation. This helped them to identify with the elements of the Code and to discuss aspects openly within their training group. 78 employees participated in the training.

REPORTING AND INVESTIGATING CONCERNS

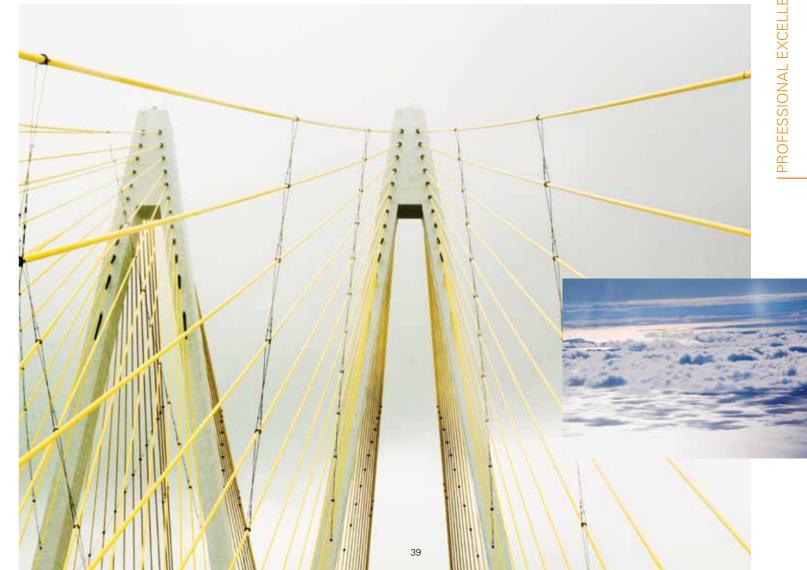
Employees, associates and business partners can report concerns relating to the SGS Code through an internal and external Integrity Helpline. Reported concerns are directed to either the Chief Compliance Officer or a Compliance Officer and classified according to the sections of the Code. Where further information is needed, the reporter will be contacted by Group Compliance who will maintain the confidentiality of their identity. In all cases, employees who report concerns in good faith are protected from any form of reprisal. Investigations into reported or suspected violations are overseen by the Chief Compliance Officer who deploys internal or external specialists as determined by the nature of each case.

OUR PERFORMANCE AGAINST OUR CODE OF INTEGRITY AND PROFESSIONAL CONDUCT (CIPC)

INDICATOR	What does this measure?	2009	2010
CIPC REPORTS	Total number of issues reported through the Integrity Helpline	136	150
CIPC INVESTIGATIONS	Total number of valid reports investigated	53*	53
CIPC NON-COMPLIANCES	Total number of confirmed breaches of CIPC identified through the Integrity Helpline	17	29

^{*2009} figure restated to align with definition.

During 2010, 150 concerns were reported via our Integrity Helpline, of which 53 were investigated and 29 confirmed breaches of the Code were identified. As a result of these investigations, 26 employees were dismissed during 2010. Investigations included two cases of fraud and, in response, we introduced fraud awareness as part of our integrity training.



SUSTAINABILITY -LEARNING

During 2010, SGS developed a global e-learning programme to raise employee awareness

and understanding of sustainability. This comprises two modules: the first introduces the principles of sustainability and the second focuses on our Sustainability Report, using interactive exercises to test employee knowledge and help employees understand how their decisions have an impact on the environment, people and local communities.



PROGRESS

2009 COMMITMENTS

INDICATOR	STATUS	COMMENT
Review data capture and calculation across our business and further improve consistency	•	Data capture strengthened
Conduct annual training on the Code of Integrity and Professional Conduct	Ø	Achieved
		eved 🛟 in progress 🕃 not achieved

Dur O ir O H

During 2011 we will:

• Continue to expand the Lean continuous improvement programme.

 Integrate sustainability e-learning into global HR development programmes.



"THE ACHIEVEMENT OF THE PLAN DEPENDS ON US ACHIEVING **EXCELLENCE IN ATTRACTING** AND **RETAINING TALENT** ACROSS ALL AREAS OF THE BUSINESS."

CHRISTOPHER KIRK

As a service company, Our employees play a crucial role in creating value for SGS and our stakeholders. Their collective talent and professionalism form the basis upon which SGS is recognised as the global benchmark for quality and integrity.



We are proud of our diverse, multi-talented and multicultural workforce, with over 64 000 employees around the world working in our laboratories, offices and operating in the field. SGS' success to date has relied upon our ability to attract, develop and retain the most competent, committed and engaged people we can. This approach will be even more critical as we embark on our strategic growth plan for 2014. Not only must we attract thousands of new employees into our Company across multiple business lines and industry sectors, we must also strengthen our efforts to retain existing talent and proactively manage natural staff turnover.

During 2010 we focused our efforts on further developing our employment practices to ensure that we continue to attract the best talent and maintain the competencies and knowledge necessary for successful achievement of The Plan. In this section we describe the global HR programmes we have developed to support our strategic priorities and promote a cohesive approach to managing and developing people across our network. Complementing them is an abundance of locally inspired 'bottom-up' initiatives, examples of which appear alongside the global programmes in the following pages. We recognise that there are thousands of employees who are using their outstanding talents every day to deliver exemplary services to our customers and have illustrated this with a sample of individual profiles.

DID YOU KNOW?

- > We appointed a Vice President, Global Health and Safety in April 2010 to further advance our commitment
- > During 2010, 133 managers from across the business participated in leadership development programmes in Geneva, North America and South East Asia Pacific.

PEOPLE MANAGEMENT

SGS' Group Employment Policy sets common standards for the business that are compatible with the core International Labour Organisation Conventions. Chief Operating Officers in each region have strategic responsibility for shaping our approach to people management and enhancing our reputation as an employer of choice. At country level, Managing Directors manage the recruitment and management of people within the framework of applicable laws and regulatory requirements and according to local customs and best practice standards.

SGS Group's HR database has been designed to monitor personnel activity across our global operations, as well as help us identify and monitor talent and skills development, undertake career planning and prepare succession management.

During 2010, we focused our efforts on building capacity within the HR function to ensure we remain competitive in attracting and retaining talent. Learning and Development (L&D) has been strengthened with the appointment of regional L&D Managers in South East Asia Pacific and North America to work alongside the Corporate L&D Manager.

CORE PROGRAMMES **CASE STUDIES**

GLOBAL PROGRAMMES	2010	LOOKING AHEAD
Attracting employees: A Group-wide process for attracting and recruiting people to meet The Plan's objectives	•	Implementation (2011) and ongoing monitoring
RETAINING AND DEVELOPING TALENT		
SGS Engage: Our global on-boarding programme to ensure effective integration of new employees into SGS	Piloted	Implementation (2011) and ongoing monitoring
Manager Passport: A toolkit for managers to equip them with the skills to lead high performing teams.	•	Training and increase of Manager Passport awareness amongst SGS managers
Leadership Development Programme: A global development proramme for leaders including high achievers and those demonstrating leadership potential	•	Launch global standard performance appraisal process and Employee Engagement Survey (2011-2012)









ATTRACTING EMPLOYEES

It is vital for SGS Group that we continue to assess and identify the skills we need to develop in our business to be able to respond to changing market and societal needs. During 2010 SGS began the process of forging strategic alliances with universities in different geographical regions to help us attract

new talent into our business, particularly in emerging scientific and technical disciplines. We will be able to report on this in detail next year.

Alongside technical competencies, we look for a range of 'soft skills' - key attributes which play a crucial role in enhancing relationships with our customers and delivering service excellence. In particular, we believe that sustainability will play

an increasingly important part in our recruitment approach. We want to be able to attract people for whom working for an organisation with a strategic commitment to sustainability is an important part of their employment decision-making. We also want to bring in people who are passionate about sustainability and are wiling to apply their skills to developing innovative solutions for our customers.

CASE STUDY SGS PORTUGAL

SGS, in conjunction with the Portuguese Association for Quality, has developed a Graduate course on "Sustainability Through Integrated Management Systems". This has been introduced in response to growing interest from companies in the implementation and certification of management systems covering risk, quality, environment, safety, occupational health, social responsibility, human resources, and research and innovation. Nominations have taken place for the first course which will commence in Faro in 2011.

RETAINING AND DEVELOPING TALENT

While recruitment is a strategic focus for us, it is important to pay equal attention to existing employees within SGS in order to retain talent. In 2010 our employee turnover was 11.1% compared with 10.3% in 2009. This is within the range of what we consider to be 'healthy' in order to bring in challenging new ideas and encourage innovation in the Company.

At SGS we regard career development as a three-way process. Employees are personally encouraged to drive their own development and regard it as a key part of their career plan. Managers have an important role to play in setting objectives and providing the necessary tools, coaching, feedback and recognition to their direct reports. The HR function facilitates employee development by supporting managers and employees throughout the process.

SGS' Retaining and Developing Talent strategy has three components, each one designed to support employees along their career path at SGS. These comprise SGS Engage, Manager Passport and Leadership Development Programme (LDP).



Supporting these three components we have a number of associated development tools focusing on technical skills development, certifications and e-learning programmes.

SGS ENGAGE

SGS' global on-boarding programme is designed to help employees deliver maximum value on joining the Company. Comprising the Company induction, training and awareness on Quality, Health, Safety and Environment (QHSE), the Code, customer focus, and sustainability e-learning, this learning gateway ensures employees understand our core employment values, principles, working practices and policies.

As well as appealing to newly appointed employees, SGS Engage can be particularly helpful to employees joining our business through acquisitions.



LUC ALAIN SAVOY
MANAGING DIRECTOR,
SGS M-SCAN, SWITZERLAND

"SGS M-Scan is a leading group of chemical analysis laboratories specialised in bespoke chemical testing, contract analytical services, consultancy and training. Our laboratories, located in the UK, US, Germany and Switzerland, provide analytical services in the area of Life Sciences as well as environmental testing, oil fingerprinting, chemical analysis and forensic analytical testing services. I manage the SGS M-Scan laboratory in Geneva which specialises in biotech product analysis.

"This is an exciting time for SGS M-Scan as we begin to operate as a business from within SGS but it is not without some anxiety. As a world leader in our field, we are used to working with large multinational companies and it is a significant opportunity for us to be part of SGS. We have an important role to play in adding value to the existing services of the Group.

"One challenge for employees is the cultural shift. We have transitioned from a small human-centred business, where management is very hands-on and visible. Now we are working for a big company with a brand and a reputation to match. This said, we feel that we have been well supported. In our own experience, SGS has been quite present, visiting our facility on a regular basis to explain the process of transition and to answer questions. Some of our employees have also attended the SGS induction programme. I feel we are lucky to be situated so close to the SGS head office and able to receive communications directly from the top.

"I am excited about the future within SGS and I look forward to us building relationships with colleagues and customers across the network."

MANAGER PASSPORT

SGS' training platform for managers, supervisors and high potential employees aims to enhance and accelerate personal leadership and managerial proficiency. Some countries have developed their own version of this programme, as highlighted in the following case study.

CASE STUDY SGS IN SOUTH EAST ASIA PACIFIC

During 2010, the first Managing People and Performance Programme (MPP) was launched in Dhaka involving 16 middle managers. MPP is a five month programme for candidates identified as having a high potential to move into higher management. Held off-site the course comprised two 3-day modules and a final presentation day. Participants were challenged to undertake classroom-based individual and group learning, workplace activities and a major business-related project. The aim was to enhance individual management and leadership capabilities and create a uniform understanding of SGS' leadership culture across businesses and functions.

To date over 200 managers in India, New Zealand, Bangladesh, Indonesia, Malaysia, Singapore, Australia and Thailand have benefitted from the programme.

"The MPP training was the first of its kind that I attended in SGS. The training methodology was fantastic and the assignments ensured that we could use the training aspects in our work in a practical way. The workplace project made me feel that I am not just an employee doing my job but an important agent for change in SGS." Ajai Attavar, QHSE, SGS Bangladesh

"MPP is a different experience from a regular general management programme. The trainers kept the session lively and interesting. Thanks to MPP I'm already getting feedback from others that they are seeing a change in me." Suresh Varma, Industrial Services, SGS Bangladesh

LEADERSHIP DEVELOPMENT PROGRAMME

The SGS Leadership Development Programme supports business needs and drives results by evaluating talent and guiding employees toward development solutions at each stage of their career. We have defined talent as, "an employee whose contribution is vital to deliver our services, who consistently demonstrates capability over and above the norm and is able to learn and grow at any level".

Leadership development fosters a culture of teamwork, effective communications and synergy across the Company globally. Candidates are identified by the Operations Council members and their nomination is endorsed by their direct managers in consultation with Group HR. Designed over three modules, the programme develops skills and competencies that are critically important in a competitive and constantly changing environment. During 2010, 133 managers from across the Group participated in leadership development programmes in Geneva, North America and South East Asia Pacific.

Performance appraisals

Annual performance appraisals provide an important opportunity for employees to review their performance and discuss personal and career development plans with their line manager. SGS has a standardised performance appraisal process which is used across a number of regions and countries. Our target is to work towards Company-wide adoption of this process by 2012. In 2009 we began rolling out a web-based version of our performance appraisal tool which has now been adopted by 43 countries.

Remuneration, recognition and awards

We offer a range of benefits to employees as part of their remuneration package. These are aligned to local customs and are typically shaped by industry best practice. Line managers are responsible for acknowledging individual and team performance linked to business results and rewarding employees appropriately, in accordance with the SGS Bonus Policy.

Leaders of the future

This year we have identified leaders within our organisation whose experience, skills and competencies will play a key role in our future success. In addition to long-term incentive plans which exist for executive roles, this scheme extends to include technical experts and others in the Company who occupy critically important roles. As part of this strategy we are creating a Global Innovation Team to develop new and creative business solutions utilising cutting edge technologies and new industry practices.



JONATHAN HALL
GLOBAL HEAD OF CLIMATE
CHANGE PROGRAMME. SGS UK

"I have been with SGS for 19 years, starting out as a trainee consultant and spending a number of years with Consumer Testing Services. What I have always respected about SGS is that people have been able to develop from within. So many people within SGS have a real passion for what they are doing. I now work in Governments and Institution Services/Environmental Services and have just assumed a new role as Head of the Climate Change Programme. The timing of this is quite critical. Regulations such as the Carbon Disclosure Mechanism and the European Union Emissions Trading Scheme are driving demand from customers. We anticipate more regulation, especially in specific sectors such as aviation. On the voluntary side too there are many companies who are striving to be at the forefront on issues such as carbon labelling.

"The Plan to 2014 is prompting us to look across business lines to see where our services and skills intersect and to develop sustainability solutions that meet our customer needs. It is about bringing hearts and minds together. Collaboration and integration are crucial to us being able to support The Plan, as is our ability to anticipate what the landscape will look like in two, three or five years' time.

"I am ready for the challenge and I hope I can continue to make a positive contribution to sustainable development through my new role."



DIVERSITY

As a global company, spanning multiple business sectors and interfacing with many industries, SGS relies on our ability to attract a diverse, multi-talented and multi-cultural workforce. In fact it is intrinsic to our business success. We focus on finding the right person for the right job and are committed to providing opportunities to develop social capital in the locations where we operate.

With operations all over the world, almost all nationalities are represented in the SGS Group. Our Operations Council alone represents 11 different nationalities. During 2010 SGS appointed two women onto the Operations Council from within the business and in early 2011 a further two women were appointed. We believe that this is a positive step in demonstrating our commitment to diversity and in particular, senior leadership opportunities for women. More and more women are assuming management responsibilities within the Group, both in operations and administration.

HUMAN RIGHTS IN BUSINESS

SGS, with its global network and operations, has made a crucial decision to embrace a universal approach to our employment practices and relevant human rights principles. Human rights of employees are well stipulated and protected by the SGS Code of Integrity and Professional Conduct as well as our Employment Policy, the details of which can be found on page 38 and 45 respectively.

During 2011, SGS plans to evaluate our alignment to the ten principles of the UN Global Compact, including an assessment of human rights impacts and responsibilities across our international operations.

OUR PERFORMANCE

INDICATOR	What does this measure?	2009	2010
EMPLOYEE NATURAL TURNOVER	% of employees that leave SGS each year of their own will	10.3%	11.1%
GENDER RATIO (MALE)	% of male employees	65.4%	64.8%
GENDER RATIO (FEMALE)	% of female employees	34.6%	35.2%
EQUAL OPPORTUNITY RATIO	(Female managers/female employees)/(Male managers/male employees)	0.58	0.60
SICKNESS ABSENCE RATE	Number of days of sickness absence as a percentage of total days worked	1.74	1.65
TRAINING HOURS	Number of training hours per FTE	16.8	21.1

Turnover in the European region remained low given the continued slow economy recovery, while increased turnover in Asia reflected a faster economic pick-up and higher pressure on the labour market. This has highlighted the need for a greater focus on retention programmes particularly in our South-East Asia Pacific region.

Our gender and equal opportunity ratios remained quite stable compared to 2009. As more women have been appointed into top leadership roles in 2010, we look forward to seeing this trend spread throughout the organisation in coming years as we increase focus on succession planning strategies.

The sickness absence rate decreased overall, remaining below our tolerance level of 2.5%. Some regions introduced new initiatives to reduce sickness days, while Europe generally saw an increase in sickness absence thought to be due to cold weather conditions.

The training hours ratio in general improved significantly as a result of the implementation of better mechanisms to record training, as well as the appointment of training managers in some instances.

HEALTH SAFFTY

SGS has long placed great importance on providing a safe workplace for our employees and protecting the communities in which we work from the harm that may be potentially caused by our activities. It is our strong belief that every employee, regardless of business or geographical location, has an equal right to a safe and healthy work environment. Our goal is to eliminate fatalities and injuries within our Company and to improve the control of major Health, Safety and Environment (HSE) risks by 2014. In order to achieve our goal, we are moving from a regulatory compliance driven framework to the proactive execution of uniform

health, safety and environmental protection standards across our operations.

During 2010, SGS focused on further developing our HSE management systems. These efforts will continue into 2011 with improvements on our standardised HSE manuals, policies, procedures and guidelines; introducing a new global electronic HSE reporting system; and customised training initiatives targeted at line managers, supervisors and professional HSE staff.

As part of our focus on achieving incident-free operations, SGS will be changing the way we report statistics relating to HSE to fully align with

international and industry consensus standards. We also strengthened our reportable incident requirements in late 2010 and this transition to more stringent criteria will likely result in higher reported health and safety figures in 2011.

Whilst 2010 saw some key improvements in our year-on-year safety performance, we are deeply saddened by the fact that four people lost their lives. Although the accidents were not directly attributable to operations, we are taking significant steps to ensure the implementation of additional training and awareness programmes with our staff to continue to negate the possibility of these incidents in the future.

OUR HEALTH AND SAFETY PERFORMANCE

	2009	2010
Total Recordable Incidents	914*	691
Total Recordable Incident Rate (TRIR)	2.28*	1.64
Lost Time Incident Frequency Rate (LTIFR)	1.09	0.80
Near Misses	1 491	1 982
Safety Training Hours	178 166	199 076

Note: As per prior year, safety statistics exclude data from the same scope country which is currently unavailable. Measures has been implemented to ensure that data will be integrated in future reports.

STRATEGIC REVIEW OF MAJOR RISKS

Having examined previous incidents involving major injuries and fatalities, we have identified five areas which are deemed to represent the highest risks to our operations.

- 1. Road Transport Safety
- 2. Industrial Hygiene
- 3. Slips/Trips/Falls
- 4. Fire and Explosion
- 5. Management of Fatigue

During 2010 we began to put in place certain provisions that will help us manage these risks effectively. These included allocating resources such as dedicated Road Transport Safety Advisors in each region; strengthening our slip/trip/fall prevention and fire protection efforts in our facilities; and identifying employees for additional training in the effective management of industrial hygiene.

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STRATEGIC HEALTH **AND SAFETY PRIORITIES**

- Centrally coordinated and locally implemented management of HSE. To ensure the unified adoption of our new approach to global HSE, we will be re-organising the HSE structure within the Group.
- Nurturing a safe working culture. Over the next four years, internal HSE services and information will be routinely delivered through e-learning and video training programmes, global electronic best practice networks and shared

- databases. We will also provide active mentoring and coaching of line managers and supervisors to promote safe operations.
- Development of HSE competence assurance system, metrics and key performance indicators. We recognise that HSE knowledge and expertise must be acquired and cultivated by all levels of our management and supervision. An integrated HSE competence assurance system for managers, employees and our sub-contractors will include basic and intermediate hazard recognition and risk
- management techniques. We also aim to design metrics to drive safety culture improvement with an emphasis on leading indicators.
- Risk based approach to HSE staffing and organisational realignment. During 2011 we will be implementing a risk-based approach as a more pragmatic alternative to a simple ratio of HSE professionals to staff. This will likely include:
- Number of employees in the region/business
- Average degree of risk/hazard to which employees are routinely exposed

- Geographical dispersion of employees and facilities
- Regulatory/legal environment
- Client expectations/contractual requirements

In the future, some regions and areas will have a higher ratio of HSE staff to employees and some lower, with variations based on risk, regulatory requirements and business needs. The reorganisation of HSE in SGS into a regional and territory service delivery model with revised roles and accountabilities will enable the most efficient deployment of staff.

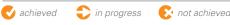
PROGRESS ON OUR 2009 COMMITMENTS

Last year we agreed on six improvement areas for Our People.

Promote safer working environments by appointing a senior level specialist in Health and Safety		Vice President, Global Health and Safety appointed in April 2010
Work in partnership with communities and academic institutions to develop skills for our future business	•	Identified educational institutions with which to build key alliances. To be continued in 2011
Attract more women to SGS	•	Several women appointed to senior roles in 2010. Seek to make SGS the employer of choice for both women and men
Continue to develop high potential people through our leadership programme	C	Leadership development programme expanded in 2010
Launch a Group-wide e-learning programme on sustainability	C	Two e-learning modules were developed and launched during 2010
Run internal campaigns to help bring sustainability to life in the workplace	•	This will be extended into 2011







During 2011 we will:

- Continue to report on progress of the global roll-out of HR programmes to support The Plan.
- Continue to develop employees' understanding of sustainability through our e-learning modules.
- Carry out a benchmark study to map our impacts and responsibilities in relation to human rights.

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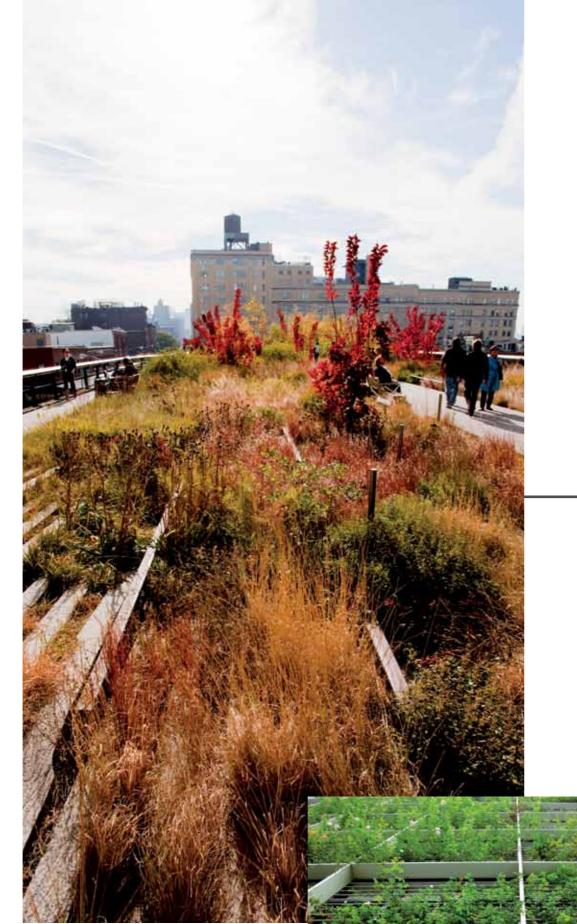
· Report, over the next four years, on the restructuring of our HSE programme and initiatives, and their impact on the safety performance across our Group.

^{*} Restated in line with more stringent Total Recordable Incident definitions.



In SGS' 2009 Sustainability Report we highlighted some examples of the **positive** contribution SGS is making towards sustainability indirectly through our service provision. In this year's Report We focus on our direct impacts and efforts to reduce the environmental footprint associated with our day-to-day business. Since we last reported, the SGS Group has embarked on a number of programmes that focus on areas where we can have the most positive influence.

Under The Plan projections, our business is set to grow considerably through the combination of organic growth and acquisitions. Our environmental programme needs to keep ahead of this growth curve so that good practices are built into our expanding business and we have a solid platform to align the sustainability performance of acquired companies. SGS will achieve this by establishing Group-wide best practices through operational functions while encouraging and supporting a multitude of innovative grassroots initiatives that are developed locally.



DID YOU KNOW?

- > Continuous improvement of internal practices in SGS Hong Kong and Shenzhen laboratories has already saved approximately 1 880 000 sheets of paper this year.
- > By developing a new method for cooling the analysers and distillation devices in SGS laboratories in Belgium, we will save over 21 000 m³ of potable water each year and CHF 56 000 in utility bills.
- > SGS has over 45 000 computers and almost 2 800 data servers.
- > A new recycling scheme in SGS Australia shreds computer equipment and allows up to 95% of the material to be recycled.
- > At our Red Lake laboratory in Canada we saved around 70% of heating costs by recycling heated air in winter.

ENVIRONMENTAL MANAGEMENT

POLICIES

The SGS Environment Policy was launched by our CEO in June 2009 and describes our intention to achieve ongoing reductions through raised awareness and behavioural change, while also achieving 'breakthrough solutions' through the adoption of new technologies. The Policy will be periodically reviewed by the Sustainability Steering Committee and will be revised where necessary to continue to reflect best practice in environmental management.

AWARENESS AND ENGAGEMENT

During 2010 there was a major drive to raise the level of awareness of sustainability across the business by mobilising and empowering business managers to bring about the changes needed to meet our sustainability goals. Our VP Corporate Sustainability presented SGS' sustainability approach and programmes across 11 countries reaching a total estimated audience of over 2 300 people including leaders, managers, customers, suppliers and students. The Corporate Sustainability team worked with functions at headquarters and at the affiliate level to provide programmes, tools and processes to help embed sustainability into our daily business. Our Group-wide programmes are already supported by multiple local initiatives which utilise the talent and environmental expertise within our Company to bring about ongoing improvements in energy, waste and water performance.

In 2010 we launched our sustainability e-learning programme to promote such initiatives and encourage employees to make personal commitments to change to more environmentally responsible behaviours.

WORKING WITH STAKEHOLDERS

SGS' Environment Policy highlights the importance of engaging with stakeholders who we can work with collaboratively to develop and introduce fresh ideas, new technologies and specialist skills that will help us improve. SGS is a founding member of the World Business Council for Sustainable Development (WBCSD), an association of over 200 companies to explore sustainable development and share knowledge, experiences and best practices. We are also a member of the Carbon Disclosure Project, a global climate change reporting organisation made up of over 3 000 companies in over 60 countries. SGS plans to be at the forefront of environmental initiatives. as illustrated by our commitment to the WBCSD Manifesto for Energy Efficiency in Buildings. To help us with our Group-wide and local programmes we are continuously seeking to engage with other companies and organisations to share best practices and explore new opportunities.

OUR IMPACTS

Efforts by our teams to date have enabled us to gain a good vision of SGS' environmental footprint, to develop some clarity around the areas where we can make the largest difference in the short to medium term and to create programmes that will address these areas.

Having reviewed our main areas of impact, we have now started to build a number of Group-wide programmes that will enable us to reduce our footprint. Below are the five programme areas where we believe we have the greatest ability to bring about positive change:

- 1. Energy Efficiency in Buildings (EEB) improving the energy efficiency of our laboratories, offices and warehouses.
- 2.Green IT deploying IT best practices and technologies that reduce energy consumption and waste.
- 3. Green Cars investigating the use of e-Vehicles.
- 4. Green Laboratories minimising the environmental impacts of laboratory waste and managing the disposal of client samples in the most responsible way.
- 5.Sustainable Procurement influencing our major suppliers.

The progress made on each of these five programmes to date is described in this section. Each is supported by projects that have either originated at Group level or have been developed locally. Such projects will be used as pilots for assessment and roll-out across the SGS Group. Many other projects are also in progress, covering environmental impacts such as water savings which we are tracking at a local level, and sustainable capital investment.

We will continually review our priorities and programmes against new data, new technologies, best industry practices and the expectations and inputs of our external stakeholders.

CORE PROGRAMMES AND CASE STUDIES

1. ENERGY EFFICIENCY IN BUILDINGS*

Programme

SGS has over 1 250 buildings worldwide including laboratories, administrative buildings, storage, and mixed-use buildings. In 2010 buildings, and operational processes within our buildings, represented 64% of SGS' global CO₂ emissions.

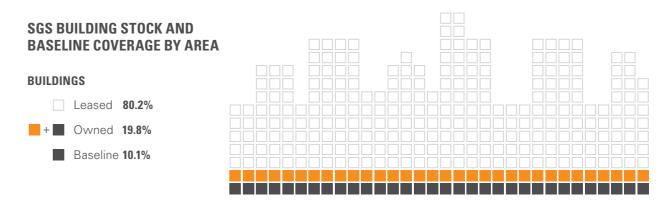
In recognition of the potential to reduce the environmental impact of our buildings, SGS signed the Manifesto for Energy Efficiency in Buildings in November 2009, pledging to reduce CO_2 emissions from our owned buildings. We set an initial CO_2 target of a 10% reduction by 2013 and a 20% reduction by 2020, compared with a 2010 baseline. This target was updated in 2010 to a 10% reduction by 2014 so that it can be integrated into the business objectives to help us achieve The Plan. Our 2020 target remains unchanged.

* While in this Report we limit our reporting scope to our trend countries, our Energy Efficiency in Buildings programme and the data reported in this section covers all the countries we operate in.

"IT IS EVIDENT THAT TACKLING CLIMATE CHANGE WILL REQUIRE A VERY **STRONG INVOLVEMENT BY BUSINESS** WHICH IS THE PRIME SOURCE OF INNOVATIONS, CAPITAL AND TECHNOLOGIES THAT CAN DELIVER A SUSTAINABLE FUTURE. THE WBCSD PROVIDES A UNIQUE FORUM WHERE ORGANISATIONS CAN SHARE BEST PRACTICES AND DISCUSS SOLUTIONS. BUILDINGS AND CONSTRUCTION ARE A SPECIFIC CONCERN AS THEY REPRESENT OVER 40% OF WORLDWIDE CARBON EMISSIONS AND SO WE ARE DELIGHTED THAT SGS, ONE OF OUR FOUNDING MEMBERS, HAS TAKEN SUCH A STRONG INITIATIVE IN SIGNING THE **EEB MANIFESTO.** WE PARTICULARLY COMMEND SGS FOR THE PROGRESS IT HAS MADE TO DATE, AND CONTINUES TO MAKE, AND ALSO FOR ITS WILLINGNESS TO SHARE THIS PROGRESS WITH OTHERS. WITH THE HELP OF SGS AND OTHER WBCSD MEMBERS, WE BELIEVE IN THE PROSPECT OF MAKING A PARADIGM SHIFT IN HOW BUSINESS IS MANAGING BUILDINGS." PRESIDENT WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

Where we are now

We established our 2010 baseline using performance data gathered from our owned buildings with an area greater than 2000m², covering approximately half of SGS' total owned building area in all countries where we operate (see illustration). We captured our commitment in a formal Building Policy which was launched in June 2010.

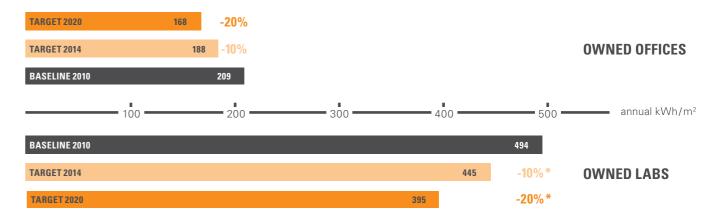


We developed a phased programme to structure our approach by assessing SGS building stock and capturing energy usage to provide a baseline; defining and implementing the measures to reach our targets, including energy-saving investments; and ongoing measurement and monitoring of what SGS buildings are consuming.

ENERGY EFFICIENCY IN BUILDINGS PROGRAMME – 4 PHASES

PHASE I Assess Current State	PHASE II Define Strategy	PHASE III Implement Efficiency Measures	PHASE IV Measure, Monitor & Maintain
Gather building stock data	Define energy audit programme	Develop tools and resources	Track performance against goals
Develop 2010 baseline	 Evaluate building performance Review energy efficiency approaches 	Implement energy efficiency measures	Maintain energy efficiency levels

To understand the impacts from our buildings, SGS carried out a detailed review of our owned building stock, including location, age, area, building type, ownership, business lines and electricity and fuel usage per square metre. We are now in a better position to understand the different energy consumption of our offices, laboratories and warehouses, and where to focus our efforts to achieve the greatest reductions going forward. We have established our 2010 baseline performance for owned office buildings and owned laboratories separately to allow us to track progress in each building type. While our WBCSD Manifesto commitment is for owned commercial (or office) buildings, we intend to apply the same approach to our laboratories with comparable targets, though more research is needed to confirm this approach.



^{*} Subject to review.

A pilot study is currently being conducted in SGS Geneva headquarters and a laboratory in Belgium to enable precise monitoring of energy consumption in these buildings in real-time using sub-metering. We are also piloting the display of energy consumption in the workplace to make employees more aware of energy-saving measures. Such initiatives used elsewhere have been able to deliver reductions in the region of 10-15%.

The Group is also looking at additional opportunities to invest in energy saving technologies. In 2010 we ran a study with the pump manufacturer, Grundfos, to explore gains to be made from upgrading to more energy efficient pumps. Across our operations, we also encourage green building strategies such as lighting upgrades, high performance windows, improved insulation, shading devices to reduce solar glare, upgrades to heating, ventilation and cooling equipment, and onsite renewable energy.

A set of Green Building Guidelines is under development which will cover new construction, purchase, lease and renovation of SGS buildings. Our hope is that this will accelerate further energy saving investments. Early investment is important as the sooner we implement energy efficiency measures, the greater the benefit to climate change and also the larger the payback over the buildings' lifetime.



EDDY VAN EENOO
HEALTH, SAFETY AND ENVIRONMENT
OFFICER AND FACILITY MANAGER
SGS GROUP REI GILIIM

ENERGY EFFICIENCY IN BELGIUM

WHAT LED YOU TO YOUR CURRENT JOB ROLE?

I'm a chemical engineer, with additional studies in safety and the environment so I've always been passionate about sustainability. My first job was with a small detergent manufacturer which specialised in making 'green' detergents. I joined SGS in 1999 as a safety and environmental officer. I remember being attracted by the diversity of the Company's services, clients and people; also by the freedom you are given to organise and manage your work and the support from management. I found the working environment very inspiring. After a few months I was given the additional role of facilities manager. After 12 years I still do both of these jobs with the same enthusiasm as I started with.

WHAT INSPIRED YOU TO START THE GREEN BUILDINGS WORK?

The main thing that triggered me to look for energy savings was my concern about global warming and a feeling that we must all do our best to reverse this. One of my favourite quotes is from the French novelist, Antoine de Saint-Exupéry; "We don't inherit the Earth from our parents, we borrow it from our children." We all have a responsibility. In fact, this period coincided with me looking for more savings in building costs and so these two objectives worked together.

HOW DID YOU MANAGE THE PROJECT?

At an early stage, I was fortunate to form a partnership with the Agoria Federation, a Belgian federation of leading technological institutions. They offered me the opportunity to work with 14 masters students in engineering, economics, safety and environment. I knew a project to green our buildings would take a lot of time, but I was convinced that the team would achieve some major breakthroughs. The students carried out detailed studies on many aspects of our buildings and developed project blueprints. Many of these ideas were very new and had never been tried before so we had to work steadily and carefully with a local supplier to make small changes and monitor the results. In particular we had to ensure that changes would not harm the lab equipment. Once we had developed a technical solution we were then able to scale it up to bring about the maximum savings.

WHAT PROJECT ARE YOU MOST PROUD OF?

The most effective project has been the reclaiming of energy that was being lost through the extraction of air in our fume cupboards. This represented a huge loss of heat but was a particularly difficult one to find an engineering solution to. It involved putting in large scale ducting to capture the waste heat. It was also very satisfying to be able to save vast quantities of water by developing an internal cooling system for lab equipment.

WHAT CAN WE LEARN FROM YOUR WORK?

Just sit down for a moment, look around you and think. A lot of opportunities just lay at your feet and are waiting for you to seize them. Sustainability doesn't necessarily cost you money. This is the wrong thought. You can be sustainable and save money at the same time.

LOOKING AHEAD

SGS will continue to measure and monitor what our buildings are consuming and publish their performance in our Report each year. We aim to regularly benchmark our performance across our own building stock and also against other companies to make sure we are setting the bar as high as we can. We will also continue to benefit from regular engagement with other WBCSD Manifesto signatory companies to exchange and compare experiences.

Next year we will capitalise on our in-house expertise by sharing the results of our pilot studies and best practices with operations managers and facilities managers. We will develop a set of tools and resources for affiliates to use in greening their own operations and will encourage the exchange of experience between sites to maximise knowledge transfer.

2. GREEN IT

Programme

The purchase, use and disposal of IT equipment generates a significant environmental impact for a company of our size. Across the business SGS has over 45 000 personal computers and laptops and almost 2 800 data servers. The aim is to reduce our impact on a Group-wide scale by selecting and implementing environmentally responsible solutions, supported by green investment. Not only are we looking at the impact of IT itself, but also investigating how such technologies can contribute to reducing other environmental impacts such as telecommuting and remote conferencing to reduce travel.

Where we are now

In 2010, we have taken a broad approach, seeking to evaluate the many opportunities presented by new technologies. This has resulted in a number of pilot programmes which are being managed by work streams at Group level to tackle the main areas where we can improve. We expect to begin rolling these out across the Company next year. We are in the process of developing a Green IT Policy which will encompass the purchase, recycling and disposal of IT equipment. We are also developing an Electronics Recycling Policy. Our intranet includes a Green IT section where employees can access information on how to reduce, reuse and recycle.

Our Group-wide IT programmes are summarised below:

- Responsible replacement of equipment – balancing the environmental cost of replacement with keeping equipment running longer and actively seeking reuse and recycling options.
- Power management optimising power management software on all computer and IT equipment.
- Responsible purchasing incorporating environmental considerations into the purchasing process, including requesting suppliers to offer green products and considering lifecycle analysis.
- Server virtualisation optimising the energy efficiency of servers and data centres.
- Reduce printing combining technology and education to reduce printing and to use recycled and FSC certified paper.

Already, many SGS businesses are delivering projects under these programmes that will create significant savings.

At SGS' headquarters in Geneva we are planning a closed loop, cold aisle cooling system that captures much of the heat generated by our data centre. The investment is expected to produce a two-year return on capital and we have planned to extend the technology to a further ten data centres during 2011.

In Australia, SGS is actively seeking opportunities to reduce waste and has worked with a recycling company to use an innovative process that shreds waste IT equipment into fragments of metal and plastic that are small enough to be automatically separated. This enables up to 95% of the shredded material to be recycled. The process should be replicable across many other countries.

Between January and October 2010, more than 2 million sheets of printing paper were purchased by SGS' headquarters. To reduce this, we have started to configure printers to default to a duplex black and white print option, promote network scanning and desktop faxing. We have also switched to purchasing 100% FSC certified paper for printers and copiers at headquarters.

SGS Hong Kong participated in a Lowcarbon Office Operations Programme (LOOP), created by the World Wildlife Fund (WWF), to encourage companies to 'go green' in the workplace. We used a model office to introduce and communicate low carbon ideas to clients, business partners and other SGS offices. In addition, SGS offers third-party verification services for offices participating in the WWF LOOP labelling award scheme.

SGS Spain has moved towards managed printing, using a product called Equitrack to provide each employee and each manager with a monthly report of their print volume. Printing costs are now charged directly to each department. We aim for 95% of all printouts in Spain to fall within this scheme by 2011.

SGS Group is investigating how we can further deploy IT communications to reduce travel and enable more employees to work remotely, including the use of webcams as a low-cost videoconferencing solution, the use of desktop sharing, instant messaging and web meetings.

LOOKING AHEAD

During 2011 we will continue to roll out our Green IT Programme to provide easily accessible Green IT solutions to SGS business units that cover the selection, purchasing, use and disposal of IT equipment. This will be accompanied by detailed monitoring and measurement so that we can assess the potential of pilot programmes and compare their performance in delivering savings.

3. GREEN CARS

Programme

SGS Group utilises over 7 000 vehicles in our Trend Countries, with vehicle fuels making up around 28% of our total carbon footprint. We are working towards a lower emission fleet and setting formal targets for 2011. The new generation of electric cars presents SGS with a significant opportunity to reduce our emissions without compromising safety or transport efficiency.

Where we are now

Already, significant steps have been taken at our European locations towards reducing the average emission of our fleet. For instance, SGS Germany has started to transition to high efficiency diesel engine cars which emit less than 110g $\rm CO_2$ per km. To date, approximately 13% of the fleet of 585 cars has been replaced.

Although the widespread use of electric cars may be some years away, we believe there is an immediate opportunity to use them in certain areas of SGS and to work in partnership with manufacturers to help them trial the latest generation of electric vehicles.

SGS Spain has already moved over to electric vehicles as part of a contract with the City Council of Madrid to provide inspections. The fleet of 61 electric and hybrid cars and motorcycles has approximately 50% lower energy consumption, more than 60% reduction in CO₂ emissions, lower noise emissions and have all been built from a high proportion of recyclable materials.

During 2010 we invited a number of car manufacturers to present their latest offerings for electric vehicles and infrastructure. We expect to trial up to 30 of these new vehicles in Europe during 2011.

LOOKING AHEAD

SGS will report on progress in next year's Report and we hope to be able to provide both some firm targets for implementing electric vehicles plus a carbon savings forecast once we have selected a preferred model and completed trials.

4. MINIMISING LABORATORY WASTE

Programme

SGS carries out thousands of laboratory tests each year with most analyses creating some form of waste in the form of samples, chemicals, disposable equipment and paper. In addition to this, we are required to retain a wide range of sample materials on behalf of our clients as part of our testing service. These retained samples are carefully stored in our warehouses and, at the end of the retention period, SGS is responsible for their disposal. Our laboratories already practise the highest standards of hazardous waste management which is regularly audited by our internal technical governance team. In our 2009 Report however, we committed to carrying out a detailed review of waste across the business with the intention of developing clear guidelines for both minimising waste and disposing of it with minimal environmental impact.

Where we are now

We have made a start on collecting and aggregating global information to build up an inventory of waste sources and disposal methods. This is being coordinated through a waste questionnaire sent to facility and laboratory managers across the Group. We are currently adapting our data management system, Solaris, to be able to store and report this waste inventory. New indicators are being incorporated that will enable us to comment on our waste performance in 2011.

Meanwhile, there are many local initiatives across SGS to minimise our waste impacts.

SGS Australia has developed the use of SGS branded sample carriers to improve the transportation of samples to and from labs. The carriers will use a new form of biodegradable bubble wrap which has the ability to break down over time, helping to reduce our impact on landfill.

SGS Columbia is implementing a range of environmental improvements within its laboratories. This includes the use of an impact matrix to evaluate our overall environmental impacts in each location. Plans have been developed for the reduction in consumption of printed material such as paper and inks, classification of waste materials and the identification of products for reuse and recycling.

LOOKING AHEAD

We believe that there is an opportunity to reduce our waste over the coming years through a process of detailed analysis of our waste streams, engaging with potential solution partners, adopting new technologies and measuring and analysing our performance at both global and site-by-site level. We will present an update on the waste inventory in our 2011 Report along with a review of waste management projects.

5. SUSTAINABLE PROCUREMENT

Programme

We are seeking to build relationships with all our major suppliers to engage with them on choices of environmental products and services, to understand their own sustainability performance and to preferentially select sustainable options.

Where we are now

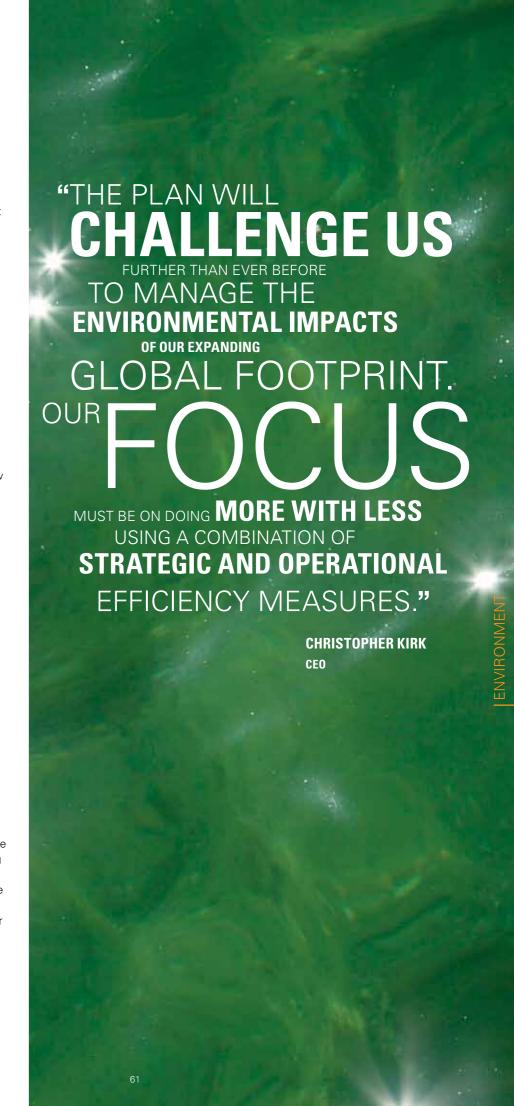
In 2010, as part of our sustainable procurement strategy, we conducted a survey with a number of SGS' major suppliers to understand their sustainability awareness and performance. This covered suppliers in Europe with between two and nine years supplying either SGS business lines or functions. Approximately 10% of SGS purchasing spend is on IT and this is where we have focused our initial efforts to develop a responsible procurement strategy. We plan to follow this up with a questionnaire to a wider list of suppliers and will summarise the results of both of these surveys in the 2011 Report.

LOOKING AHEAD

SGS will continue to actively engage suppliers in highlighting green product options, selecting products that are compliant with energy efficiency standards and challenging suppliers on their overall sustainability performance. The aim is to encourage our buyers to consider sustainable options and lifecycle impacts when making purchasing decisions.

WATER

SGS consumes relatively little water in our laboratories and offices. However we recognise the importance of maintaining sustainable sources of water globally and are reviewing measures to conserve water through our EEB programme, both through raising awareness of water consumption, and by developing site-specific methods to reduce water use from our equipment, laboratories, and office buildings.



PERFORMANCE

In 2009 we set up and reviewed our Group-wide data management and in 2010 we established a baseline against which we can measure future performance. As the business grows under The Plan, we recognise the need to adapt the way we report performance data so that it remains comparable in an expanding business. This is going to be especially relevant where we acquire new businesses and need to account for the net overall environmental effects of people and operations joining SGS.

closely linked with the intensity of our operations. 2010 saw an uplift in our revenue of 4.1% at constant currency, driven primarily by an increase in activity levels across most geographies. The business also expanded through a combination of organic growth and acquisitions. Based on the reported data from our selected operating territories our carbon footprint for 2010 was calculated at around 192 211 tonnes CO₂. The distribution of our CO₂ emissions by source remained consistent with 2009.

SGS' environmental performance is

During 2009, our operations were encouraged to reduce travel for internal meetings as a precautionary response to the economic downturn. In 2010, however, travel increased with a corresponding rise in emissions from 13 575 tonnes CO₂ in 2009 to 16 358 tonnes CO₂. This was in part due to internal meetings postponed the previous year and also due to a global leadership conference held in Switzerland to communicate The Plan.

Emissions from vehicle fuels increased by 7.6% due to a combination of improved tracking of personal vehicles used for business purposes, as well as expansion in automotive and inspection services with corresponding travel. Non-transport fuel emissions increased by 17.2% and electricity emissions increased by 13.0%,

both of which were impacted by cold

weather conditions in Europe, higher

throughput in existing laboratories,

and the opening of new facilities.

Water consumption across our operations remains comparable to 2009 at 22.5 m³ per FTE. Nevertheless, we recognise the potential to improve our reporting and have taken steps to incorporate more data from leased premises that we were previously unable to capture.

In addition, SGS has taken a number of steps over the past year to improve the accuracy of environmental data reported across the business which also had a significant impact on our numbers: we introduced a more robust way of converting data into standard units with operations now able to report data in local units with centralised conversion; we introduced a comprehensive quidance manual to standardise data calculations, scope and reporting across the business; and we developed a system for pre-checking submitted data for abnormal trends or variations. We have also committed to submit our sustainability data to rigorous assurance and verification (as described on page 74).





28% **VEHICLE FUELS**

10% NON-TRANSPORT **FUELS**

8% **AIR & TRAIN TRANSPORT**

INDICATOR	What does this measure?	2009	2010	2014 TARGET
CO ₂ EMISSIONS	Total Annual CO ₂ emissions (tonnes)	170 958	192 211	
CARBON INTENSITY (PEOPLE)	Annual CO ₂ emissions per employee (tonnes/FTE)	4.23	4.50	-10%
CARBON INTENSITY (REVENUE)	Annual CO ₂ emissions per revenue (tonnes/CHF Million)	47.2	52.2	-10%
ELECTRICITY CONSUMPTION	Total annual electricity consumption (million kWh)	182	199	
ELECTRICITY CONSUMPTION (PEOPLE)	Annual kilowatt hours per employee (kWh/FTE)	4 504	4 662	
WATER USE	Annual water purchased (m³)	824 431	960 866	
WATER INTENSITY	Annual water purchased per employee (m³/FTE)	21.6	22.5	

62

In last year's report, we committed to setting reduction targets for CO. this year. As expected, in 2010 our environmental metrics have increased since 2009 due to a combination of growth and improved reporting. Knowing that we still have some way to go in improving the reporting in some of our operations, we remain committed to a reduction target based on our 2010 baseline.

Our overall goal is to achieve a reduction in the intensity of our CO₂ emissions of 10% by 2014, in order to align with the timeline of The Plan. We will continue to report on the two indicators of carbon intensity per full-time equivalent employee as well as per million CHF of revenue. Since we do not expect the increases in employee numbers and revenue to happen simultaneously, we will monitor the progress of our target against both measures.

Environmental compliance

SGS United Kingdom Limited was fined GBP 20 000 for violation of environmental regulations in connection with an undetected leak of gasoline at a tank terminal operated by SGS.

SGS North America received a nominal fine for improper labeling and storage procedures of hazardous substances at one of its laboratories in New Jersey.

PROGRESS ON OUR 2009 COMMITMENTS

ENVIRONMENT

Conduct a detailed assessment of our environmental impacts across our businesses and regions	•	Priority areas identified and Group-wide programmes initiated
Develop and publish long-term strategic carbon reduction targets	€	Targets established for buildings and carbon intensity of our operations
Reduce CO ₂ emissions from SGS-owned buildings by 10% by 2013 using 2010 baseline	•	Target re-stated for 2014
Produce an inventory of pollution sources and wastes from our laboratories by 2011	•	Ongoing







LOOKINGAHEAD

The commercial goals set by the SGS Group will need to be matched by an acceleration of environmental management so that we can expand the business in a sustainable way. We will focus on developing and implementing new technologies wherever technically and commercially possible, and will continue to raise environmental awareness and promote responsible environmental behaviours and practices across the business.

As soon as we are confident that we have developed optimal, workable solutions, we will seek to roll them out through businesses and functions. We also need to develop effective models for sustainable acquisitions so that we quickly identify best practices that would benefit the Group and transfer technologies and skills that have been developed by SGS to acquired companies where they need them. Furthermore we will work to develop a way of monitoring and comparing overall environmental impacts pre- and post-acquisition.

Just as importantly, we want to encourage employees and our business partners to use their skills to create large numbers of locally-grown initiatives and solutions. Harnessing the talent of our employees and empowering local teams to implement environmentally responsible programmes will lie at the centre of our progress towards sustainability.





Community engagement at SGS aims to build mutual trust and sustained social benefits in the communities we operate in. To us, community action means being in touch with the people and needs around us and doing what we can as individuals or as a team to make a difference. We are an employer in many communities, providing work and income and supporting local businesses through our professional services. SGS provides technical support by helping to maintain the efficiency and safety of local industries and by helping to minimise related social and environmental risks.

Our aim is to use our talents and expertise to support prosperity, wellbeing, education, sustainability and health in communities that need help. Many such communities, particularly in the developing world, lack institutional capacity and essential technical skills and resources. In these circumstances we need to understand our role within the community and explore where we can make the most useful and sustainable contribution.

It is clear that our employees are passionate about supporting their local communities, offering their time, skills and hands-on help. Many also hold positions of responsibility as trustees, governors and non-executive directors. The majority of employees regard our relationship with the communities in which they work and live as one of the most important features of working for SGS.

In this section we describe how we forge strategic partnerships with local stakeholders to deliver effective solutions to some of the most challenging issues affecting sustainable development in our local communities. While many of the projects demonstrate continued support from previous years, we have added several new projects and collaborations in 2010.

DID YOU KNOW?

- > More than 50 000 school students have been educated on sustainability issues through one of the key programmes SGS sponsors, TOPtoTOP.
- SGS employees contributed to over 150 community projects around the world
- SGS supports an education project for children in Battambang, Cambodia as a means of providing an alternative to child trafficking and exploitation.

COMMUNITY MANAGEMENT

SGS' community management approach is structured around the United Nations Millennium Development Goals (MDGs) through building long-term partnerships with local communities. Eradicating extreme poverty, hunger and child mortality; improving access to education and healthcare; and ensuring environmental sustainability are all issues that directly align with our concerns as a global company to operate a responsible business.

We provide support through donations, sponsorship and in-kind support including

employee volunteering. At Group level our core programmes are approved by the CEO and typically focus on promoting environmental sustainability and providing disaster relief.

Senior managers can establish regional and local initiatives in line with our strategic community objectives:

- Support non-profit initiatives and organisations that commit to improve the overall quality of life in the communities where our employees work and live
- Help build capacity within non-profit agencies through contributions in the form of financial aid, in-kind support and volunteer hours

- Improve both our local and global communities through ethical business practices, educational and environmental programmes, employee diversity and volunteering
- Support in disaster relief and environmental sustainability programmes by making available our expertise and our network to non-profit organisations
- Ensure meaningful and measurable outcomes through mutually agreed targets with local stakeholders and robust monitoring and reporting of progress.

CORE PROGRAMMES AND CASE STUDIES

ERADICATING EXTREME POVERTY AND HUNGER



GROUP INITIATIVE: SGS SPONSORS WATER PARTNERSHIP IN MAURITANIA

SGS is involved in sponsoring a partnership between the municipality of Lausanne, Switzerland and the urban community of Nouakchott, Mauritania, to provide safe drinking water in the city. Water supply in Nouakchott is both scarce and of poor quality, with 70% of the city's population not connected to the public water system. Since 2008, three tankers have been provided by the City of Lausanne and inspected by SGS to supply water from local surrounding areas to more than 8 000 people in Nouakchott. The aim is to improve access to water and strengthen water management skills locally, by rehabilitating communal water points and developing an awareness campaign on safe drinking water.

ACHIEVING UNIVERSAL PRIMARY EDUCATION

LOCAL INITIATIVE: SGS CHINA CONTINUES ITS SUPPORT OF HOPE SCHOOL IN JIAJIAWA VILLAGE, GANSU PROVINCE

As part of our ongoing commitment to support primary schools in Gansu province, during 2010, eight SGS volunteers spent time teaching at the Jiajiawa village school. We also provided scholarship placements for students and sponsored teachers' time. Volunteering as teachers in the school enables SGS employees to better understand the challenges for students including barriers to attending. One volunteer teacher, Yan Yina, rallied support from local government, NGOs and the public to help build a bridge which would enable more students in Jiajiawa to go to school. Construction of the bridge began in September 2010 and is expected to be operational in 2011.



GROUP INITIATIVE: SGS PARTNERS EDUCATIS FOUNDATION TO PROMOTE UNIVERSAL HIGHER EDUCATION

SGS continues to partner with the Educatis Foundation, a distance-learning university in Switzerland which aims to provide universal, affordable higher education to low-income students all over the world. Training is provided online and examinations are held in a variety of venues to reduce costs and the need for travel. Through this project, SGS provides spaces in our offices and laboratories for Educatis students to sit their examinations. To date we have provided facilities to support students in Mali, Ivory Coast, Cameroon, Congo, Tunisia, Burkina Faso, Canada, France and Italy.



PROMOTING GENDER EQUALITY AND EMPOWERING WOMEN



LOCAL INITIATIVE: SGS BANGLADESH SUPPORTS MICRO-FINANCE PROJECT

People in Bangladesh, particularly women, have made significant positive changes in their lifestyle with the support of micro-finance projects to start small and medium scale businesses which are helping them to become financially self-sufficient.

As part of its commitment to the local community, SGS Bangladesh has started a micro-finance project through national level non-government organisation, Dhaka Ahasania Mission. The aim is to implement a community development project entitled "Restoration of livelihood through Job Creation, Gaining of Assets by the Rural Poor (ROJGAR)". The project is implemented in Sreepur Thana, a remote area in the Gazipur district north of Dhaka. Through the project, rural poor, especially women, will receive micro-credit support through the agency. With such support they can establish a range of small enterprises including dairy, poultry and duck farms and small-scale shops or market stalls selling local produce and traditional handicrafts. So far 20 women have benefited and have initiated their own farming projects.

REDUCING CHILD POVERTY

LOCAL INITIATIVE: SGS PERU SUPPORTS THE ASOCIACIÓN ESPERANZA Y CARIDAD (ASSOCIATION OF HOPE AND CHARITY)

SGS Peru has supported the work of the Asociación Esperanza y Caridad since 1998 through regular donations. Seven years previously, a small group of committed men and women formed this non-profit organisation to serve the neediest children in Lima In 1987, land was purchased to build a pre-school and cafeteria. Through the hard work and commitment of many volunteers, funds were raised to buy more land to expand the facilities and services. The school is now fully accredited by the Education Department of the Peruvian Government. The association provides education, food, shelter, health care, vocational training and family services for over 700 children and their families.



LOCAL INITIATIVE: EMPLOYEES FROM SGS HEADQUARTERS VISIT CAMBODIA TO OBSERVE THE CAMPAIGN TO END CHILD TRAFFICKING

ASSPEL, the SGS employee association in Geneva, provided the chance for two employees to visit Cambodia to observe the work of AVEC, an NGO working to fight child trafficking in the country. The prize draw was open to any employee who had fundraised for the charity. Nathalie Gervaz from Corporate Communications and Thierry Balmer from Group Legal won the opportunity to spend a week with AVEC in Battambang, a deprived town in porth-east Cambodia in March 2010.



"This was our chance to gain first-hand experience of what is happening. We witnessed deprivation and families struggling to cope with children born into extreme poverty", explained Nathalie on visiting Cambodia. AVEC has been working tirelessly to build relationships with parents to prevent children becoming victims of exploitation. Its work centres on showing villagers how schooling can provide an alternative path to supporting the family. AVEC provides practical support with a purpose-built home offering shelter and security for around 20 children who are considered to be at risk of exploitation. Working closely with three public schools in Battambang, the charity monitors each child's attendance and progress.

Since their trip Nathalie and Thierry have shared their experience with as many colleagues as possible. Thierry has spoken at his son's primary school to show children in Switzerland how different life is for children in Cambodia. "Our hope is that we have inspired employees to continue to fundraise and maybe even consider a volunteering opportunity."

www.info-avec.org

LOCAL INITIATIVE: SGS TIRUPUR SUPPORTS LOCAL ORPHANAGES IN SOUTH INDIA

SGS employees in Tirupur – a hub for the knitted garment industry in India - came up with the idea of donating samples of garments collected during final random quality inspections to those in need. Once the sample retention period has been completed, and with permission from our customers, the samples (which would otherwise be disposed of) are collected and donated to children in orphanages and schools. Working with local NGOs, SGS employees visit the institutes to understand what types of garments are needed. Since 2005, SGS Tirupur has donated samples to several probanages and schools for disadvantaged and disabled children in the Tamil Nadu state.



COMBATING HIV/AIDS, MALARIA AND OTHER DISEASES

LOCAL INITIATIVE: GHANA COMMUNITY NETWORK SERVICES LIMITED (GCNET)* PROMOTES EMPLOYEE WELLBEING IN TAMALE

Malaria, tuberculosis, Hepatitis B and HIV remain serious problems in Sub-Saharan Africa. Non-communicable diseases such as diabetes, cancer and hypertension also pose a huge disease burden in a low income country like Ghana.

SGS, through its role in the Ghana Community Network Services Limited (GCNet), is supporting a comprehensive Employee Wellbeing Programme in collaboration with Revenue Agencies for the benefit of employees, their families and the immediate community of Tamale. Its purpose is to provide social protection and improve the health and financial wellbeing of around 38 000 people by 2012. The programme is becoming recognised as a model project, not just in Ghana but across Africa, illustrating how private and public sector organisations can provide much needed health and wellbeing services to employees and the wider community.

*GCNet is a private company established in 2000 to develop and implement a computerised system for validating and forwarding trade and customs documentation. SGS is the principal shareholder.

ENSURING ENVIRONMENTAL SUSTAINABILITY



GROUP SPONSORSHIP: TOPTOTOP GLOBAL CLIMATE EXPEDITION

Since 2008, the SGS Group has been one of the main sponsors of TOPtoTOP, a non-profit organisation which aims to summit the highest peak on each continent using only human power and the forces of nature. The project seeks to raise awareness of climate change and to show that great goals and progress can be achieved in balance with nature.

The TOPtoTOP global climate expedition began in 2002 and was followed shortly by the successful ascent of Mt. Blanc in France, the highest peak in Europe.

Since that time, TOPtoTOP has travelled 70 000 kilometres by boat, cycled 15 000 kilometres, visited over 50 000 school students and cleaned up over 23 tonnes of waste. In 2010 alone, TOPtoTOP visited eight countries: Indonesia, Singapore, Malaysia, Thailand, India, Nepal, China and Switzerland.

www.toptotop.org



LOCAL INITIATIVE: SGS NEW ZEALAND BECOMES GOLD SPONSOR FOR PROJECT KIWI TRUST

SGS New Zealand is supporting Project Kiwi, a bird conservation initiative that aims to save the Coromandel North Island Brown Kiwi. The objective of the Trust is to enhance and protect the kiwi population by restoring the local ecosystem. As a corporate sponsor, SGS provides financial support, and volunteers to help with activities such as track maintenance, beach clean-ups, operation nest egg, kiwi call survey, and pest and predator control.

"I grimaced a little when the managing director asked me to take over

co-ordination of our newly formed relationship with Project Kiwi Trust. This project helps support the Trust's efforts to conserve and sustain wild populations of kiwi. A date was set, and within 48 hours we had 48 people ready to clear rubbish from the beaches. It's amazing what you find on the beach - and it made me really mad. 'Why can't people be more considerate?', I asked myself. All I could hear on the way back to Whitianga was everyone comparing their rubbish collections and planning their return trips for more volunteer work. It felt great to be part of something unique and such a

Glyn Kessell, HR Manager, SGS New Zealand

worthy project."

GROUP INITIATIVE: SGS SUPPORTS THE SUSTAINABLE LIFESTYLES PROGRAMME IN PARTNERSHIP WITH UNEP

SGS Group Management is supporting a strategic, multi-stakeholder partnership involving UNEP, UNESCO, the Center for Development of Community Initiatives and Environment, SGS Philippines, SGS Vietnam and local NGOs. Its aim is to promote sustainable consumption amongst young people. The Sustainable Lifestyles programme enables youth leaders and groups to reach out to young people to adopt more sustainable lifestyles. It also seeks to build strategies that support positive behaviour change amongst young people in developing countries.

During 2010, SGS helped to sponsor two capacity building workshops in Vietnam which resulted in five sustainable living initiatives receiving funding for implementation. These included supporting a Green Days awareness raising event in Hanoi; installing a wetland model of plants to treat and reuse household waste water; development of a sustainable living website w scp/youth/; and a project to integrate sustainable lifestyle elements into the framework for building green schools. Two further projects linked to awareness raising amongst students are being given technical support.

The focus in 2011 will be on creating a virtual platform for youth collaboration in solving challenges relating to sustainable development in Vietnam; an educational channel to compile and promote entrepreneurship education among Vietnamese youth; and a sustainable business incubator model for further development of the project.

PROVIDING DISASTER RELIEF

Around the world SGS continues to help to respond to local, national and global disasters, wherever they occur. Below are some examples from 2010.

- · In the few days following the earthquake in Haiti in January 2010, SGS offered immediate assistance by arranging for delivery of 100 family tents to provide vital shelter for people without homes. Employees were supported through the provision of water purification equipment and advanced salary payments. The Company also donated its office space to the Ministry of Trade by moving to a more remote building and arranged to transport employees to the temporary location by bus. In addition to the CHF 30 000 provided in the aftermath of the disaster, SGS has decided to extend its support by allocating an additional CHF 100 000 to an assistance fund that will be distributed during 2011.
- SGS Chile's immediate response in the aftermath of the country's devastating earthquake in February 2010 ensured the integrity of frozen samples despite a complete loss of electricity and running water. Using dry ice and airlifting samples as soon as the airport re-opened ensured that important field studies were successfully completed. The efforts of the SGS Agricultural Research Team were recognised in a special award presented by the project's client in October 2010.
- Within hours of the earthquake in September 2010 which shook Christchurch, New Zealand, SGS was able to ascertain the whereabouts and wellbeing of all employees. Employee Assistance Programme Crisis Support Teams were made available to employees and their families. Despite there being significant aftershocks, all employees were able to resume work with minimal disruption.

OUR PERFORMANCE

INDICATOR	What does this measure?	2009	2010
INVESTMENT IN COMMUNITY	Donations to community and voluntary groups (CHF '000)	348	418
INVESTMENT IN SPONSORING	Sponsorship of events (CHF '000)	446	590
TOTAL COMMUNITY PROJECTS	Total number of projects	96	155

Our employees supported 155 projects across our selected reporting territories and spent over 6 000 working hours in the community mainly in the Americas and Asia Pacific. We donated around CHF 418 000 to community programmes and as a business we spent around CHF 590 000 on sponsorships, highlights and examples of which are provided in the preceding section.

RECOGNITION AND REWARDS

Receiving external recognition of our community involvement efforts is always appreciated, especially by employees. Here are some examples of awards received in 2010:

- SGS Hong Kong has been awarded a Caring Company certificate in recognition of five consecutive years of corporate
 responsibility from 2005 to 2010. Issued by the Hong Kong Council of Social Service, the award cited volunteering services, giving
 to the community, mentoring, employing the vulnerable, caring for employees and caring for the environment as good reason to
 recognise SGS Hong Kong.
- SGS Chile received an Award from Pioneer (a DuPont company) for completing field studies and helping overcome the challenging situation faced in Chile after the earthquake earlier in 2010.

PROGRESS ON OUR 2009 COMMITMENTS

COMMUNITY

Build a strategic framework for community investment	•	Ongoing
Develop a policy for global community involvement	•	Policy approved in 2010 for launch in 2011
Increase dialogue and knowledge transfer with local communities	•	Ongoing



LOOKING AHEAD

- During 2011 we will communicate our Group Community Policy and Guidelines across the Company.
- We will review SGS Group community projects to explore possible additional programmes and ensure that we are operating our community programmes in accordance with the new Community Policy.
- At a corporate level, SGS will provide strategic support and funding to the Paint a Smile foundation which creates inspiring stories and uplifting images on the walls of children's hospitals. www.paintasmile.org
- SGS Group will identify and recruit a charity partner with which to collaborate on a new global community programme.

UPDATE ON 2009 COMMITMENTS

The following provides an update on the commitments made in the Looking Ahead sections of our 2009 Corporate Sustainability Report.

COMMITMENT	STATUS	COMMENT
Review data capture and calculation across our business and further improve consistency	€	Data capture strengthened
Conduct 2010 training on the Code of Integrity and Professional Conduct	❖	Achieved
PEOPLE PEOPLE		
Create safer working environments by appointing a senior level specialist in Health and Safety	€	Vice President, Global Health and Safety appointed
Work in partnership with communities and academic institutions to develop skills for our future business	•	Identified educational institutions with which to build key alliances
Attract more women to SGS	•	Ongoing initiatives
Continue to develop high potential people through our leadership programme	♥	Leadership development programme expanded in 2010
Launch a Group-wide e-learning programme on sustainability	€	Two e-learning modules launched during 2010
Run internal campaigns to help bring sustainability to life in the workplace	•	This will be extended into 201
ENVIRONMENT		
Conduct a detailed assessment of our environmental impacts across our businesses and regions	•	Priority areas identified and Group-wide programmes initiated
Develop and publish long-term strategic CO ₂ reduction targets		Targets established for
Develop and publish long term strategie e.e., reduction targets		of our operations
Reduce CO ₂ emissions from SGS owned buildings by 10% by 2013 using 2010 baseline	•	
Reduce CO ₂ emissions from SGS owned buildings by 10% by 2013 using	O O	of our operations Target restated for 2014
Reduce CO ₂ emissions from SGS owned buildings by 10% by 2013 using 2010 baseline	O O	Target restated for 2014 to align with The Plan
Reduce CO ₂ emissions from SGS owned buildings by 10% by 2013 using 2010 baseline Produce an inventory of pollution sources and wastes from our laboratories by 2011	O O O	of our operations Target restated for 2014 to align with The Plan
Reduce CO ₂ emissions from SGS owned buildings by 10% by 2013 using 2010 baseline Produce an inventory of pollution sources and wastes from our laboratories by 2011	O O O O O O O O O O	of our operations Target restated for 2014 to align with The Plan Ongoing

STATEMENT FROM THE CHAIRMAN OF THE EUROFORUM WORKS COUNCIL

Elected employee members of the Euroforum Works Council were given the opportunity to review a confidential draft of the SGS Corporate Sustainability Report 2010 prior to publication.

Members felt that the Report provided an interesting account of the Company and its contribution to sustainable development. Our overriding impression was that sustainability is now integral to the way SGS does business internally and externally. This, we believe, will be a positive and inspiring message for employees across the business. We were pleased to see reporting on issues covering employment security and duty of care; vocational guidance and training; diversity; and equal opportunities. Hopefully the planned assessment of human rights principles during 2011 will enable more extensive reporting of the International Labour Organisation (ILO) standard and other frameworks that exist to protect and promote the interests of employees and other stakeholders.

Overall, we have found the process of engagement with the corporate sustainability team very constructive and would recommend that other employee-elected councils of SGS become involved in reviewing future reports.

GUUS WIESEMANN

CHAIRMAN EUROFORUM WORKS COUNCIL SGS NETHERI ANDS





REPORT ASSURANCE

All information presented in this Report has been formally reviewed and approved by the Sustainability Steering Committee.

Assurance of data and our data management systems is provided by our Sustainability Report Assurance Services through subcontracting assurors, who also carry out sustainability assurance work for clients on behalf of SGS.

This stage of assurance is introduced to provide a rigorous level of independent challenge to increase confidence in reported data and promote ongoing improvement in our approach and supporting management systems.

SGS has adopted this approach to report assurance following consultation with internal and external stakeholders. There was general agreement amongst stakeholders that given SGS' role as a professional service provider in assurance, the most appropriate approach was to use its own Sustainability Report Assurance Services. From 2011, SGS will be implementing a programme of year-round assurance by subcontracting additional assurors in our regions.

GRI G3 GUIDELINES

In this Report SGS has fulfilled the requirements of GRI to Level C as validated in the GRI Application Level Check opposite.

DATA ASSURANCE

The quantitative performance data in this Report is an extract of a larger data set that has been compiled using financial data management processes. At this point in time we are confident to report data covering more than three-quarters of our revenues and two-thirds of our employees. Sufficient rigour has been applied to the collection and amalgamation of this data to provide a reasonable level of assurance.



Statement GRI Application Level Check

GRI hereby states that **SGS SA** has presented its report "When we need to be sure" (2010) to GRI's Report Services which have concluded that the report fulfills the requirements of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

16 February 2011, Amsterdam



Nelmara Arbex Deputy Chief Executive Global Reporting Initiative

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.alobalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 15 February 2011. GRI explicitly excludes the statement being applied to any later changes to such material.



ASSURANCE STATEMENT

REPORT ON THE INTERNAL ASSURANCE OF SGS CORPORATE SUSTAINABILITY REPORT 2010

NATURE AND SCOPE OF THE ASSURANCE

The scope of assurance included the text, performance data and a review of the management of this data.

This Corporate Sustainability Report has been assured using SGS' own protocols to ensure consistency with the service offered to customers and follows the basic protocol for content veracity. The assurance comprised a combination of documentation review and validation and face-to-face interviews with relevant employees at the Head Office in Geneva. Audit reviews of data samples and management were also carried out in selected sites (Mexico, Spain, Italy, Russia and Singapore). Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised assurors with the following qualifications: Lead Quality, Health and Safety, Environmental and SA8000 Auditor and CSAP Assurance Practitioner.

The responsibility of the assurance team is to express an opinion on the text, data, graphs and statements within the scope of verification and to inform improvements in the process for future reporting.

ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Corporate Sustainability Report 2010 is reliable and provides a fair and balanced representation of SGS Group's activities in 2010 within the limitations of the stated reporting scope.

We believe that SGS has chosen an appropriate level of assurance for this stage of its reporting journey.

COMMENTS

We have noted that SGS has taken into account recommendations made by the assurors on last year's report. In some areas these are still in development and we will be following the development in future assurance.

We acknowledge that some data from 2009 has been adjusted to reflect improved data received from sites. These changes have been assured and we would expect further adjustments in future reporting as systems are improved.

We have observed in our evaluation that plans for future projects address improvement opportunities identified within the organisation and are presented with consistency demonstrating continuance of improvement.

RECOMMENDATIONS

Through our data review we have observed SGS' efforts to improve its data collection and consolidation process. We recommend that SGS continue to improve consistency of implementation throughout its affiliates.

Future assurance should include further evaluation against the principle of Materiality to ensure that the reporting continues to reflect key issues in line with AA1000APS.

A report has been prepared for SGS management which includes a more detailed set of recommendations to help identify areas for future improvement.

Rita Godfrey, SRA Assuror

February 2011

Michel Mooser, SRA Assuror

February 2011

BENCHMARK AGAINST GRI G3 GUIDELINES

The following index indicates the section reference for the GRI requirements and supports our alignment to a C level of reporting. Some requirements reference the SGS Annual Report 2010 which contains information about our organisational structure and corporate governance.

achieved partial not achieved

GRI REQUIREMENT	GRI LEVEL C REQUIREMENT	COVERED	SECTION REFERENCE/COMMENT
1. STRATEGY AND ANALYSIS			
1.1 Statement from the most senior decision-maker of the organisation	€	€	Statement from the Chairman and CEO p.14
1.2 Description of key impacts, risks, and opportunities		•	Materiality p.23
2. ORGANISATIONAL PROFILE			
2.1 Name of the organisation	€	€	Who we are p.8
2.2 Primary brands, products, and/or services	•	€	Our expertise and activities p.9
2.3 Operational structure of the organisation	€	€	Who we are p.8
2.4 Location of organisation's headquarters	€	€	Who we are p.8
2.5 Countries where the organisation operates	€	€	Our expertise and activities p.9; Annual Report p.157-160
2.6 Nature of ownership and legal form	€	€	Who we are p.8
2.7 Markets served	€	€	Our expertise and activities p.9; Annual Report p.16
2.8 Scale of the reporting organisation	•	•	Who we are p.8; SGS Group statement of economic value generated & distributed p.26; Annual Report p.16;
2.9 Significant changes during the reporting period regarding size, structure, or ownership	•	•	Our reporting scope p.12; Statement from the Chairman and CEO p.14; Governance p.19 Data management p.27
2.10 Awards received in the reporting period	€	€	Community p.71
3. REPORT PARAMETERS 3.1 Reporting period	.	.	Our reporting scope p.12
3.2 Date of most recent previous report	0	•	About this report p.11
3.3 Reporting cycle	0	•	About this report p.11
3.4 Contact point for questions regarding the report or its contents	•	•	Further information and feedback p.13; Information p.82
3.5 Process for defining report content	€	€	About this report p.11; Our reporting scope p.12
3.6 Boundary of the report	€	€	Our reporting scope p.12
3.7 State any specific limitations on the scope or boundary of the report	€	€	Our reporting scope p.12
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations	•	€	Our reporting scope p.12
3.9 Data measurement techniques and the bases of calculations		•	Measuring our performance p.26-28
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	€	€	Data management p.27 Health and safety performance p.50
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	€	€	Our reporting scope p.12 Data management p.27
3.12 Table identifying the location of the Standard Disclosures in the report	€	€	Benchmark against GRI G3 Guidelines p.76-77
3.13 Policy and current practice with regard to seeking external assurance for the report		⊘	Our reporting scope p.12; Report assurance p.74

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GRI REQUIREMENT	GRI LEVEL C REQUIREMENT	COVERED	SECTION REFERENCE/COMMENT
4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT			
4.1 Governance structure of the organisation	•	•	Who we are p.8 Governance p.19 Annual Report p.66-83
4.2 Indicate whether the Chair of the highest governance body is also an executive officer	•	•	Governance p.19
4.3 For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	•	€	Governance p.19
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	•	€	Who we are p.8 Stakeholder dialogue p.25 Information p.72
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)		•	Annual Report p.77-80
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided		€	Annual Report p.69
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation		•	Sustainability management system p.21-22 Professional Integrity p.38 People management p.45 Environmental management p.55 Community management p.67
4.9 Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance		€	Governance p.19 Annual Report p.45
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organisation.		€	Annual Report p.137 Risk management p.23
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses		•	About this report p.11 Our contribution to sustainability p.35 Human rights in business p.49 Working with stakeholders p.55
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organisations		€	Our contribution to sustainability p.35 Working with stakeholders p.55
4.14 List of stakeholder groups engaged by the organisation	€	€	Our stakeholders p.24
4.15 Basis for identification and selection of stakeholders with whom to engage	•	⊘	Our stakeholders p.24
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		€	Our stakeholders p.24-25
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting		•	Stakeholder dialogue p.25 Service delivery and improvement p.37
5. MANAGEMENT APPROACH AND PERFORMANCE INDICA	TORS		
5.1 Management Approach Disclosures for each indicator category		€	Our reporting scope p.12 Sustainability indicators p.6
5.2 Reporting on at least ten Performance Indicators, including one from each of the Social, Economic and Environmental aspects	•	€	Performance indicators include 1 Economic, 12 Labour, 3 Social and 9 Environmental
EC1. Direct economic value generated and distributed	•		Measuring our performance p.26-27
LA1. Total workforce by employment type, employment contract and region	€	(;	Our expertise and activities p.9
LA2. Total number and rate of employee turnover by age group, gender and region	•	•	Our performance (people) p.49
LA7. Rates of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities by region	•	6	Our performance (people) p.49 Health and safety p.50
LA10. Average hours of training per year per employee by employee category	•	€	Our performance (people) p.49
LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity	•	6	Our performance (people) p.49 Annual Report p.66-83
\$03. Percentage of employees trained in organisation's anti-corruption policies and procedures	•	6	Professional Integrity p.38
\$04. Actions taken in response to incidents of corruption	Ø	•	Professional Integrity p.39
EN8. Total water withdrawal by source	•	•	Our performance (environment) p.62
EN16. Total direct and indirect greenhouse gas emissions by weight	C	•	Our performance (environment) p.62



DEAR STAKEHOLDERS,

Thank you for taking the time to read our second Sustainability Report. We were encouraged by the feedback on our last year Report and we hope that you will be able to see how your input has helped to form this Report. In these pages we have provided a glimpse into the many sustainability programmes and initiatives that exist across our global network.

At the beginning of 2010 we predicted that this year would be a period of consolidation – further embedding our sustainability management system through the organisation. This has proven to be true as we have continued to formalise our approach and are steadily beginning to see sustainability permeating through our business. We are encouraged by the development of new sustainability services and solutions, as this becomes one of the drivers for growth looking towards 2014.

This 'phenomenon' is happening much faster than we had envisaged. The majority of functions have already begun to integrate sustainability into their planning and operational practices. We should all be proud of the work that is already being done across large areas of the Group. We do not underestimate the work that remains for us to fully integrate sustainability into our organisation. However, fuelled by the momentum we have witnessed this year, we are optimistic about the progress we can make around efficiencies in energy consumption, carbon management, and resource use while looking after our people and the communities in which we operate.

What is important for us to do now is to harness this energy and ensure that it is directed appropriately to areas that will help us achieve business success through The Plan and progress towards our shared goals: to excel in the way we do business, reduce our environmental impact, improve our social performance, and involve people in supporting the needs of local communities. Collectively, this will help in achieving our ambition to be a leader in sustainability. We look forward to sharing the next stages of our journey with you in 2012.

In the meantime, we would be delighted to hear your views on this Report and SGS' overall approach to sustainability and invite you to respond to our online survey. Through your feedback and dialogue we can be sure that we are on the right track and we will know what we need to do to improve our approach year-on-year.

Christopher Kirk
Chief Executive Officer

Daniel Rüfenacht

Vice President Corporate Sustainability

GLOSSARY

AA1000 ACCOUNTABILITY PRINCIPLES STANDARDS (AA1000APS)

An international framework for an organisation to identify, prioritise and respond to its sustainability challenges.

BIODIVERSITY

The variability among living organisms from all sources, i.e. terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part.

CARBON DISCLOSURE PROJECT (CDP)

An independent non-governmental organisation which holds the largest database of corporate climate change information in the world. Since its formation in 2000, CDP has become the gold standard for carbon disclosure methodology and process, providing primary climate change data to the global market place.

CORPORATE SUSTAINABILITY

Managing a long-term profitable business while taking into account all the positive and negative environmental, social and economic effects we have on society.

DOW JONES SUSTAINABILITY INDEX

A global investment index which tracks the financial performance of leading global sustainability-driven companies.

EMPLOYEE

An individual who is formally contracted by an employer to fulfil a specified job role for which the individual receives remuneration.

EQUATOR PRINCIPLES

A voluntary set of standards for determining, assessing and managing social and environmental risk in project financing.

FOREST STEWARDSHIP CERTIFICATION (FSC)

A certification system established in 1993 that provides internationally recognised standard-setting, trademark assurance and accreditation services to companies, organisations, and communities interested in responsible forestry.

FTE

Full-time equivalent employee.

GLOBAL REPORTING INITIATIVE (GRI)

A multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. The GRI incorporates the active participation of business, accountancy, investment, environmental, human rights, and research and labour organisations from around the world and is an official collaborating centre of UNEP that works in cooperation with the UN Global Compact.

GREEN IT

Group-wide and local IT initiatives aimed at minimising our environmental footprint through the responsible purchase, provisioning, use, maintenance and disposal of computers, servers and associated equipment across our operations.

GREENHOUSE GASES (GHGs)

Gases which alter the thermal properties of the atmosphere. The main greenhouse gases are considered to be water vapour, carbon dioxide, methane, nitrous oxide, chlorofluorocarbons, halons and ozone.

HUMAN RIGHTS

A set of principles defined in the Universal Declaration of Human Rights (1948) and based on the recognition of the inherent dignity and the equal and inalienable rights of all members of the human family as the foundation of freedom.

INTERNATIONAL ORGANISATION FOR STANDARDISATION (ISO)

A non-governmental organisation and the world's largest developer and publisher of International Standards. It is a network of the national standards institutes of 161 countries, one member per country, with a Central Secretariat in Geneva, Switzerland.

ISO 14001

An international environmental management standard.

INTERNATIONAL LABOUR ORGANISATION (ILO)

An international organisation located in Geneva, Switzerland, whose goal is to promote decent work for all men and women. There are 178 member countries of the ILO, represented by workers, employers and governments.

KEY PERFORMANCE INDICATOR (KPI)

A quantitative or qualitative measure which helps an organisation to define and evaluate its performance, typically used to track progress against organisational goals.

LABORATORY

An SGS-owned building with laboratory and storage area representing 50% or more of total floor space.

LEAN

A philosophy, an approach, and a set of tools designed to optimise business processes, minimise waste and achieve world-class responsiveness.

LIFE CYCLE ANALYSIS (LCA)

A process of evaluating the effects that a product has on the environment over the entire period of its life thereby increasing resource use efficiency and decreasing liabilities.

LOST TIME INJURY FREQUENCY RATE (LTIFR)

The number of lost time incidents and fatalities occurring per 200 000 hours worked.

MANAGEMENT SYSTEM

The Company structure, responsibilities, practices, procedures, processes and resources for implementing the management of a policy or group of policies.

MANAGER

Employee with people management responsibility, income statement responsibility and/or reporting to an Operations Council member, Managing Director or Business Manager.

MATERIALITY (SUSTAINABILITY)

Relevant topics and indicators that may reasonably be considered important for reflecting an organisation's economic, environmental, and social impacts, or influencing the decisions of stakeholders. It is the threshold at which an issue or indicator becomes sufficiently important that it should be reported.

MILLENNIUM DEVELOPMENT GOALS (MDGs)

Eight goals to be achieved by 2015 that respond to the world's main development challenges. Drawn from the actions and targets contained in the Millennium Declaration that was adopted by 189 nations-and signed by 147 heads of state and governments during the UN Millennium Summit in September 2000.

NATURAL TURNOVER

The number of employees who leave the Company of their own will. Excludes employees who leave due to dismissal, retirement or death in service.

NEAR MISS

An event, situation or physical environment which had the potential to cause injury, damage or loss to people, property and the environment, but which was avoided by circumstance.

OFFICE

An SGS-owned building with office area representing 50% or more of total floor space.

OHSAS 18001

An international standard for occupational health and safety management system.

STAKEHOLDER

An individual, community or organisation that affects or is affected by some aspect of an organisation's products, operations, markets, industries or outcomes.

SUBCONTRACTOR

Personnel working on behalf of the Company but not on its payroll.

SUSTAINABLE DEVELOPMENT

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

SUSTAINABLE REPORT ASSURANCE (SRA)

Structured process to collect and evaluate evidence to confirm reliability, a completeness, and meaningfulness of disclosed information.

THE PLAN

Unveiled in 2010, The Plan defines the strategic lines SGS will pursue in order to strengthen its dominant position in the testing, inspection and certification industry, delivering strong organic growth and relying on acquisitions to expand certain areas of its service offering and geographical coverage. With The Plan SGS aims to achieve revenues of CHF 8 billion, operating income of CHF 1.6 billion (20% operating margin) and earnings per share of approximately CHF 140 by 2014 while maintaining strong operating cash flows of 15% to 17% of revenues.

TOTAL RECORDABLE INCIDENT RATE (TRIR)

The number of lost time, restricted duty, medical treatment incidents and fatalities per 200 000 hours worked.

UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP)

Created in 1972, UNEP promotes leadership and encourages partnership in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations.

UNITED NATIONS GLOBAL COMPACT (UNGC)

A strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

A CEO-led coalition of 170 international companies with a shared commitment to sustainable development using the three pillars of economic growth, ecological balance and social progress.

ACRONYMS AND FORMULAE

CEO Chief Executive Officer
COO Chief Operating Officer
CFO Chief Financial Officer
EVP Executive Vice President

MD Managing DirectorCHF Swiss francs

CO

CSR Corporate social responsibility

DJSI Dow Jones Sustainability IndexEMS Environmental

Carbon dioxide

management system **kWh** Kilowatt hour

NGO Non-governmental organisation

UN United Nations

INFORMATION

SGS SA CORPORATE OFFICE

1 place des Alpes

P.O. Box 2152

CH - 1211 Geneva 1

t +41 (0)22 739 91 11

f +41 (0)22 739 98 86

e sgs.investor.relations@sgs.com

www.sgs.com

STOCK EXCHANGE LISTING

SIX Swiss Exchange, SGSN

STOCK EXCHANGE TRADING

SIX Swiss Exchange

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CORPORATE COMMUNICATIONS & INVESTOR RELATIONS SGS SA

Jean-Luc de Buman

1 place des Alpes

P.O. Box 2152

CH - 1211 Geneva 1

t +41 (0)22 739 93 31

f +41 (0)22 739 98 61

www.sgs.com

CORPORATE SUSTAINABILITY

Daniel Rüfenacht

1 place des Alpes

P.O. Box 2152

CH - 1211 Geneva 1

t +41 (0)22 739 94 01

f +41 (0)22 739 98 48

e corporate.sustainability@sgs.com

www.sgs.com

PROJECT TEAM

Daniel Rüfenacht

Melannie Fernandes

Monica Da Costa

Suzanne Roset

Zosia Brown

CONTENT DESIGN AND COPYWRITING

Nicky Amos CSR Services Ltd

Chichester, UK

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Group Charlescannon Sàrl

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Group Charlescannon Sàrl

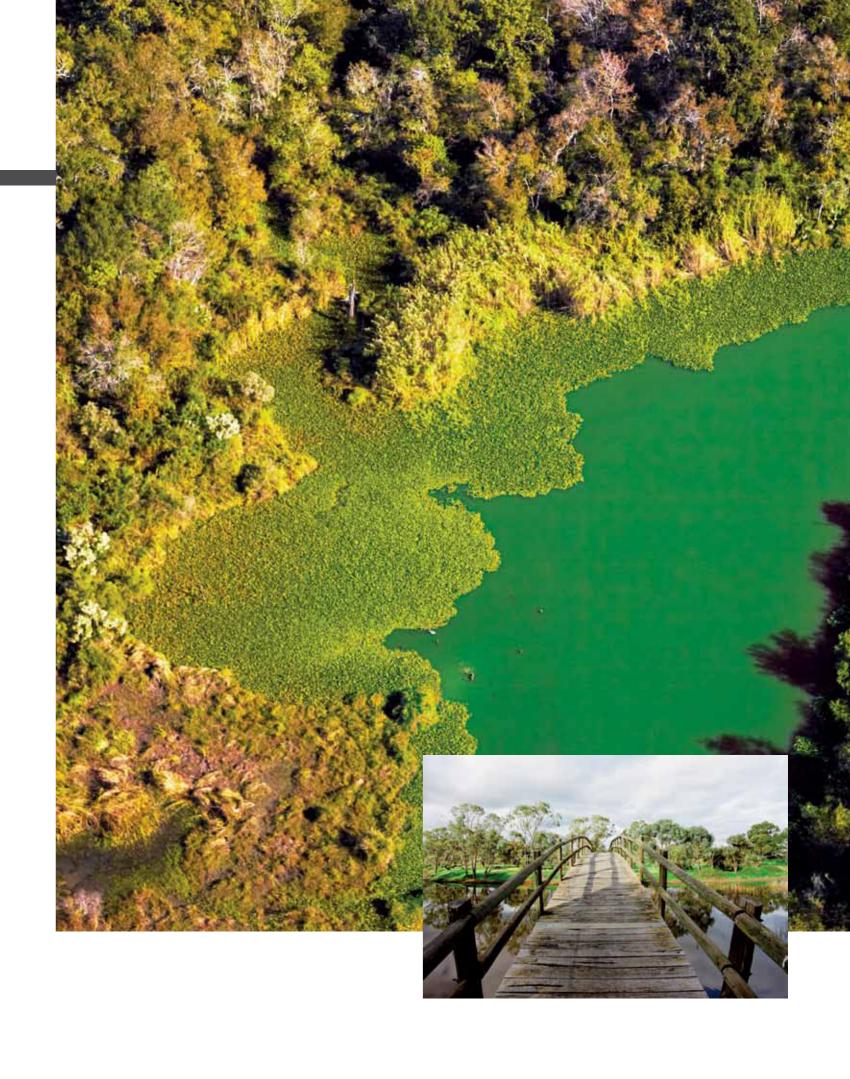
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