

SUSTAINABLE

CORPORATE
SUSTAINABILITY
REPORT 2011

SGS



**WHEN
WE
NEED
TO BE
SURE**

We are continually pushing ourselves to deliver innovative services and solutions that help our customers move their businesses forward.

**24 HOURS
A DAY
7 DAYS
A WEEK
12 MONTHS
A YEAR**

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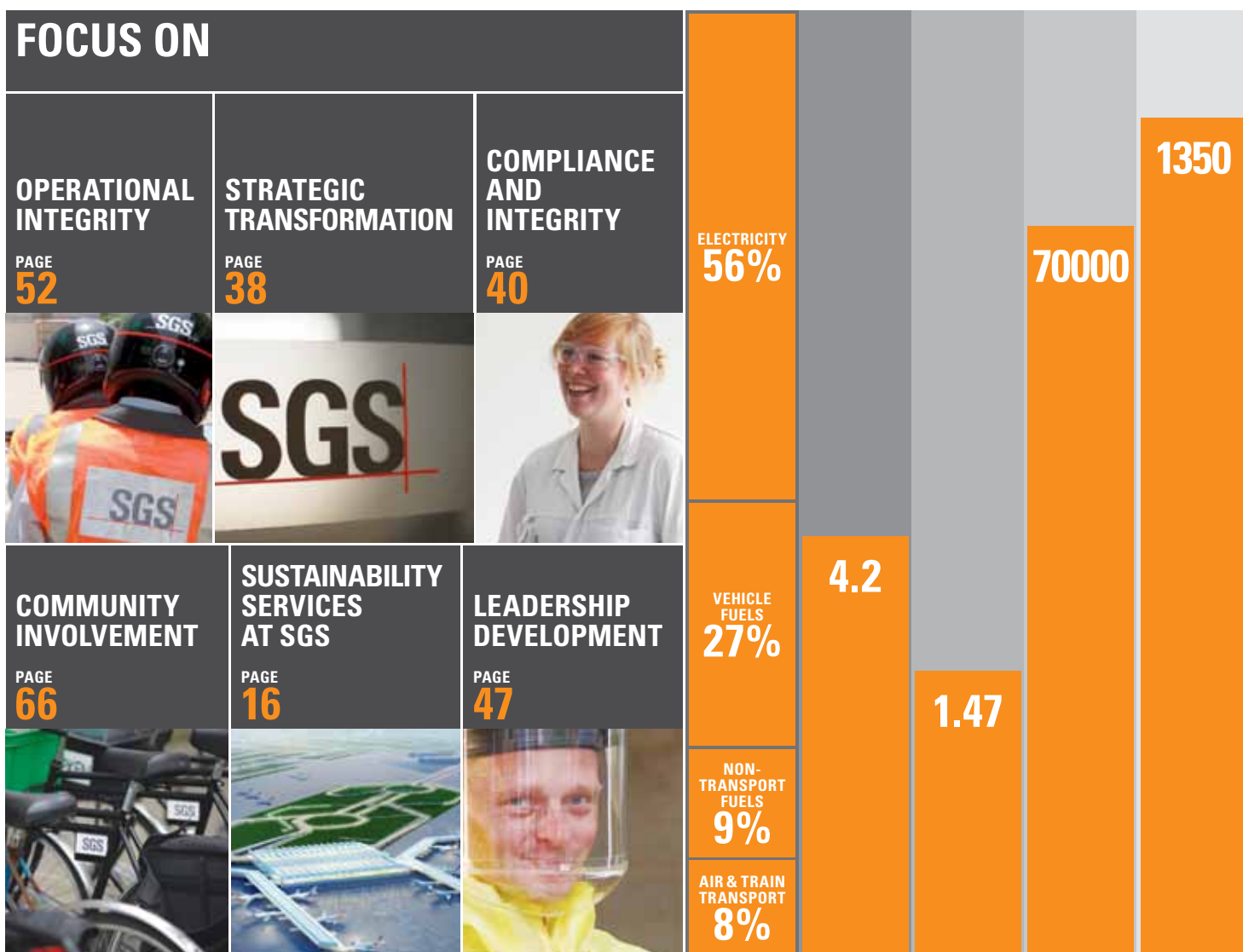
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SUMMARY OF PERFORMANCE

PROFESSIONAL EXCELLENCE

CODE OF INTEGRITY REPORTS TO HELPLINES

Total number of integrity issues reported through integrity helplines



CODE OF INTEGRITY INVESTIGATIONS

Total number of valid reports investigated concluding in no breaches



CODE OF INTEGRITY NON-COMPLIANCES

Total number of breaches of Code identified through integrity helplines



EMPLOYEES SIGNING THE CODE OF INTEGRITY

% of employees signing the Code of Integrity



EMPLOYEES COMPLETING THE SUSTAINABILITY E-LEARNING

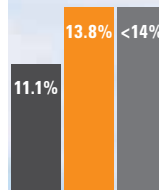
% of employees completing sustainability e-learning



PEOPLE

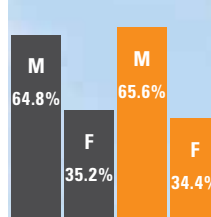
NATURAL TURNOVER

% of employees that leave SGS each year of their own will



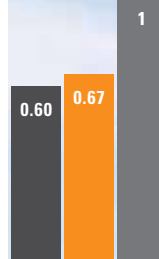
GENDER RATIO

% male employees
% female employees



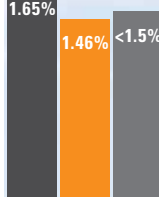
EQUAL OPPORTUNITY RATIO

(Female managers/
female employees)
(Male managers/
male employees)



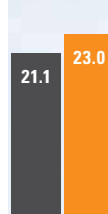
SICKNESS ABSENCE RATE

Number of days of sickness absence as a % of total days worked



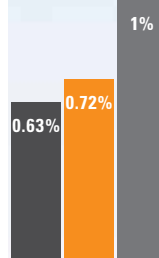
TRAINING HOURS

Number of annual training hours/FTE
(Includes safety training hours)



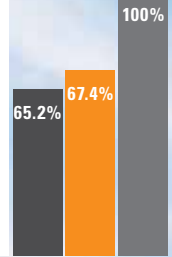
TRAINING RATIO

% of total employment costs spent on training
(Includes safety training hours)



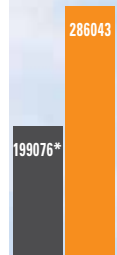
EMPLOYEES RECEIVING REGULAR PERFORMANCE REVIEWS

% of employees receiving regular performance reviews



SAFETY TRAINING HOURS

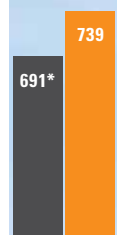
Number of annual safety training hours



NUMBER OF RECORDABLE INCIDENTS

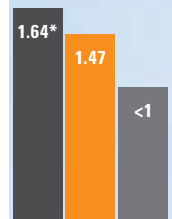
The number of lost time, restricted duty, medical treatment incidents and fatalities

Zero fatalities in 2011



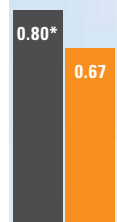
TRIR

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



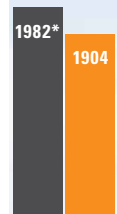
LTIFR

Number of lost time incidents occurring per 200 000 hours worked



NEAR MISSES

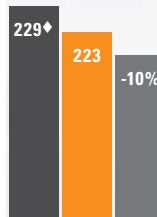
Event, situation or physical environment with the potential to cause injury, damage or loss to people, property and the environment, but which was avoided by circumstance



ENVIRONMENT

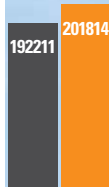
BUILDING ENERGY INTENSITY IN SGS-OWNED OFFICES

Annual kilowatt hours per square metre for SGS-owned offices



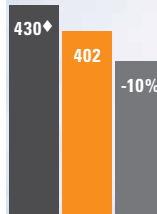
CO₂ EMISSIONS

Total annual CO₂ emissions (tonnes)



BUILDING ENERGY INTENSITY IN SGS-OWNED LABORATORIES

Annual kilowatt hours per square metre for SGS-owned laboratories



RENEWABLE ENERGY

Total renewable energy certificates of origin purchased (tonnes of CO₂)



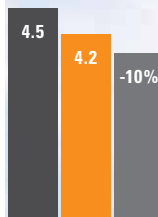
WATER USE

Annual water purchased (m³)



CARBON INTENSITY (PEOPLE)

Annual CO₂ emissions per employee (tonnes/FTE)



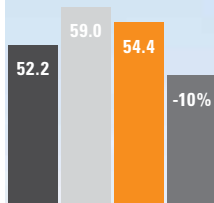
WATER INTENSITY

Annual water purchased per employee (m³/FTE)



CARBON INTENSITY (REVENUE)

Annual CO₂ emissions per revenue (tonnes/CHF million)



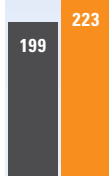
HAZARDOUS WASTE GENERATED

Total weight of hazardous waste generated (tonnes)



TOTAL ELECTRICITY CONSUMPTION

Total annual kilowatt hours of electricity consumed (million kWh)



NON-HAZARDOUS WASTE GENERATED

Total weight of non-hazardous waste generated (tonnes)



ELECTRICITY CONSUMPTION (PEOPLE)

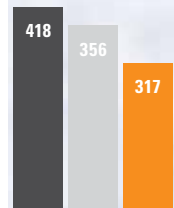
Annual kilowatt hours of electricity consumed per FTE



COMMUNITY

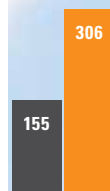
INVESTMENT IN COMMUNITY

Donations to community organisations and voluntary groups ('000 CHF)



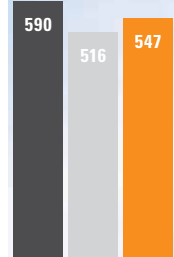
TOTAL COMMUNITY PROJECTS

Total number of projects



INVESTMENT IN SPONSORSHIP

Sponsorship of community programmes ('000 CHF)



We established a baseline in 2010 against which we will measure and report performance up to 2014 and beyond for our key indicators. In order to provide a meaningful year-on-year comparison throughout our growth programme, we have aligned our data reporting with that used by Finance to show revenue-related indicators in both absolute terms and 2010 data adjusted on a constant currency basis.

- 2010 Pro forma (constant currency basis)
- 2014 Target
- 2010 Performance
- 2011 Performance

- * Statistics exclude data for one trend country
- ▲ Statistics exclude data for three trend countries
- ◆ Restated to reflect more accurate data and subject to future amendment
- Includes data from the confidential hotline dedicated to investigating potential cases of discrimination in the US.

SUMMARY OF COMMITMENTS

PROFESSIONAL EXCELLENCE

EXCEL
in the way we do
business

Roll out our revised Code of Integrity and integrity training across all areas of the business.

Develop a new global integrity e-learning programme for new employees.

Improve our internal Code of Integrity reporting to better capture and report all breaches globally.

Roll out the new system for tracking employees' travel plans to alert them to dangers or hazards.

Expand our Strategic Transformation programme and enhance dialogue with our customers.

Provide leadership and support to the Innovation Teams in the design, resourcing and successful delivery of innovation projects that benefit the business and our stakeholders.

PEOPLE

IMPROVE
our social
performance

Launch the SGS global onboarding programme, 'SHINE', across all regions.

Complete staffing review process for 100% of SGS operations to support succession planning.

Review local initiatives in trend countries relating to people, including equal opportunity in employment, natural turnover, investment in training, performance reviews, sickness absence rate, total recordable injury rates.

Launch development planning and associated manager and employee training.

Launch the third module of our Leadership Development Programme.

Conduct a review of reward tools and establish a global framework for our reward strategy.

Monitor our performance around natural turnover and share our insights with Affiliates.

Roll out SGS Rules for Life.

Implement 'Crystal' incident reporting across the Group.

ENVIRONMENT

REDUCE
our environmental
impacts

Compile a global database of EEB projects with details of investments and projected savings.

Implement the projects identified during 2011 and continue to identify new opportunities for energy efficiency.

Implement our Green Building Guidelines in as many sites as possible, and work with property owners to build EEB aspects into our lease agreements.

Complete installation of cold aisle cooling in the Geneva data centre and begin global roll-out.

Pilot videoconferencing and consider roll-out based on the results of pilots.

Implement managed print services in Geneva and other offices worldwide.

Continue to work at a global level to review more fuel-efficient vehicles and recommend appropriate replacements.

Monitor the uptake of environmentally responsible vehicles by SGS businesses and report on the overall impact of replacements on our carbon footprint.

Focus our efforts on further waste reduction initiatives, supporting the in-country programmes, sharing best practices and providing further guidance and communications.

Roll out our Sustainable Sourcing Charter to suppliers who are under global agreements.

Continue to broaden the application of our supplier appraisal process to incorporate suppliers who are sourced and managed locally.

Continue to raise awareness of sustainability considerations when making investment decisions.

COMMUNITY

INVOLVE employees in
supporting our communities

Support Affiliates in implementing the Group Community Guidelines and Policy.

Identify a global community programme based on the framework developed in 2011.

Conduct a global survey to re-evaluate our community project impact and alignment with the Millennium Development Goals.

REPORT FOCUS

SGS publishes an annual corporate sustainability statement for its employees, customers and other stakeholders who have an interest in the Company's sustainability approach (see Our Stakeholders section on pages 26 and 27).

This year, our third report is published alongside the annual report and provides an integrated view of our business and sustainability performance. It describes how innovation is shaping SGS' professional sustainability-related services alongside our approach to managing our key impacts and risks (outlined on page 28) and embedding sustainability across our global network. We would like to thank the 1 319 employees, customers, contractors, investors, NGOs and other stakeholders who responded to our survey on last year's Report.

A large majority of you felt the 2010 Report had increased your level of understanding of sustainability and thought it was important that SGS publishes a corporate sustainability report. We have responded to your comments in this year's Report by including more local content and explaining how we are embedding sustainability across SGS. We have also tried to enhance the overall design and presentation of data. A summary of feedback appears on page 29.

REPORT STRUCTURE AND SCOPE

The Report has been developed using the AA1000 Accountability Principles Standard as a framework for identifying, prioritising and responding to sustainability challenges. As previously, we have chosen to report under the four pillars of our corporate sustainability management system: Professional Excellence, People, Environment and Community. The scope covers all regions and business lines and relates to the year ending 31 December 2011.

During the year the average headcount of full-time employees or equivalents grew by over 10% and the Company acquired 22 new businesses. We evaluate the material bearing of our business growth and acquisitions on SGS' sustainability performance and provide explanations for any substantive changes in performance data or restated data in the relevant sections. A full list of acquisitions is available on [our website](#)

business lines, subsidiaries, Company-owned and leased facilities. In the narrative sections of the Report we have also included examples of initiatives from non-trend countries. Performance relating to suppliers is not included. We track sustainability performance using over 85 indicators covering people, environment, business, community, reputation and trust. In line with our financial reporting, any sustainability KPIs which are geared to our financial performance, such as revenue, have also been stated on a constant currency basis which eliminates the effects of exchange rate fluctuations. In 2011 we added new indicators relating to energy, waste, and biodiversity. We accept that it will take time for us to reach a level of confidence on reported data for these new indicators across all our trend countries. Therefore, we have provided explanations of any assumptions used and techniques underlying estimations in the appropriate sections of the Report.

been verified by third-party auditors in accordance with the International Standard of Related Service (ISRS 4400) as established by the International Federation of Accountants (IFAC).

As in 2010, the auditors spent time in key countries analysing the quality of data collection and reporting and made recommendations to the management team. By the end of 2012, the first cycle of auditing of trend countries will be complete. We are confident that at this point in time this method of assurance delivers the most value to our sustainability approach.

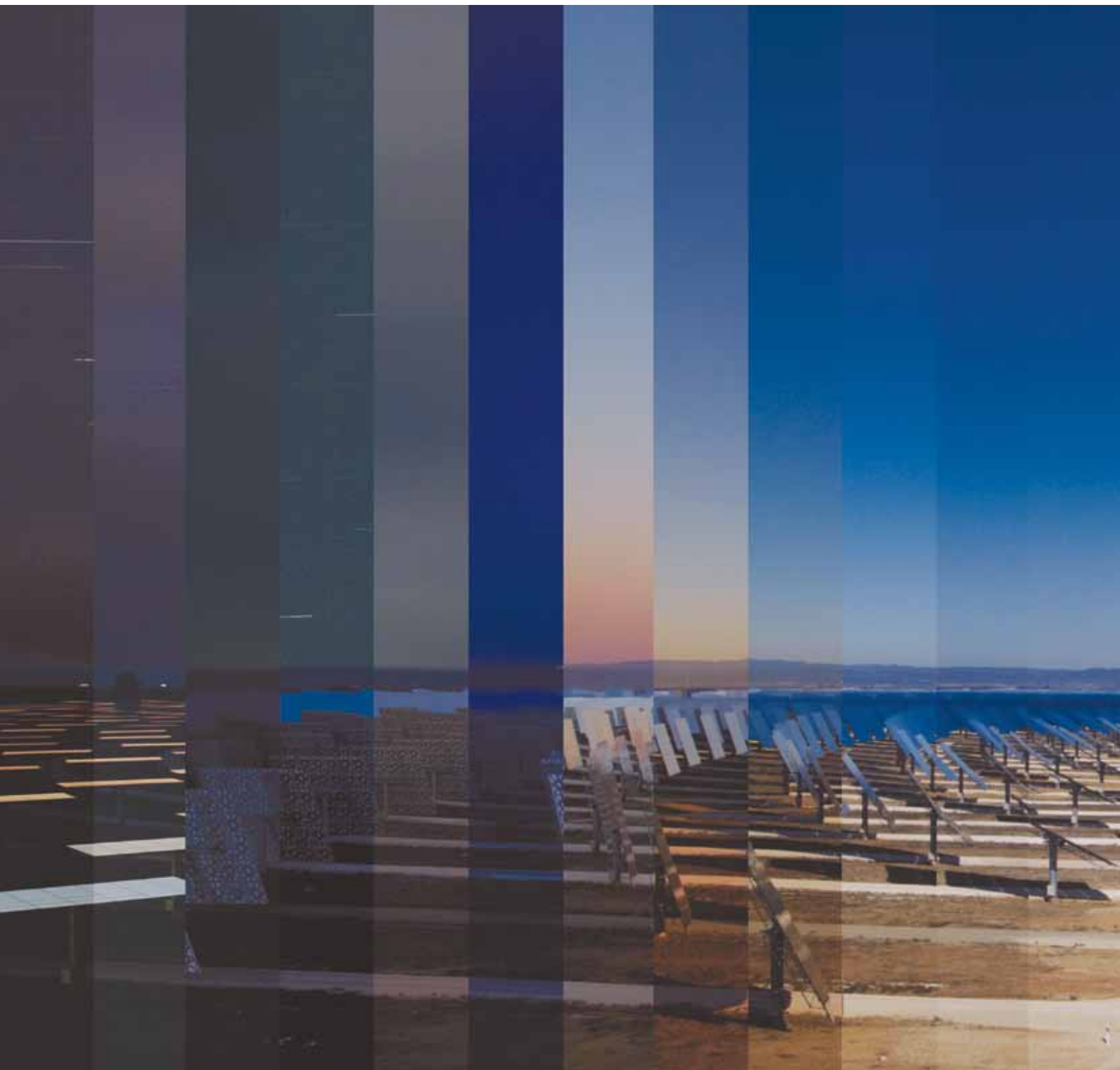
In addition to the internal review of the Report by the Sustainability Steering Committee, management and elected employee representatives of the SGS European Works Council, we have also put in place a process for country Managing Directors (MDs) to provide feedback. We continue to use the Global Reporting Initiative (GRI) Guidelines to inform our reporting process and facilitate comparability with other organisations. For this report we have referenced the revised GRI G3.1 Guidelines and are pleased to have progressed from Level C to Level B+. For clarity, we have decided to prepare a separate document benchmarking this Report against GRI Guidelines G3.1. We have also mapped our disclosures against the United Nations Global Compact Principles, available on [our website](#).

REPORTED DATA

Reported data covers permanent, temporary and casual employees working for SGS but excludes sub-contractors working on behalf of SGS. In the interest of accurate disclosure, we have limited our scope to areas where we have most confidence in the data. While we routinely collect data from every country we operate in, performance is tracked and reported using countries identified as representative of Group performance. These 'trend countries' cover more than two-thirds of employees and over three-quarters of revenue, and include

REPORT ASSURANCE

This year, as planned, we have refined our assurance methodology by taking the additional step of commissioning a third party auditor. Our second party auditors continue to be responsible for checking the accuracy and veracity of reported data and content using SGS' own sustainability reporting assurance framework. This year, they also provided assurance and a gap analysis against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2011 (G3.1). The scope for their review included text, performance data and data management, which has now



14:00

INTRODUCTION



**WE EMPLOY OVER
70 000 PEOPLE
AND OPERATE A
NETWORK OF MORE
THAN 1 350 OFFICES
AND LABORATORIES
AROUND THE WORLD**



WHO WE ARE

**SGS IS THE WORLD'S LEADING
INSPECTION, VERIFICATION, TESTING
AND CERTIFICATION COMPANY.**

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. 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.

As well as delivering services linked to sustainability, in our own operations we are committed to managing a long-term profitable business while taking into account all the positive and negative environmental, social and economic effects we have on society.

OUR VISION

We aim to be the most competitive and the most productive service organisation in the world. Our core competencies in inspection, verification, testing and certification are being continuously improved to be best-in-class. They are at the heart of what we are. Our chosen markets will be solely determined by our ability to be the most competitive and to consistently deliver unequalled service to our customers all over the world.

OUR VALUES

We seek to be characterised by our passion, integrity, entrepreneurship and our innovative spirit, as we continually strive to fulfil our vision. These values guide us in all that we do and are the bedrock upon which our organisation is built.

WHY WE NEED TO BE SURE

Our success and value to society is dependent on us exercising foresight, judgement and responsiveness to the needs of all our stakeholders. This means applying the same scrutiny to our own operations as to our customers' and ensuring operational excellence.

OUR HISTORY

Established in 1878, SGS started by offering agricultural inspection services to grain traders in Europe. From those early beginnings, we grew in size and scope as our agricultural inspection services spread around the world. During the mid 20th century, we began to diversify and started offering inspection, testing, certification and verification services across a variety of sectors, including industrial, minerals and oil, gas and chemicals among others. The Company became listed on the SIX Swiss Exchange in 1981. The SGS Group posted revenues of CHF 4.8 billion and an operating margin of 17% in 2011. An annual general meeting of shareholders is held with outcomes posted on the SGS website. Our headquarters are in Geneva, Switzerland.



**JOINT
STATEMENT
FROM THE
CHAIRMAN
& CEO**



DEAR STAKEHOLDERS,

The past year has been an important milestone for SGS in fulfilling our sustainability commitments whilst growing the business in line with the 2014 plan. 2011 saw a solid operating profit on a constant currency basis and top line growth across all business lines and regions. During the year we continued to push ourselves to deliver innovative services and solutions that help our customers to move their businesses forward. We improved operational efficiency, expanded our

global network of laboratories, and enhanced our offer through new services and the acquisition of 22 outstanding companies. We also recruited nearly 8 000 people to complement our existing strong talent base.

This progress was achieved in the context of challenging global economies, rapid growth in emerging countries and the increasingly visible human and environmental consequences of climate change. We know that our success will

ultimately be judged on our ability to marry competitiveness with responsibility, while ensuring that ethics and sustainability remain a priority. To succeed we must continually adapt and respond to market challenges and uncertainties whilst upholding the highest standards of operational excellence.

This year's report aims to present an integrated account of our business alongside our key sustainability commitments, initiatives and performance.

We are proud that SGS has been listed in the Dow Jones Sustainability Index for the third consecutive year, and that we were able to progress from Application Level C to Level B+ of the Global Reporting Initiative's 3.1 Guidelines. During 2011, we invested in embedding sustainability across the business, conducting numerous workshops in our trend countries and engaging more than 300 senior stakeholders across our network. We are encouraged by the enthusiastic response and support from our Affiliates resulting in pledges by the Managing Directors to implement over 250 local sustainability initiatives to complement our global programmes on environment (for example: building energy efficiency, green IT, green cars) and people (for example: health and safety, equal employment opportunity, leadership and development).

At Group level, we strengthened our sustainability management system with the integration of sustainability criteria into our major capital investments and acquisitions processes, and introduced the 'Green Book', a new tool aimed at senior management which presents our sustainability performance using quantitative, qualitative and monetary data. In the following pages you will discover how we are attracting and developing talent to support our accelerated business growth; learn about our refreshed Code of Integrity; follow our global Operational Integrity programme which is driving a strong health and safety culture and read how our investment in renewable energy alongside energy reduction initiatives is helping to minimise our carbon footprint.

We are also proud to share some of the important contributions we make locally to sustainable development through our many community engagement programmes.

We have continued to strengthen our global offer with the launch of new sustainability services including landfill management solutions, photovoltaic testing, biogenic carbon and fugitive emissions testing, and a range of services relating to vehicle battery technologies. We have also expanded our laboratory network across Canada, the United States, Europe and Asia, allowing us to invest in more upstream activities.

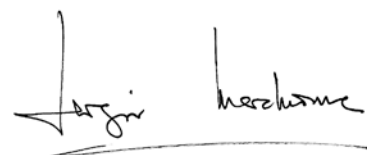
During the year, the significant number of acquisitions made has enabled SGS to gain additional analytical testing capabilities and expertise in areas such as electromagnetic compatibility and electronic and electrical product safety, and consolidate our leadership in crop research and precision agricultural services. In addition, we have increased our presence in the pipeline integrity industry, acquired a state-of-the-art laboratory in Colorado specialising in engine emissions and vehicle mileage accumulation testing, and broadened our scope in non-destructive testing.

Looking ahead, our priority remains to uphold operational excellence, build our technical expertise to support ever more complex industries and further drive innovation through our services. We have formed regional Innovation Teams to support us in these aims, comprising people with the ability to inspire new thinking and implement change. Globally, we will continue to encourage employees to contribute to our targets

and help them to live and work more sustainably. We also plan to expand our programme of stakeholder dialogue and will further evaluate our human rights impacts and responsibilities.

We are proud of the significant progress we have made towards the 2014 plan and are confident that with the leadership and commitment from our managers and employees, sustainability will continue to play an integral role in our success. We have shown during 2011 how sustainability is helping both SGS and our customers to operate smarter by increasing productivity and efficiency, ensuring quality and safety, reducing risk, delivering trust and enabling speed to market. We are convinced that by working together with our stakeholders, positive change can happen.

We hope you find this Report an interesting insight into our world and look forward to hearing your feedback.



Sergio Marchionne
Chairman of the Board



Christopher Kirk
Chief Executive Officer

SUSTAINABILITY SERVICES AT SGS



Success can only be achieved if we are able to continuously look beyond customers' and society's expectations to develop market-leading services wherever they are needed. Harnessing ideas and driving innovation have always been integral to the sustainability of SGS' business. In this new section of the Report, we provide some concrete examples of how we use our expertise and global network to bring about innovative and sustainable solutions delivering positive results for our stakeholders and our organisation.

WE BELIEVE THERE IS A DIRECT LINK BETWEEN ADDRESSING SUSTAINABILITY ISSUES AND ACHIEVING OUR STRATEGIC GROWTH OBJECTIVES

“

Our ability to innovate, take on board new technologies and adapt to the constantly evolving needs of our clients is the lifeblood of SGS. What makes us unique is that we do this across such a broad range of industries and regions.

CHRISTOPHER KIRK *CEO*


”



GLOBAL ECONOMY AND TRADE

International trade has tripled since 1990 and is set to continue to rise. Global economies are becoming increasingly dependent upon trade in food, energy, minerals, resources and raw materials.

Most trade is only possible with independent inspection, testing, verification and certification which form the backbone of SGS' business, ensuring that goods are safe and fit for purpose. We monitor and measure conformity throughout the supply chain, certifying raw material quality, monitoring labour standards in factories, independently testing goods being shipped and certifying them against international quality standards.



BALLAST WATER CERTIFICATION

Ballast water, which stabilises ships during transit, can contain unwanted marine species and microorganisms which can upset the delicate ecosystems when the ballast water is discharged in port. SGS operates a fleet of mobile laboratories which use the latest devices to sample and test ballast water to prevent marine pollution, including testing for temperature, salt, contaminants and microorganisms as well as levels of healthy marine life. Such testing is set to become a requirement by many international ports. SGS is also developing techniques to certify the water treatment systems used on ships to guarantee the quality of ballast water.



BIOFUEL EXPORT CERTIFICATION


SGS has been involved for several years in the development of green field bio-ethanol production projects in Africa and Latin America. SGS' principal role has been to advise financial institutions, generally development banks, on the technical aspects of the projects through due diligence and project monitoring services. One such project is the Makeni Ethanol Project in Western Africa, sponsored and run by private companies, with additional funding from a consortium of development banks. The project, which will be operational in 2013, will consist of a sugar cane plantation, ethanol distillery and co-generation power plant and related infrastructure. It will produce about 85 000 m³ of ethanol per annum, primarily for export to the European Union but also for the local market, and 100 000 MWh of renewable power per annum, which will supply the distillery and power plant and feed the remainder into the national grid. In order to be sold on EU markets, the ethanol produced by the project needs to meet EU biofuel sustainability criteria and be certified accordingly. SGS has been advising the consortium of lenders on the technical feasibility of the ethanol and power plants. SGS services provide confidence to the lenders that renewable production of fuel and electric power based on biomass is viable in Western Africa.



HUMAN DEVELOPMENT

Globalisation and increased consumer awareness has put more responsibility on companies to ensure that the goods they sell are made in safe working conditions, at fair rates of pay and respect the basic human rights of those involved in production.

SGS plays a role in the testing and inspection of goods throughout their entire life-cycle, from raw materials, through manufacturing, distribution and use. We help ensure that standards are in place that safeguard all people along this supply chain. For example we test for pesticides in food, labour conditions in factories, for the safety of automotive design and for the safe manufacturing of toys and other consumer goods. The following are just two examples that illustrate our broad and unique contribution.



CHECKING LABOUR STANDARDS IN SUPPLY CHAINS

SGS is a global leader in social responsibility auditing services, playing an active role in the development of international audit methods to help improve labour conditions within factories and sites of employment. We cover the main countries where consumer goods are manufactured. This is supported by a global team of experts who supplement monitoring activities with training and support for production sites to help drive improvement.



COMBATING CORRUPTION

Corruption has disastrous effects on struggling economies and is ranked as one of the biggest obstacles to economic development and growth. SGS works in a number of ways to combat corruption associated with trade and many other aspects of business. We help to develop policies and offer training in corruption awareness, identifying risks throughout supply chains and checking that anti-corruption measures have been put in place. We support the World Bank Voluntary Disclosure Program through specialised monitoring services and have partnered with ETHIC Intelligence, a specialised anti-corruption certification body, to offer formal assessments of anti-bribery programmes.

PRESERVATION OF FORESTS AND BIODIVERSITY

Forests, covering about 30% of the world's land area and providing a habitat for over 70% of land animals and plants, play a crucial role in maintaining the earth's water cycle and balance of greenhouse gas levels. Yet each year an area of forest nearly twice the size of Switzerland (41 300 km²) is being lost, mainly due to agriculture. Halting deforestation and increasing yields from planted forests is a major priority for a sustainable future.

SGS provides a wide range of services to support sustainable forestry, including the certification of forests to the international Forest Stewardship Council standard, providing advice on responsible forest management, mapping the degradation of the rainforest and seeking ways to maximise production from existing forested areas.

PREVENTING DEFORESTATION

In 2006, members of the Brazilian vegetable and grain industries signed a moratorium that prevents companies around the world from acquiring soya beans grown in deforested areas of the Amazon. The system is monitored through satellite imagery, developed in



Satellite image which detects agricultural crops in deforested areas

partnership with the National Institute for Space Research, which detects agricultural crops in deforested areas. SGS is currently the only independent company involved in the monitoring of this programme. We use the satellite data, combined with site inspections, to ensure that the moratorium is being followed, identifying soya beans that have been grown responsibly. Our monitoring during 2010/2011 found crops on over 11 000 hectares that had been deforested illegally. As a result of the monitoring carried out to date, the moratorium was renewed in 2011.

ENERGY AND POWER

Population growth, predominantly in developing countries, is resulting in increased global energy demand. At the same time, urgent measures are required to stabilise climate change through the reduction of energy usage and the adoption of carbon-free energy sources. The transition to a lower carbon society is being driven by both environmental and commercial imperatives, with the private sector representing a major source of innovation to generate solutions.

SGS helps customers to reduce greenhouse gas emissions through a wide array of services, ranging from energy reduction advice to the testing of clean energy technologies as well as energy monitoring and auditing.

MONITORING EMISSIONS FROM RENEWABLE SOURCES

The use of waste is gaining traction as a fuel source to generate heat and power. The majority of waste is made up of a wide variety of materials, ranging from carbon neutral elements such as paper, cardboard or wood, to materials which are derived from fossil fuels like plastics. Until now, it has not been possible for

incineration plants using waste as a fuel to determine the proportion of fuel which is carbon neutral.

SGS has introduced a unique service which can differentiate between the different types of fuels being burned. Working exclusively with the only commercial laboratory doing large-scale carbon dating, we have combined this technology with the latest power station sampling techniques. The carbon isotope C-14 is present in carbon neutral fuels but absent in materials derived from fossil fuels. By measuring the proportion of C-14 in flue gases we are able to accurately measure the overall carbon footprint of the power generated. The mechanism has been accepted under both the Clean Development Mechanism and the European Union Emissions Trading Scheme.

AGRICULTURE AND FOOD PRODUCTION

The global population grew to 7 billion this year and is expected to rise to over 9 billion by 2050. The UN Food and Agricultural Organisation predicts that food production needs to increase by 70% to provide food that is safe, nutritious, adequate and affordable. At the same time we face a challenge to reduce the food lost through poor handling and spoilage.

SGS fulfils a vital role by helping to increase crop yields, testing new varieties of crops, piloting new production technologies, testing food safety and ensuring the safe keeping of food during storage and transport.

INCREASING YIELDS THROUGH PRECISION FARMING

Large differences in the quality of soil may prevent farmers from optimising crop yields. Until now, farmers have often either under- or over-fertilised arable land which causes environmental

pollution, additional cost, or significantly reduced yields. SGS provides a solution to this problem through the GPS tracking of soil conditions, measuring acidity and nutrient levels at regular positions to produce a soil fertility map. This allows a farmer to only apply fertiliser and treatments where they are needed, achieving balanced growing conditions which can result in up to 5% increased yields. SGS introduced the service to Kenya in 2011, working with 42 farms to help improve yields.

REDUCING FOOD SPOILAGE

It is estimated that up to 10% of global cereal production and up to 40% of fresh produce is lost through poor handling and storage before it reaches the consumer. The transport and storage of food is a complex challenge which needs to be resolved if we are to meet global targets for food production.

SGS is developing an integrated food safety and loss prevention facility to store and distribute fresh foods in countries where there is a high spoilage rate. Currently being piloted in Mumbai, India, this integrated storage facility checks and tests food on intake and then stores it in different, carefully controlled environments by product type. Once piloted it is hoped this facility will offer an affordable and effective means of storing food safely and economically in countries with no access to such facilities.

SUSTAINABLE AQUACULTURE AND FISHERIES

Aquaculture is considered to be a sustainable means of increasing seafood supply to meet global food needs as well as to reduce pressure on natural resources. Farm-reared production from aquaculture facilities now accounts for approximately 25% of seafood consumption.

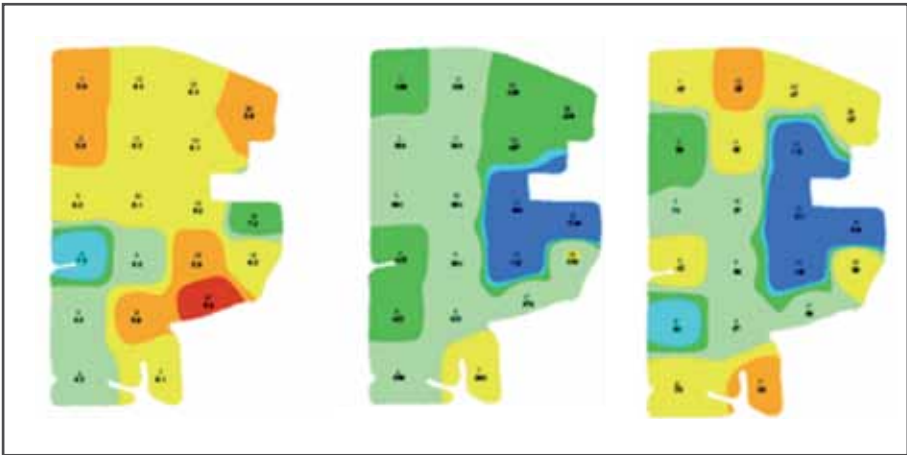
SGS is at the forefront of the certification of sustainable aquaculture. Our Consumer Testing Services are actively involved in the development of the World Wildlife Fund's Aquaculture Stewardship Council certification programme. We also carry out certification under the Marine Stewardship Council's Standard for Sustainable Fishing which ensures that the wild caught fishery products originate from well managed fisheries and are sourced from a sustainable stock. In June 2011, SGS signed an agreement with the Best Aquaculture Practices (BAP) organisation to perform facility inspections and certification audits for aquaculture farms, hatcheries, processing plants and feed mills.

The BAP standards address environmental and social responsibility, animal welfare, food safety and traceability. Jim Heerin, BAP's Executive Director commented that "We are very pleased to work with an auditing organisation with such worldwide capacity and capabilities as SGS".

CARBON FOOTPRINTING FOOD PRODUCTION IN CHINA



In December 2011, SGS published the results of the first ever food product carbon footprint in China. The Zhangzidao Fishery Group in China's North-East Liaoning province is one of China's largest fishery companies, farming a variety of bottom-cultured seafood such as scallop, squid and prawns. SGS undertook pioneering work to calculate the carbon footprint associated with farming scallops throughout their entire lifecycle. The objective was to evaluate the environmental impacts of scallop farming so that the company could take measures to reduce this impact. SGS deployed experts across a range of disciplines such as lifecycle assessment consultants, energy consumption specialists and marine biologists. We assessed the overall greenhouse gas emissions and awarded an SGS Product Carbon Footprint Mark to the operation.



Map illustrating fertility of soil conditions through GPS tracking





BUILDINGS

The construction industry accounts for approximately 40% of the total flow of raw materials into the global economy. Existing buildings are responsible for more than 40% of the world's primary energy consumption and approximately one-quarter of greenhouse gas emissions.

SGS has built up over 20 years' experience in responsible building management and we are currently refocusing our services to provide more integrated solutions to help tackle the environmental impact of buildings through their lifecycle

INTEGRATED GREEN BUILDING SERVICES

SGS already works across a range of industries to promote efficient building design construction, management and end-of-life services. In 2011 we began to offer an even more complete service, helping customers to develop and implement total sustainable asset solutions. This brings together building and material lifecycle analysis, building energy modelling, commissioning of

buildings and systems, building energy audits, energy management certification and related training (e.g. ISO 50001), indoor environmental quality testing, green building certification (e.g. LEED, BREEAM), decommissioning of buildings and the certification of materials for recycling and reuse.

CERTIFICATION OF NEW DELHI AIRPORT

The terminal three building at New Delhi's Indira Gandhi airport was opened in July 2010 and is built to handle over 34 million passengers each year. It provides South Asia's most important aviation hub, receiving over half of its air traffic. Throughout its design and construction, SGS provided commissioning, monitoring and verification services to ensure that environmental aspects were incorporated into the airport's design and construction. This included the commissioning of more than 800 air handling units over an air conditioning area of more than 4 000 000 m². Built in just 37 months, the airport was awarded LEED Gold rating for new construction, becoming the world's largest LEED Gold certified building.

MOBILITY AND TRANSPORT

Transport is one of the largest global sources of greenhouse gases. The potential for reducing demand for transportation is currently limited and therefore international efforts focused on technologies to improve fuel economy and transform the types of energy used for transport are crucial.

SGS works closely across all modes of transport, helping to develop new technologies and carrying out testing and certification to promote improvements in safety and efficiency.

VEHICLE EMISSIONS TESTING

During 2011, SGS acquired Environmental Testing Corporation, a specialist company based in Colorado, USA, which is able to accurately test how engine emissions vary during a vehicle's life. ETC's state-of-the-art laboratory measures a wide variety of emissions from both engines and whole vehicles, including emissions to which drivers and passengers could be exposed. This provides vital information that helps manufacturers optimise the engine efficiency of vehicles over their lifespan.



SUPPORTING ELECTRIC AND HYBRID VEHICLES (E-MOBILITY)

The electrification of vehicles is the key to sustainable individual mobility. During the last 10 years, the capacity for using electric and hybrid cars has increased and with the possibility of lower-cost, high-performance batteries, the widespread use of hybrid cars is becoming possible.

For more than 10 years, SGS has provided testing and certification services to ensure the safety of Lithium batteries for use in mobile phones, laptops and power tools and has recently expanded this competency to cover vehicle batteries. This is carried out in our new Battery Test House and E-Mobility Competence Centre in Munich, Germany where we offer services needed to develop and test safe electric, hybrid and fuel cell cars. The Centre has over 60 specialists in e-mobility.

**FOR MORE INFORMATION ON
SGS SUSTAINABILITY SERVICES
PLEASE VISIT OUR WEBSITE**

MATERIALS AND MINING

As global demand for consumer products continues to rise, so does the requirement for the raw materials needed for manufacturing, leading to exploration of minerals and materials in increasingly remote and difficult territories.

SGS helps extractive industries to be both efficient and responsible over the long-term. We play a part in determining where a site should be built, how it is designed and in monitoring its environmental and social impacts throughout its lifecycle.

RESPONSIBLE MINING

Mines are large consumers of energy and water and are increasingly located in environmentally or politically sensitive territories. SGS assists the mining industry in a number of ways, helping to minimise negative environmental and social impacts from mines, and providing expertise to maximise efficient operation. This may include preliminary environmental and social impact assessments such as community

outreach programmes to establish potential impacts on local populations. In addition, we deliver health and safety training for employees, and technology to help to control entry in and out of certain parts of a mine using our bespoke system. Through dedicated laboratories we are able to build up pilot models of development sites to improve the efficiency of extraction during the planning stages of site development. We continue to provide independent monitoring throughout the life of the mine and also during decommissioning when sites are returned to their natural state.

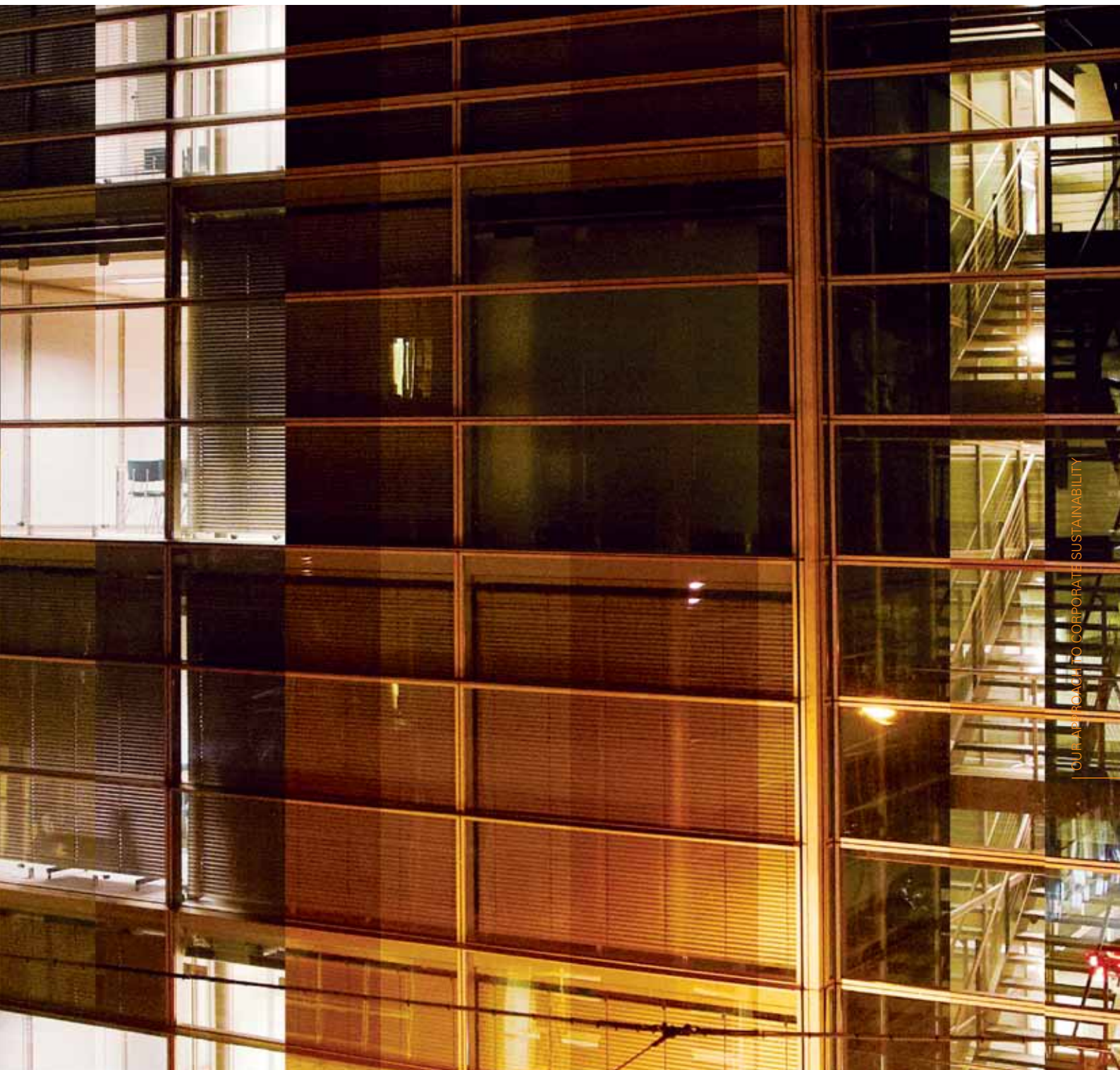
LOCAL MINERALS SKILLS TRAINING

Given the shortage of suitably qualified and experienced candidates into the Minerals business in West Africa, SGS West Africa has established a Minerals Training Academy to create a talent pipeline. The Academy, based in Ghana, will be fully operational from early 2012 and will offer tailored and structured training on the procedures, instruments and equipment pertinent to SGS' laboratory operations in the region. The training will follow a three-tier approach, with each tier comprising a combination of theoretical and practical training and will last six weeks.



21:00

OUR APPROACH TO CORPORATE SUSTAINABILITY



DOING MORE WITH LESS

Corporate sustainability plays an important role in helping us deliver our growth objectives. Our four-year strategic plan, launched in 2010, aims to drive revenues to CHF 8 billion by 2014 and achieve an operating income of CHF 1.6 billion. The 2014 plan defines the strategic lines that we are pursuing to strengthen our market-leading position in testing, verification, inspection and certification. It explains how we can continue to deliver strong organic growth while using acquisitions to expand certain areas of our service offering and geographic coverage. Underpinning this agenda is an appreciation that our growth drivers cannot be achieved effectively without a commitment to sustainability. Our sustained growth and value to society is dependent on SGS:

- Embedding a culture of operational excellence and upholding the highest standards of integrity, safety and business integrity
- Making a positive socio-economic contribution to the communities where we operate, for example by encouraging job creation, supporting skills development and investing in communities
- Providing a stimulating and rewarding work environment based on effective human resource policies and programmes that attract, develop and retain the best talent
- Reducing our environmental footprint across the Group, particularly with regard to greenhouse gas emissions, energy consumption, and waste minimisation

“

Operational Excellence and Business Excellence are the driving forces to reach the 2014 plan. The key message on sustainability is to do more, using less resources.

CHRISTOPHER KIRK *CEO*

”

SUSTAINABILITY VISION

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

GOVERNANCE

The Operations Council formally endorsed the SGS Group sustainability strategy in 2008. Since then we have focused our efforts on developing the policies, governance structure and performance data systems to manage our sustainability impacts and drive performance. SGS' Sustainability Steering Committee, chaired by the Chief Executive Officer, is a sub-committee of the Operations Council and comprises Chief Operating Officers, Executive Vice Presidents and Senior Vice Presidents across our operating regions. The Committee meets twice per year and is responsible for strategy development, reviewing performance and agreeing core programmes and improvement targets.

EXTERNAL INFLUENCE AND ENGAGEMENT

BOARD OF DIRECTORS

OPERATIONS COUNCIL

SUSTAINABILITY STEERING COMMITTEE

REGIONAL AND LOCAL SUSTAINABILITY COMMITTEES

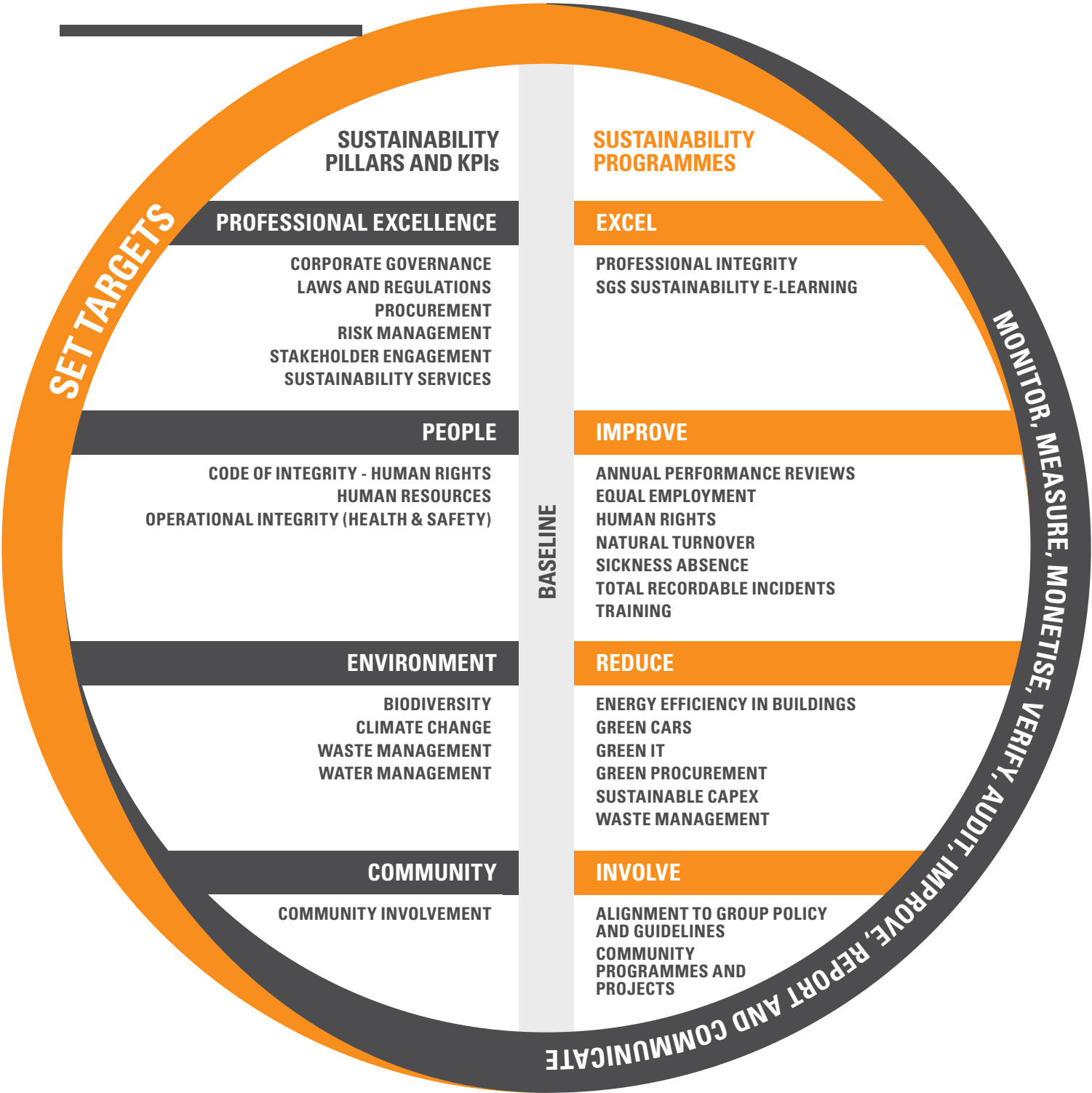
SUSTAINABILITY MANAGEMENT SYSTEM

SUSTAINABILITY MANAGEMENT SYSTEM

The Group sustainability programme is managed by the Corporate Sustainability team and is led by the Vice President Corporate Sustainability who reports to the Chief Executive Officer. The team is responsible for overseeing the Group’s core sustainability programmes and management system, as well as supporting Affiliates on sustainability matters. It also manages the Company’s engagement with external organisations such as the World Business Council for Sustainable Development (WBCSD), the Carbon Disclosure Project, and the Global Reporting Initiative.

COMPANY POLICIES

All SGS operations are governed by policies which set out clear parameters for operating in a responsible and sustainable manner. A summary of SGS policies linked to sustainability and copies of selected policies can be found on our website. Each country is accountable for identifying and implementing local initiatives which support the core sustainability programmes, and reporting sustainability performance on a regular basis via Solaris, our sustainability group management accounting system.



OUR STAKEHOLDERS

EMPLOYEES AND SUB-CONTRACTORS

- ▶ Face-to-face dialogue
- ▶ Internal workshops and meetings
- ▶ SGS intranet/CEO Corner
- ▶ SGS teamsites
- ▶ Social media/mobile phone apps
- ▶ Training and e-learning
- Internal newsletters and posters
- Performance reviews
- Corporate Sustainability Report / Factsheet

Employees are our core asset, delivering services with integrity and harnessing trust in our business and our brand

To provide a safe, stimulating and rewarding work environment within a long-term sustainable company

CUSTOMERS

- ▶ Face-to-face dialogue
- ▶ Site visits and business meetings
- ▶ Voice of the customer survey
- ▶ Brochures
- ▶ Corporate website
- Trade shows and seminars
- White papers
- Corporate Sustainability Report/Factsheet

Customers drive our business growth and success

To help customers to operate in a more sustainable manner by improving quality and productivity, reducing risk, verifying compliance and increasing speed to market

SHAREHOLDERS AND INVESTORS

- ▶ Regular briefings and presentations
- ▶ Corporate website
- Annual General Meeting
- Annual Report
- Corporate Sustainability Report

Provide the financial capital necessary to sustain growth

To provide sustainable growth and returns on investment

SUPPLIERS, BUSINESS PARTNERS AND CONSULTANTS

- ▶ Direct dialogue
- ▶ Workshops and meetings
- ▶ Site visits
- ▶ Sustainability questionnaire
- ▶ Corporate website
- ▶ Social media

Provide quality products and services to support our service delivery and operations

To provide opportunities for growth and development

SPECIAL INTEREST GROUPS, NGOS AND ACADEMICS

- ▶ Face-to-face dialogue
- ▶ Conferences and meetings
- ▶ Corporate website
- Workshops
- Carbon disclosure response
- Corporate Sustainability Report

Offer a deeper insight into socio-economic trends and challenges

To respect open and honest dialogue

Understanding and responding to the needs of our customers and society is fundamental to our business. Our ability to deliver services and create value requires us to foster relationships with a wide range of stakeholders through direct dialogue and engagement, particularly at a local level.

The following diagram, compiled by the Corporate Sustainability team in liaison with heads of key functions, illustrates the nature of our key relationships and our engagement activities. It will be reviewed and updated annually.

- Stakeholder
- How we engage
- Relationship to SGS
- Our commitment
- Ongoing
- Periodic
- Annual

MEDIA	LOCAL COMMUNITIES	AUTHORITIES, GOVERNMENTS AND REGULATORS	TRADE BODIES AND ASSOCIATIONS	FINANCIAL COMMUNITY; SOCIALLY RESPONSIBLE INVESTORS	UNIONS, WORKS COUNCILS
▶ Regular briefings	▶ Face-to-face dialogue	▶ Face-to-face meetings	▶ Direct dialogue	▶ Regular briefings and presentations	● Annual meetings
Impartial commentary on our activities and performance	▶ Employee engagement and volunteering in community projects	▶ Business organisation meetings	▶ Workshops and meetings	▶ Corporate website	● Dialogue with union representatives
To respect open and honest dialogue	▶ Corporate engagement in community projects	▶ Written communication	● Conferences	■ Annual Report	■ European Forum/ European Works Council
		▶ Corporate website	Professional insight into industry trends and challenges; lobbying	■ Corporate Sustainability Report	Employee feedback
	Provide our license to operate locally	■ Corporate Sustainability Report	To share knowledge and insight into industry challenges and opportunities	Financial advice and commentary on Group financial and sustainability performance	To share business performance and engage in dialogue
	To contribute to socio-economic development through employment, skills development and support for local initiatives	Provide our license to operate at global and national levels		To respect open and honest dialogue	
		To contribute to socio-economic development through employment, skills development and support for local initiatives			

RISK MANAGEMENT

SGS has an established risk management process which involves the systematic capture of key risks from senior management across the business. Top level risks are managed and monitored at Group level while lower grade risks are managed at regional or business levels. The adequacy of our risk management and associated internal controls is reviewed by our Internal Audit function and overseen by the Audit Committee. Sustainability parameters are an integral part of the overall assessment of risk.

In addition to the above process, we specifically assess sustainability-related risks against a profile to map out our key impacts and response levels. We have been working to address the risks in this matrix since 2008 and have put in place a mitigation strategy for the critical areas. The diagram provides relevant page numbers within the Report where we cover these parameters. Following a four-year cycle, the matrix will be updated in 2012.

RISK	OBSERVE	ACT
	LOW	HIGH
HIGH	Laws and Regulations (p. 41) Risk Management (p. 28) Corporate Governance (p. 24) Code of Integrity and Professional Conduct (p. 40)	Health & Safety (p. 52) Human Resources (p. 44) Waste Management (p. 60) Communication on Sustainability (p. 35) Community Involvement (p. 66) Stakeholder Engagement (p. 26) Climate Change (p. 62)
	LOW	Water Management (p. 62) Sustainable Procurement (p. 60) Biodiversity/Ecosystems (p. 9)
LOW	LOW	HIGH

ACTION REQUIRED

OUR STRATEGIC AGENDA

Our primary focus is on 'doing more with less'. This means ensuring that we balance the positive effects of our growing business by minimising the negative effects of our environmental footprint. 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.

During 2011 we put significant effort into embedding sustainability across the network, engaging key internal stakeholders in our trend markets, and facilitating dialogue on the local

implementation of our programmes. A series of one-day workshops, undertaken by the Vice President Corporate Sustainability, were conducted across our trend countries during the year. More detail on the sustainability workshops, their purpose, implementation and outcomes can be found on pages 32 to 34.

EMBEDDING SUSTAINABILITY AND ENGAGING OUR PEOPLE



A CULTURE OF EXCELLENCE AND THE ATTITUDE TO DRIVE SUSTAINABILITY

WHAT YOU TOLD US

We would like to thank everyone who took the time to provide feedback on our 2010 Sustainability Report. Based on your comments it is evident that many of you agree that sustainability is an important opportunity for SGS. In particular, you recognise that SGS has the knowledge, expertise and the global reach to lead from the front on sustainability. At the same time we must drive efficiency through the organisation and minimise the impacts of our global operations. A number of you were keen to highlight the importance of SGS achieving the right balance between being profit-driven and ensuring sustainability. Some also highlighted the challenge of adopting more sustainable practices in outlying areas which lack basic infrastructures for recycling or managing waste. Many of you commented on the need to nurture the right culture within the organisation to drive sustainability and described how, like occupational health and safety, sustainability must become a habit and not simply a behaviour. Looking to the future, many of you would like to see SGS involving more employees in contributing to the community and to take advantage of our global presence to be more active in disaster relief. When asked specifically about how we might improve our Report, many of you were keen to see more local case studies and

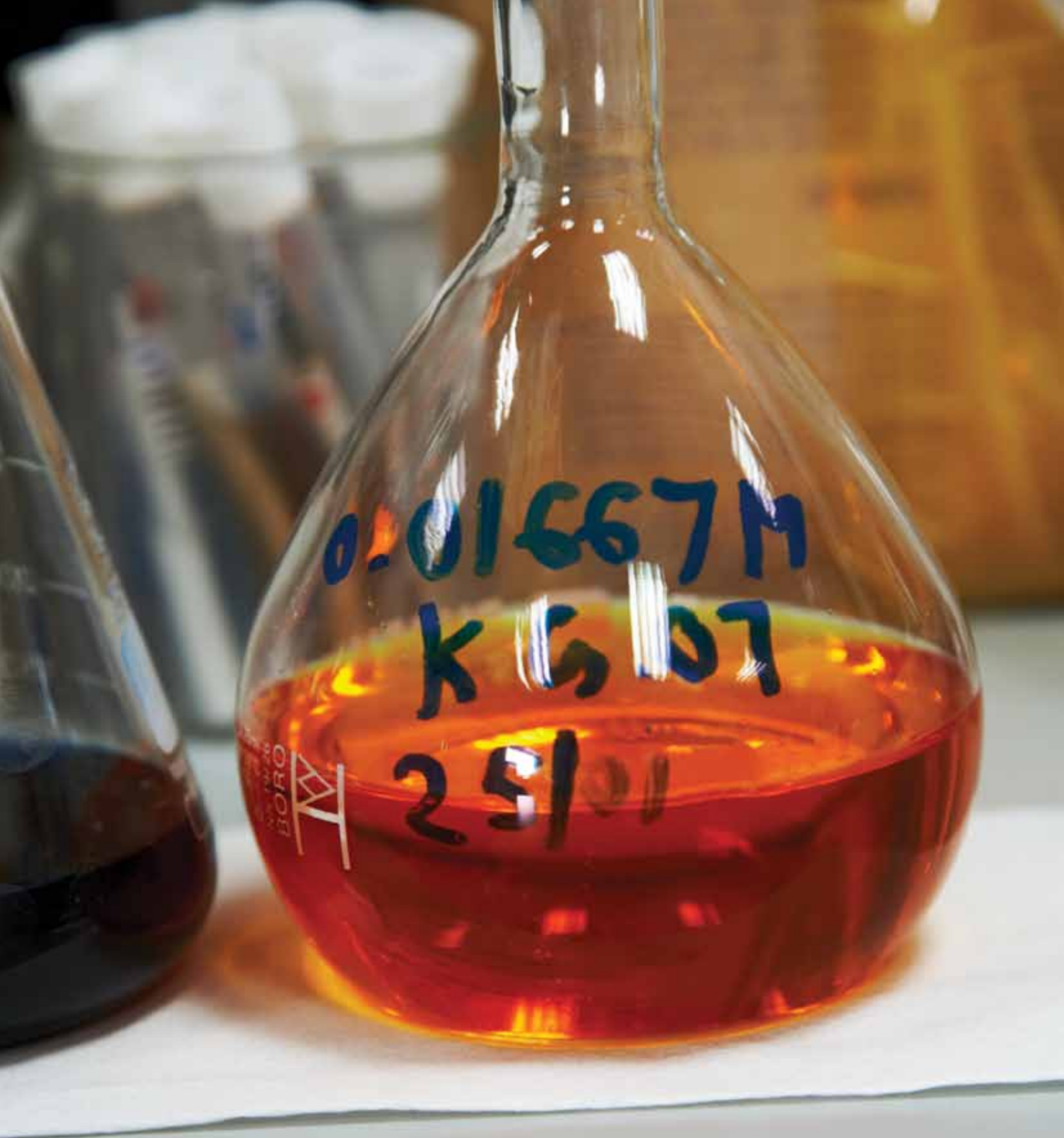
to understand better what sustainability performance looks like at a regional level. You also asked us to improve the overall design and incorporate more financial data in our reporting to highlight the actual or potential costs and benefits of implementing our sustainability initiatives. We have taken your comments on board and have begun to address them in this Report as well as in our planning for future reporting.

MEASURING OUR PERFORMANCE

SGS is committed to providing reliable and transparent reporting of our sustainability performance. Data is routinely consolidated and monitored via Solaris, our sustainability data management system, using more than 85 key performance indicators (KPI). This enables individual countries to evaluate and compare their own sustainability performance against other trend countries and it provides a Group perspective on overall sustainability performance. In 2009 we created a Group Sustainability Control and Reporting Manual (GSM) which sets out the sustainability reporting requirements for countries and offers detailed guidance on input fields and KPI calculations. Countries are required to report on sustainability performance every six months. All data is managed by the Corporate Finance team which applies the same rigour to this as to financial data.

During 2011 we further strengthened our sustainability data management with the development of the Green Book. This bi-annual report, which will be reviewed by the Sustainability Steering Committee in 2012, contains detailed oversight of the Group's sustainability performance and provides qualitative explanations about the movement of data. Through the Green Book, we have introduced value-based metrics against each KPI to monetise our sustainability performance. There is still some way to go to refine the methodology behind this approach and we intend to share our progress on this area in next year's Sustainability Report.

Recognising the need to ensure comparable year-on-year data and to report accurately on the impact of business growth and acquisitions, we continue to put significant effort into evolving our data management system. During 2011 we supported individual countries in the collation and reporting of data and arranged for key countries to be visited by our second party auditors to check the effectiveness of Solaris locally. We also conducted webinars with finance managers in our trend countries to review lessons learned from the audits and introduced new KPIs for 2011. With the measures we put in place, we are confident that data reported is robust enough to substantiate our analysis.



CHF 4 767 000 000

SGS GROUP STATEMENT OF ECONOMIC VALUE GENERATED AND DISTRIBUTED

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 among our stakeholders. These global figures are presented on an accruals basis.

(CHF million)

2011

%

ECONOMIC VALUE GENERATED

Revenue	4 797	
Financial Income	10	
TOTAL ECONOMIC VALUE GENERATED	4 807	100.00

ECONOMIC VALUE DISTRIBUTED

EMPLOYEE WAGES AND BENEFITS

Salaries and wages	2 304	
TOTAL	2 304	47.93

OPERATING EXPENSES

Subcontractors' expenses	331	
Depreciation, amortisation and impairment	225	
Other operating expenses	1 100	
TOTAL	1 656	34.45

PAYMENTS TO SHAREHOLDERS AND LENDERS

Financial expenses	36	
Dividends paid *	521	
TOTAL	557	11.59

PAYMENTS TO GOVERNMENT

Income taxes	203	
Other taxes	46	
TOTAL	249	5.18

PAYMENTS TO COMMUNITY

Community contributions and charitable donations	1	
TOTAL	1	0.02

TOTAL ECONOMIC VALUE DISTRIBUTED	4 767	99.17
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ECONOMIC VALUE RETAINED

40 0.83

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



SGS IS READY AND WILLING TO RESPOND TO THE TASK AHEAD

“

2011 marked a significant step in fortifying the involvement of SGS' management and employees in our sustainability programme. Over the course of five months I visited every region in which SGS operates and facilitated workshops with key decision makers, from the Managing Directors to HR, Facility and Finance Managers. In total, over 300 managers participated in the one-day workshops. The objective was to drive countries in understanding gaps in their performance and to implement local programmes based on our core sustainability pillars: Professional Excellence, People, Environment, and Community. Each workshop had two clear outcomes: firstly, a demonstrable commitment from the Managing Director of each country in the form of a pledge setting out short- and longer-term sustainability initiatives that would be managed and driven locally; secondly, a commitment from the Group and the Managing Directors to equip employees with the knowledge, skills and tools to add value to our service offering and our operational excellence while achieving the 2014 plan. I have worked with enthusiastic and motivated colleagues who share the belief that sustainability has a critical role to play in SGS' business success. The outcome of the workshops signals that our organisation is both ready and willing to respond to the task ahead of us. Each country now has a clear action plan with designated roles and responsibilities. Over the next year the Corporate Sustainability team will support the Managing Directors in the implementation of their sustainability initiatives and will encourage the exchange of knowledge and best practice. I look forward to working with my colleagues across SGS as we progress towards our 2014 goals.

DANIEL RÜFENACHT *Vice President, Corporate Sustainability*

”

EMBEDDING SUSTAINABILITY ACROSS THE SGS NETWORK

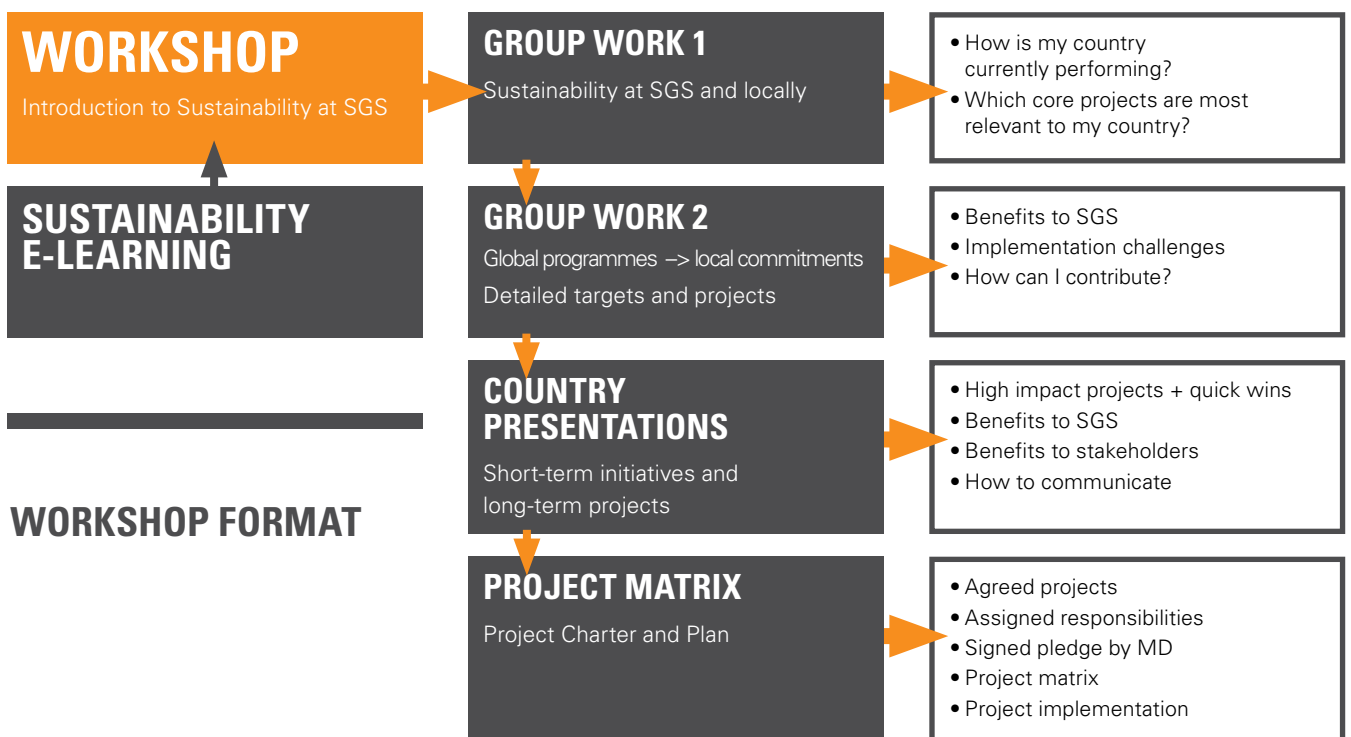
While historically we have focused efforts on raising sustainability awareness, this year we turned to our Affiliates to play a part in the delivery of global environmental and social improvements. In order to embed sustainability and to help our businesses develop sustainable practices, we carried out a 'sustainability roadshow', holding workshops in each of our trend countries over the course of the year.

Global programmes were presented at each workshop and teams worked together to develop concrete ways to implement the programmes locally within their functions and business lines. By the end of the year, MDs had committed to over 250 short-term initiatives and longer-term projects, confirming the successful uptake of the workshops. These will be supported by global SGS experts who will help to share best practices and provide tools and guidance when needed.

Changing cultural and personal behaviour is a difficult task. However, I think that with the support and commitment from top management and the passion of policy executors, we are on the road towards achieving the SGS Group targets.

KITTY WONG *Corporate Logistics and Administration, SGS*

“



WORKSHOP OUTCOMES

Following the workshops, MDs committed to over 250 short-term improvements and longer-term projects across 15 focus areas. These mainly related to human resources, occupational health and safety and the environment and are described in more detail in the People and Environment sections of this Report. With project charters and action plans now registered in the trend countries, the focus in 2012 will be on implementing initiatives and projects, monitoring and communicating progress towards targets and sharing best practices across regions. On the following page is a summary of our 2014 shared Group goals which the country charters and plans will collectively work towards. At the end of 2012 we will be half-way towards our 2014 plan. In line with this, we will conduct a review of progress and report to the Sustainability Steering Committee.

FEEDBACK FROM PARTICIPANTS

At the end of the workshop, participants were asked to complete an evaluation form. In addition to questions about workshop content and delivery, they were asked for specific feedback on their role in sustainability at SGS. The workshop achieved an overall satisfaction rating of 87%. Participants particularly appreciated the balance between theory and practice, the quality of content and the relevance of their participation in the workshop. Based on the feedback we were able to establish that participants had a good understanding of what is expected of them and that the workshop was effective in helping to launch sustainability projects in support of the 2014 plan and corresponding targets.

“
What an efficient
one-day journey.”

MIKE MADIOUNI
*Business
Development Manager,
SGS Singapore*

“
Very enjoyable and informative.
I now have a clearer view of what
sustainability is all about and how it
will benefit SGS.”

TERRY DOBBINS
*Business Support,
SGS UK*

“
It's a very good way to start changing
people's minds to be sustainable
at every level.”

CARMEN GASPAR
*Assistant to Technical
Director, SGS Spain*

“
The workshop is critical to steer
our company in a sustainable
direction.”

SPENCER YEUNG
MD, SGS Hong Kong

“



I joined SGS in September 2009 as HR manager for the Netherlands and two years later I assumed the role of Regional HR manager for Central and North West Europe. A key focus for me has been on creating awareness among employees around our social performance. My philosophy is that goals can be achieved if you are able to create awareness and engage people's hearts and minds. In my previous role as HR manager for the Netherlands I prepared a social report mapping out where SGS has different businesses to help employees gain a deeper insight into other parts of the business operating in their neighbourhood. The report told a story about key

achievements and what our priorities were for the future. It also included performance indicators relating to HR and health and safety to help people to understand what improvements needed to be made locally. I recently attended the sustainability workshop in Belgium which brought together a cross section of disciplines to determine which sustainability initiatives we should commit to in our country. I really felt that the process benefited from the different perspectives each function was able to contribute and ensured a collaborative approach to achieving our sustainability goals. I would like to see more cross functional learning and collaboration happening through workshops and training sessions. I am passionate about ensuring that people are equipped with the knowledge and awareness to contribute to our goals. This is why I have arranged for the sustainability e-learning module to be translated into Dutch for our more than 3 000 Dutch speaking employees in Belgium and the Netherlands. I believe every employee at every level should be provided with relevant information on a regular basis. Managers should be encouraged to incorporate sustainability updates into their weekly departmental or team meetings to ensure that it remains front of mind. I am looking forward to the challenge of my new regional role and to sharing our HR and sustainability initiatives in the future.

HARRY POSTEMA *Regional HR Manager, CNWE*

”

OUR 2014 SHARED GOALS

To align our sustainability goals with the 2014 plan, the Steering Committee has defined a set of shared goals.

PROFESSIONAL EXCELLENCE

EXCEL
in the way we do
business

**100% OF EMPLOYEES COMPLETING
SGS SUSTAINABILITY E-LEARNING**

PEOPLE

IMPROVE
our social
performance

EQUAL OPPORTUNITY RATIO:	1.0
NATURAL TURNOVER:	<14 %
TRAINING COSTS AS % OF TOTAL EMPLOYMENT COSTS:	1.0 %
% OF EMPLOYEES RECEIVING REGULAR PERFORMANCE REVIEWS	100 %
SICKNESS ABSENCE RATE:	<1.5 %
TOTAL RECORDABLE INCIDENT RATE:	1.0

** on 2010 baseline*

ENVIRONMENT

REDUCE
our environmental
impacts

CARBON INTENSITY (PEOPLE):	-10%*
CARBON INTENSITY (REVENUE):	-10%*
BUILDING ENERGY INTENSITY IN SGS-OWNED OFFICES:	-10%*
BUILDING ENERGY INTENSITY SGS-OWNED LABORATORIES:	-10%*
COMPLETE WASTE INVENTORY AND REDUCTION PLAN FOR SGS OPERATIONS	

COMMUNITY

INVOLVE
employees in supporting
our communities

**100% OF COMMUNITY PROJECTS
AND INVESTMENTS ALIGNED TO SGS
GROUP COMMUNITY POLICY AND
GUIDELINES**



15:00

PROFESSIONAL EXCELLENCE



PROFESSIONAL EXCELLENCE DESCRIBES SOME OF THE INITIATIVES WE ARE UNDERTAKING TO SUPPORT THE GROWTH OF OUR SERVICES, TO MAINTAIN OUR REPUTATION AND ENSURE THAT OUR BUSINESS REMAINS SUSTAINABLE BEYOND 2014

As SGS continues to expand to achieve the 2014 plan, we need, in parallel, to develop the functions, systems and skills that support our services. The growth of our Company poses potential challenges for our internal communications, for the handling and processing of data and for the back-office functions that handle the thousands of transactions that occur across SGS every day. As we expand, it is vital we also develop even more efficient ways of delivering our services which in turn requires us to both understand and work closely with our customers.

“

In a world where technology is accelerating and the sectors we work in are constantly evolving, we must fully utilise the creativity of our employees to develop new approaches fresh ideas and the new services that will secure our future.

CHRISTOPHER KIRK *CEO*

”

STRATEGIC TRANSFORMATION

During 2011 we expanded the scope and focus of our successful continuous improvement programme (LEAN) to take a broader approach to the delivery of sustainable value to customers and shareholders. Our business is set to grow considerably over the next few years and this makes it even more important that we operate as efficiently as we can across all areas. A revised programme was developed under the title 'Strategic Transformation' to take an overall view of the business so that it not only meets the objectives of the 2014 plan but also remains sustainable thereafter.

Strategic Transformation will take our continuous improvement programme to the next level, including a deep review of our business in the areas of process, innovation and efficiency. This will look at all opportunities to increase value and efficiency and reduce costs.

This programme is based around five key business areas:

1. ACHIEVING GROWTH

Better understanding our customers and adapting the right sales organisation and appropriate sales processes to generate new opportunities and new business.

2. BACK-OFFICE OPERATIONS

Engineering the most efficient and effective ways to support our front-end businesses.

3. LABORATORY IMPROVEMENT

Coordinating laboratory improvement initiatives into a single plan to achieve a 'world class standard'.

4. LABORATORY INFORMATION MANAGEMENT

Understanding the future information needs of our customers so that we have the best systems possible in place to deliver outstanding and efficient data communications.

5. INSPECTION METHODS

Looking at our commodity businesses to standardise best practice methods across the trading industry sectors we service.

Strategic Transformation will be supported by enhanced dialogue with our customers including regular surveys across all areas of the business so that we remain in touch with and are able to predict and respond to their evolving needs.

SUSTAINABILITY E-LEARNING

To date, nearly 10 000 employees have completed our sustainability e-learning programme. Corporate Sustainability has been working with HR on a global and regional level to ensure all SGS employees complete the training and it has been formally incorporated into our onboarding programme, SHINE. The e-learning enables current and new employees to better understand sustainability at SGS and engage at a personal level in the Company.

SECURITY

SGS operates in a range of environments throughout countries and regions where it has a presence. SGS is active across the value chain within a broad spectrum of business and industry sectors. We are committed to protecting our people, material assets and reputation from deliberate harm and do so by identifying and assessing security threats, then minimising the vulnerability by applying risk controls. We recognise that not all threats can be avoided but we do seek to keep all security threats within acceptable operating limits.

To ensure that we are anticipating and planning for all types of security risks, we strengthened our Corporate Security function in 2011 and now have a team of six dedicated security professionals. Their purpose is to use their professional skills, knowledge and expertise, combined with the latest technology, to develop innovative and sustainable security solutions. At the heart of this thinking lies a detailed risk assessment process which operates globally and locally to develop a thorough understanding of each situation, location or site. We believe that security is best managed by understanding the local context and stakeholders in detail so that individual tailored responses can be put in place. For example, we are increasingly able to avoid the use of physical security such as perimeter fences and security guards as a result of being sensitive to local communities and by working with them rather than creating physical barriers. In our view, this positive and visible engagement

with local communities and stakeholders helps ensure that SGS becomes a trusted and respected member of the local community.

An important aspect of our security operation is to ensure that all third parties employed by SGS to carry out guarding are trained to fulfil this role professionally. SGS has implemented Group-wide guarding standards which include measures to ensure that human rights are upheld. These standards are made available to all business managers. Our global security assurance programme ensures that any guards employed have received appropriate and adequate training. This year we introduced a global standard for personal security. We have also been developing employee traveller security solutions, including smart phone applications where employees' travel plans and travel movements may be assisted through active monitoring. The same system will ensure that SGS is alerted, should an employee unexpectedly deviate from safe or planned routes and will allow travel alert information to be sent direct to the employee's phone. This will help our people to avoid entering locations where unrest may be known to be taking place.

In addition to strengthening our corporate security system, during 2011 we also addressed a number of global threats at a corporate level. These initiatives include a programme to combat the counterfeiting of SGS documents and certificates which threaten to undermine our services; identifying and removing false certification claims on e-commerce

websites; and removing opportunities for criminals to claim to represent SGS through false e-mail addresses. In addition we are working with Yahoo™ and Hotmail™ to dismantle all fake e-mail addresses where people have attempted to fraudulently represent SGS.

INNOVATION TEAMS

Harnessing ideas and encouraging innovation is a cornerstone of SGS' enduring success. In the preceding section on Sustainability Services at SGS we outlined a selection of examples of how we have adapted technologies and developed new approaches to help our customers meet their own sustainability objectives. Internally, innovation, fresh ideas and our ability to adapt and evolve are embedded within our culture of operational excellence.

The Chief Executive Officer has made it a personal goal to promote creative thinking within SGS through the formation of innovation teams. During the year, a number of teams, each consisting of 10 to 12 people, have come together in the Americas, Europe, Africa and Asia. Each team, under the leadership of the Chief Operating Officer, is tasked with generating new ideas which are then developed into detailed business proposals, outlining their value to the Company, their implementation potential at local and global levels, and their ability to be financed and resourced. The best ideas will be recognised with a cash reward of CHF 10 000. Already, some remarkable outputs have emerged from these regional teams.

“

I just discovered the Sustainability eLearning course and LOVE it! Excellent course. I plan on rolling this out next year to all my employees in the North America Automotive division.

SHANNON McGLINCHEY
Automotive Training Manager,
SGS North America

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1

SGS is introducing an innovative system to enhance employee protection by identifying hazards and alerting employees who are travelling in remote areas.

2

During 2011, we revised the SGS Code of Integrity to clarify existing requirements and provide

DID YOU KNOW

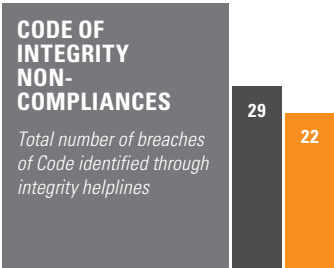
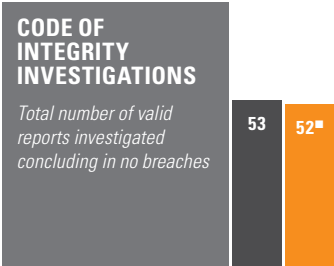
guidance on new areas of business conduct including social media.

3

SGS has a unique relationship with major search engine and social media providers to protect us against fraud and counterfeiting.

OUR PERFORMANCE AGAINST OUR CODE OF INTEGRITY

Global data covering all SGS operations



During 2011, 168 concerns were reported via our Global and US Integrity Helplines or directly to Global Compliance. Ninety-four were found to be unrelated to the Code of Integrity; of the 74 remaining concerns, further investigations revealed 52 non-breaches and 22 confirmed breaches of the Code of Integrity. As a result of these investigations 10 employees were dismissed during 2011. Thirteen cases from the Global Integrity Helpline and the US Helpline related to discrimination. All were investigated and none were found to involve discrimination. All cases are now closed.

2010 Performance

2011 Performance

**Includes data from the confidential hotline dedicated to investigating potential cases of discrimination in the US.*

COMPLIANCE AND INTEGRITY

SGS prides itself on upholding the highest possible standards of integrity throughout all areas of our global operations. Each year we commit significant resources and time to developing and updating policies, training new and existing employees, bringing new businesses on board and monitoring risks. We operate an integrity helpline for employees and business partners to confidentially report serious concerns and also have many local and regional reporting channels and support networks. Our business integrity is overseen by the Professional Conduct Committee, chaired by the non-executive Chairman of the Board of Directors, Sergio Marchionne.

RAISING CONCERNS

Encouraging employees to raise and discuss concerns remains an ongoing challenge that many international companies face. Whilst we continue to make our integrity helpline globally accessible, we are also aware that many employees prefer to report concerns locally or to the Compliance function. In addition to our Global Integrity Helpline, in the US we have a dedicated confidential hotline to receive and investigate potential cases of discrimination.

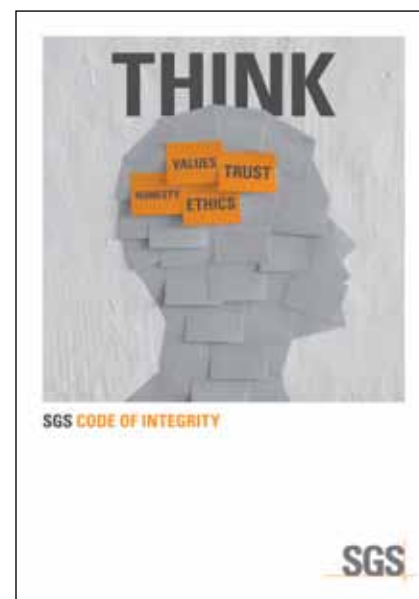
COMMUNICATING OUR STANDARDS OF INTEGRITY

The **SGS Code of Integrity** applies to all SGS employees and people acting on behalf of SGS, and serves to ensure that our standards are understood and applied across all businesses. The Code is supported by policies and guidelines at Group, regional and country levels. All employees are required to attend annual integrity training on the Code. An e-learning module, ‘Doing Business with Integrity’, exists for new employees who must complete the training as part of the Company’s new onboarding programme. During 2011, the expansion of our business, acquisition of new companies and tightened legislation led to a review of the Code which was updated to make some existing requirements clearer, provide guidance on new areas of business conduct such as social media, incorporate new legislation, and to better reflect external standards such as ILO Conventions. The revision included inputs from a range of internal and external stakeholders including board members, senior management, internal functions and experts, SGS integrity trainers, legal counsels, the European Works Council and NGOs. The revised Code is being launched and rolled out across all businesses during 2012. It is accompanied by refreshed integrity training which will be delivered to all employees through a network of specially trained facilitators who run face-to-face workshops in all regions. Each year, the workshops provide the opportunity for employees to openly discuss areas of the Code and explore how they apply to individual job roles.

PROGRESS ON 2010 COMMITMENTS

Continue to expand the LEAN continuous improvement programme		Expanded during 2011 into a global Strategic Transformation programme
Integrate sustainability e-learning into global HR development programmes		E-learning now incorporated into SHINE onboarding programme

INDICATOR	2011 PERFORMANCE / COMMENTS
Percentage of total number of business units analysed for risks related to corruption.	All SGS businesses and locations fall under our risk identification, assessment and mitigation processes.
Value of financial and in-kind contributions to political parties, politicians and related institutions.	SGS adopts a strictly neutral political position and does not make donations to any political institutions, organisations or campaigns.
Number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	Zero.
Value of significant fines and number of non-monetary sanctions for non-compliance with laws and regulations.	Zero. No non-monetary sanctions served.
Percentage of security personnel trained in SGS policies and procedures concerning aspects of human rights that are relevant to operations.	100%
Number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	None.
Value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Zero as at 31 December 2011. One pending investigation in the Netherlands relating to alleged mis-labelling of a client sample containing hazardous material.



THE REVISED CODE IS BEING LAUNCHED AND ROLLED OUT ACROSS ALL BUSINESSES DURING 2012

LOOKING AHEAD

- Expand our Strategic Transformation programme and enhance dialogue with our customers.
- Roll out our revised Code of Integrity and integrity training across all areas of the business.
- Develop a new global integrity e-learning programme for new employees.
- Roll out the new system for tracking employees' travel plans to alert them to dangers or hazards.
- Provide leadership and support to the Innovation Teams in the design, resourcing and successful delivery of innovation projects that will benefit the business and our stakeholders.

“

STAKEHOLDER ENGAGEMENT

Ethos promotes sustainable development through the provision of research and advice to investment funds worth over CHF 1.6 billion. To this end, Ethos engages in dialogue with companies believing that this presents an opportunity to work towards creating additional long-term value for all the company's stakeholders. SGS contacted Ethos during the development of its revised code of integrity and we welcomed the opportunity to provide feedback and input. Ethos believes that the development of a strong culture of integrity with corresponding guidelines and boundaries is central to business sustainability. Therefore Ethos supports the initiative by SGS.

JEAN LAVILLE Deputy Managing Director, Ethos

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07:00

OUR PEOPLE



OUR PEOPLE SECTION IS STRUCTURED AROUND THE PROGRAMMES AND INITIATIVES UNDERTAKEN IN HUMAN RESOURCES, OPERATIONAL INTEGRITY AND CORPORATE SUSTAINABILITY

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I am proud of the unique range of skills and experience we have within SGS. As the Company grows, our success will depend as much on the passion, energy and drive of our employees as it will on the development opportunities we provide.

CHRISTOPHER KIRK *CEO*

”

DID YOU KNOW

1

We recruited nearly 8 000 people into our business in 2011.

2

More than 300 managers participated in sustainability workshops which included commitments to People indicators and targets.

3

SGS participates in Entrypark, a combined print, online and mobile media recruitment platform which targets the top one million students from 300 leading universities and business schools.

4

More than 40 000 employees have registered on our various e-learning platforms.

“

HUMAN RESOURCES, 2014 AND BEYOND

The 2014 plan accelerated the need to adapt our Human Resources (HR) initiatives and programmes to support the rapid pace at which SGS is evolving and acquiring businesses. Now more than ever, we need to ensure that we have the right people at the right time, engaged in the right way to deliver on the business strategy. Aligning HR to the new business challenges has been the primary focus of the Global HR team in 2011. Our goal is to attract new skills, fresh perspectives and a broad understanding of global markets in order to give the business the means to be successful, while ensuring our current workforce is continuously developed and engaged to contribute to new growth targets. As a Company we have recruited close to 8 000 new people during 2011 and supported employees in their integration into SGS from businesses that have been acquired. Our core management and leadership development programmes have been enhanced and we have developed a new onboarding programme called SHINE to ensure new people become operational quickly and can efficiently contribute to the Group's success. Speed in action, quality in our delivery and a strong business focus have been essential HR ingredients at this critical time and I am pleased with the progress we have made in 2011. While there is still a considerable way to go, I am confident we have the skills, competencies, structure and programmes in place to deliver against our HR vision: to score amongst the top companies to work for in 2014; to play a key role in meeting the 2014 targets and beyond; and to establish a learning environment within SGS where employees can realise their potential and drive our business success.

DOMINIQUE BEN DHAOU *Senior Vice President, Human Resources*

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GLOBAL PROGRAMMES

The SGS Group Employment Policy sets common standards for the business that are aligned with the core ILO Conventions.

Chief Operating Officers in each region have strategic responsibility for people management and enhancing our reputation as an employer of choice. At country level, Managing Directors drive the recruitment and management of people. During 2011 the HR team worked in partnership with business leaders to identify how HR can best support the business in efficiently

managing talent, from acquisition to engagement, development and reward. It has also worked collaboratively with the regions to develop enhanced learning solutions that will provide SGS with a capable and engaged global workforce ready to drive current and future business success.

AN OUTSTANDING TEAM

PRE-ARRIVAL
PLAN AND PREPARE

FIRST DAY
INTRODUCTION

FIRST WEEK
IMMERSION

FIRST MONTH
EXPLORATION

FIRST THREE MONTHS
DISCOVERY

FIRST SIX MONTHS
ENGAGE

SELECTING AND RECRUITING TALENT

The intensity of our talent acquisition focus in 2011 has driven a review of our selection and recruitment approach. Whilst recruitment strategies are now tailored to different industries and talent pools, we believe there is also value in developing a more creative approach to sourcing talent and adopting a standardised approach to recruitment to ensure employment advantage, consistency and overall effectiveness.

During 2011 we hired and structured recruiters to focus on specific industries and key talents for our top recruiting businesses and geographies.

New technologies and social network tools were enhanced to consolidate SGS' profile as an employer brand. More than 8 000 people regularly follow SGS activities via our dedicated SGS LinkedIn™ page. We have also significantly increased our presence on Facebook™

ENGAGING NEW TALENT

Once recruited, we want new employees to have a positive and productive start and are dedicated to fast tracking their success in their role and in the business. SHINE is SGS' new global onboarding programme launching in 2012 aimed at fostering a

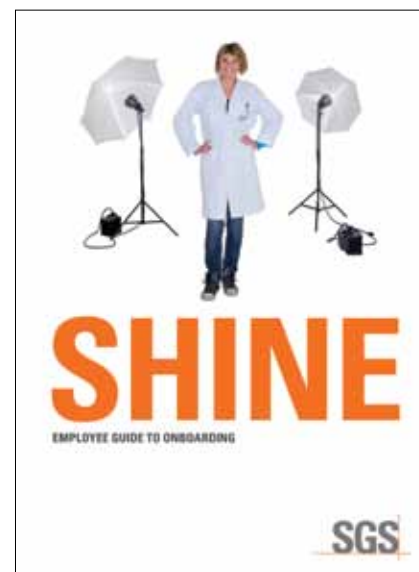
sense of belonging and pride in new and transferring employees.

The process is based on six critical stages of employee integration over the initial six months of joining SGS.

SHINE is aimed at new recruits and employees joining SGS from businesses the Company has acquired, as well as existing employees transitioning between roles, for example from a non-manager to a manager role, or relocating to a different part of the network. The programme aims to ensure all new recruits feel welcome and know what is expected of them.

MANAGING PERFORMANCE

As our business grows and employee mobility increases, it is imperative that we apply a consistent approach to managing performance. It is also vital that we align individual goals and behaviours with our organisation goals, and ensure that individual and team capabilities are developed to deliver results in line with the 2014 plan. While many Affiliates use local performance evaluation forms which are in line with local labour laws and regulations, Group HR has developed a web-based tool for managers and employees which has been used by selected teams in more than 59 countries. We aim to launch development planning and associated manager and employee training in 2012.



LEARNING AND DEVELOPMENT

As the industry leader, it is vital that we nurture a culture of **LEARNING AND DEVELOPMENT** in our skills base and help employees to feel supported in reaching their individual potential. In addition to our mandatory training on the SGS Code of Integrity and our onboarding programme, annual development plans are used by managers and employees to consider professional, technical and personal skills development aimed at contributing to individual and Group success. Following our sustainability workshops in 2011, almost all MDs in our trend countries committed to initiatives to increase investment in training in support of the Group target to 2014.

At every level of the organisation, SGS leaders have a clear understanding of our corporate values and the leadership behaviours that drive results and foster our organisational culture. We are strengthening our approach to career

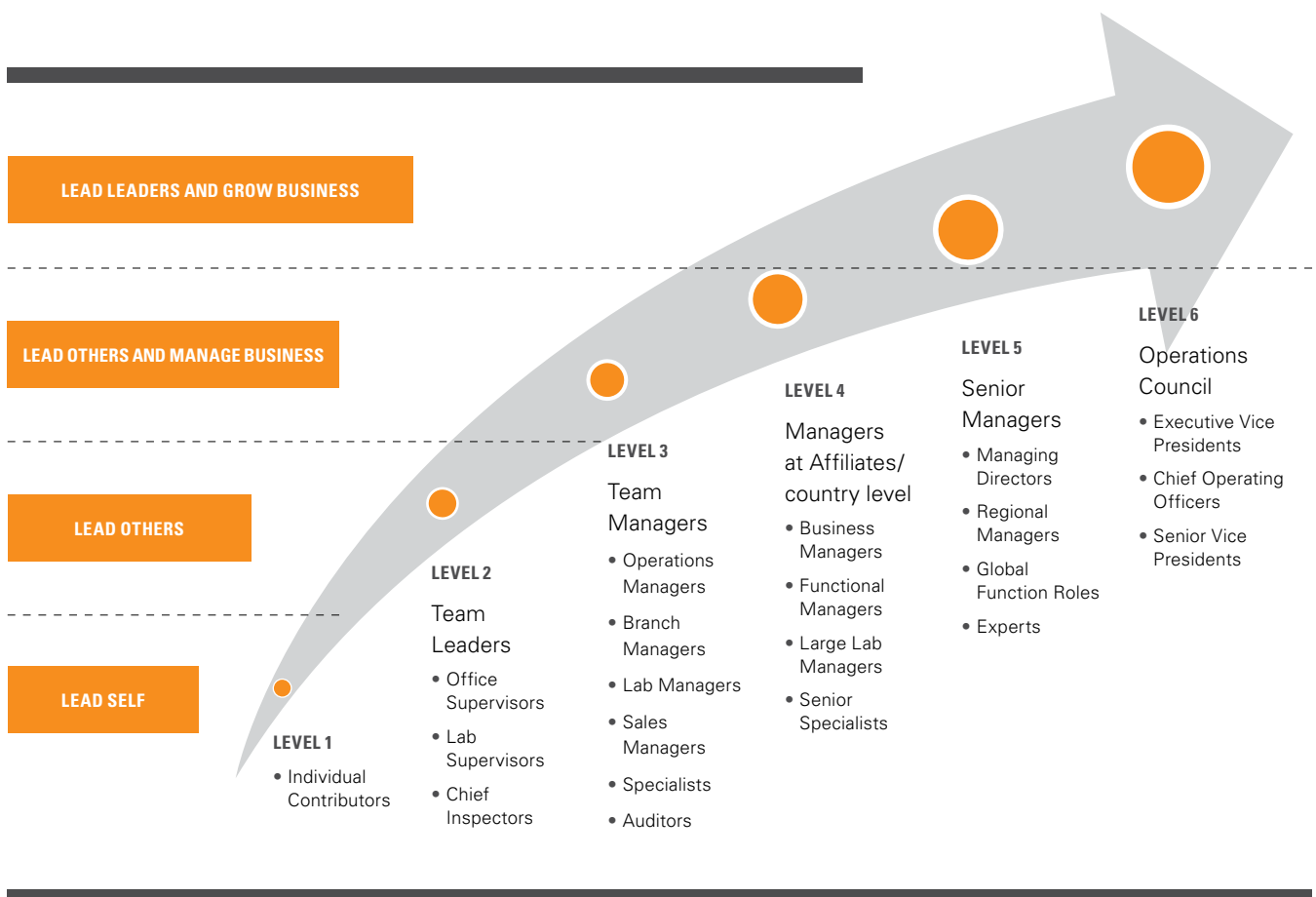
development and associated learning and development activities to enhance individuals' progress within SGS.

Our **LEADERSHIP DEVELOPMENT PROGRAMME (LDP)** has been developed to provide leaders with the skills and competencies to perform at their peak and drive SGS success now and into the future. The LDP consists of three modules focused on the current and future leadership needs of the Group. To date, approximately 250 Level 5 managers and high potential Level 4 managers have completed Module 1 and over 100 have completed Module 2. Participants have been drawn from North America, South East Asia Pacific, Europe, Africa, China and Australia. The third module is under development and will be launched in 2012.

SGS' **MANAGER PASSPORT** is our primary learning platform for Level 3 and 4 managers and transitioning Level 2 employees in some regions. This consists of multiple learning programmes covering project

management, business management and leadership, coaching, working in remote teams, recruitment and selection, finance for non-finance managers, communication and performance management. The core curriculum is global, with the regions developing programmes locally to meet the challenge of our diverse learning needs.

TECHNICAL EXPERTISE is the cornerstone of SGS' service delivery to customers and our business sectors provide employees with a wide array of technical skills training to meet the demands of daily operations. In 2011 our Oil, Gas and Chemicals business had over 6 000 employees registered for computer-based training, and successfully launched their second online technical module. Computer-based learning allows employees easy access to skill-based training and assessment, increasing the effectiveness of learning delivery across multiple geographies and giving employees the flexibility to learn at their own pace and time.



SGS PROVIDES LEADERS WITH THE SKILLS AND COMPETENCIES TO PERFORM AT THEIR PEAK

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TREVOR PILBEAM *Facility and Sustainability Manager, SGS Australia*

I have always been interested in sustainability so when exposed to the corporate sustainability programme in 2010, I wanted to see how the work I had done at the site on energy efficiency and recycling could be extended and replicated across Australia. Taking the Facility Manager role was an opportunity to use my experience and make a difference. We have laid the foundations for change, educating teams through workshops, challenging existing cultures and practices and helping people to think differently. For example, all new starters now have integrity, safety and sustainability as part of their induction. We have also been working to measure our environmental impacts. I'm excited by the prospect of bringing about real change in our performance next year and beyond.

Has SGS lived up to my expectations? We share the principle of creating a better workplace and I'm pleased to see that integrity, safety and sustainability are becoming an ever more important part of this workplace. SGS gives me the opportunity to work in a highly professional environment alongside dedicated experts where I am exposed to, and can take part in, projects that are managed to the highest standards. This is the most satisfying aspect of working for SGS.

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PATRICK LERNER *Regional HR manager, SGS South America*

I joined SGS as Regional HR Manager for South America in 2011. This role exists to proactively support businesses on their strategic HR needs around acquisitions, business development and workforce planning. As such, we must demonstrate our value to the business as both advisors and experts on talent management. I have been meeting with internal stakeholders to quickly understand the drivers for business growth and business expectations. In moving towards a leaner HR structure, it is vital that we maximise our use of technology, align our activities behind core global programmes and procedures to ensure consistency, and implement robust data monitoring systems to provide reliable indicators of our current performance. Key priorities in 2012 will centre on managing and rewarding performance and growing and developing talent. Given the Company's growth plan, it is important that we look to nurture leaders from our existing talent base as much as possible. There are many managers who are doing a great job in developing talent, which is a complex process and takes time, but this is not always documented and this makes it hard for HR to harness and share best practice. Our challenge is to encourage people to own their own growth. As a priority we need to implement our performance management plan. This in turn should help to boost morale as employees seek out their potential within SGS.

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With operations touching every corner of the world, diversity is at the heart of our business. Of the 24 members comprising SGS top management, 11 different nationalities are represented.

DOMINIQUE BEN DHAOU

Senior Vice President, Human Resources

”

SUCCESSION PLANNING

SGS has a standardised process for reviewing our staffing needs annually. During 2011 Corporate HR supported businesses, functions and regions in succession planning, covering more than half of our business and regional operations. Our plan is to complete the process across the entire organisation by the end of 2012. The same process and tools are used in our Affiliates where HR supports management in ensuring that potential successors are identified to take over key positions within the next two to three years and that development plans are defined to accompany identified successors in their journey.

REWARD AND RECOGNITION

Recognising and rewarding performance in a fair, competitive and consistent manner is an essential part of our employee reward approach. During 2011

the reward team was strengthened at corporate and regional levels with the recruitment of compensation and benefits professionals. The newly formed team will conduct an in-depth review of our reward tools and establish a global framework for our reward strategy in 2012.

RETAINING TALENT

Our service delivery and our ability to innovate and grow are dependent on our ability to retain talent in the business. This is why we have set a Group target to achieve a natural turnover of less than 14% by the end of 2014. To help us work towards this target, we are focusing on gaining a deeper understanding of the reasons why employees choose to leave the Company of their own will. We will be monitoring our performance in this area through performance reviews and exit interviews and will share our insights with the Affiliates during 2012.

HUMAN RIGHTS

During 2011 we began to evaluate our alignment to the human rights principles of the UN Global Compact by analysing the prevailing regional human rights issues and risks across our trend countries. This included an analysis of labour rights, political risks, corruption and business risks and provided us with an initial map of issues. We are further assessing any potential direct or indirect human rights impacts of our own operations which will enable us to better understand our responsibilities and how best to use our influence. The human rights of our employees are reflected in our Employment Policy which covers areas such as diversity and equal opportunities.

DIVERSITY AND EQUAL OPPORTUNITY

We base all aspects of our employment relationship on the principle of equal opportunity regardless of apparent distinctions such as gender, age and ethnicity, as well as less apparent differences such as educational background or religion. At SGS, our ability to understand, embrace and operate in a multicultural world is critical to our business success and

long-term sustainability. Our Operations Council, which comprises four female members and 11 nationalities reflects our commitment to ensuring diversity at the highest level of management. We encourage our people to work across many functions, geographies and cultures throughout their careers. We are committed to bringing together individuals from different backgrounds and cultures to build an inclusive environment where all opinions are valued. As part of our diversity approach we focus on gender ratios and equal opportunity in employment. Our equal employment opportunity strategy aims to achieve the right balance between male and female managers. This theme was particularly well supported by the Affiliates during our sustainability workshops, with almost all MDs committing to programmes promoting equal opportunity in employment.

ENVIRONMENTAL BEHAVIOUR

Employees are encouraged to adopt environmental practices in the workplace through various energy reduction, green travel, waste minimisation and recycling initiatives.

In addition to the Company's e-learning modules on sustainability (see page 38), an internal campaign aimed at driving green behaviour in the workplace will be launched during 2012.

EMPLOYEE SECURITY

At SGS we are committed to protecting our people from deliberate harm by identifying and assessing security threats, then minimising their vulnerability by applying risk controls. (See page 39 for more details.)

EMPLOYEE CONSULTATION

SGS places high value on ensuring that employees are both well informed and consulted on business activities that directly relate to them and have the opportunity to communicate their views to management. Individual businesses operate communication and consultation systems that are tailored to meeting the specific needs of each business. SGS Euroforum provides an arena for the exchange of relevant and appropriate information and ensures constructive dialogue between management and employees on transnational issues which affect them.

OUR PEOPLE PERFORMANCE

Employee turnover across the Group increased in 2011, reflecting ongoing volatility in economies around the world and increased competition for talent with certain skill sets and in specific geographies. While turnover in the European region remained low, we experienced a higher turnover of employees in our South East Asia Pacific and Americas regions where we have a concentration of services relating to the mining, oil, gas and chemical sectors. We are continuing to work with these sectors as part of our retention strategy.

While our gender ratio experienced a subtle increase in the proportion of male to female employees in 2011, our equal opportunity ratio increased as more female employees were appointed to manager level. This reflects both an improvement in reporting as well as an overall trend to promote equal opportunity in our recruitment and succession planning strategies.

We observed further improvement in our sickness absence rate, which remains below our tolerance level of 2.5% and is in line with our 2014 target of below 1.5%. Whilst sickness absence remains highest across our European countries, significant improvements were noted in countries based in North and South

America. Following our sustainability workshops in 2011, three-quarters of MDs in our trend countries have committed to programmes focusing on reducing sickness absence in support of the 2014 target.

During 2011, we continued to increase our investment in employee training, with employees receiving an average of 23 hours of training annually. At the same time, our expenditure on training also rose, despite the Company now using more cost-effective methods for some training, such as e-learning. We expect to see continuing improvement in our training performance as we roll out our newly developed and updated learning and development programmes during 2012.

WORKING SMARTER

SUSTAINABILITY WORKSHOPS

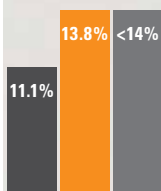
In addition to our core Operational Integrity and Human Resources programmes, the Sustainability Steering Committee has identified a number of people-related targets which we must meet to achieve the 2014 plan. These were communicated via sustainability workshops conducted in our trend countries during 2011. Through the workshops, MDs committed to over a 100 short-term initiatives and longer-term projects related to people. Commitments were made across nearly all countries relating to improving their equal employment opportunity ratio, reducing natural turnover, optimising employee training, and completing annual performance reviews. In addition, local targets were set to decrease sickness absence and reduce incidents.



This chart shows the percentage commitment to sustainability programmes across trend countries and illustrates a particularly high uptake of programmes relating to promoting equal employment opportunity, investment in employee training, improving recordable incident rates and ensuring alignment to human rights principles.

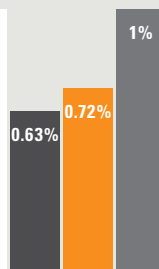
NATURAL TURNOVER

% of employees that leave SGS each year of their own will



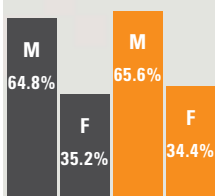
TRAINING RATIO

% of total employment costs spent on training
(Includes safety training hours)



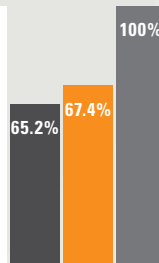
GENDER RATIO

% male employees
% female employees



EMPLOYEES RECEIVING REGULAR PERFORMANCE REVIEWS

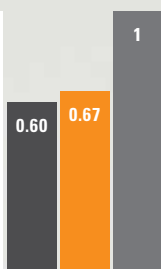
% of employees receiving regular performance reviews



EQUAL OPPORTUNITY RATIO

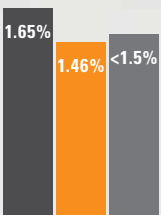
(Female managers/
female employees)

(Male managers/
male employees)



SICKNESS ABSENCE RATE

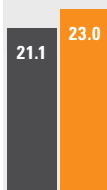
Number of days of sickness absence as a % of total days worked



TRAINING HOURS

Number of annual training hours/FTE

(Includes safety training hours)



OPERATIONAL INTEGRITY

SGS believes that our commitment to health, safety, quality and protection of the environment is one of the driving forces behind our ability to consistently provide a world class level of service to our customers. In last year's Report, we outlined our goals to eliminate fatalities, minimise injuries and improve the mitigation of major health and safety risks. Significant progress was made towards these goals in 2011, most notably in increased safety dialogue with employees and the raising of safety awareness across the Company.

During 2011, SGS began the process of reorganising the corporate function responsible for the management and oversight of Quality, Health, Safety, and Environment (QHSE) into a single function renamed Operational Integrity (OI). The process is expected to be completed in 2012. The new function has a wider remit to manage and drive improvement in all areas which are a potential risk. OI has led a campaign to raise awareness, created a central knowledge base for recording and sharing best practices, developed regional intranet sites for local communications and launched a mobile phone application to provide a structure for site assessments.

KEY 2011/2012 INITIATIVES

Starting in 2012, incident reporting will be captured using the **CRYSTAL INCIDENT REPORTING TOOL**, designed to better track and manage incident data across all sites globally. The tool will form part of a wider **OPERATIONAL INTEGRITY MANAGEMENT SYSTEM** which is being implemented across the business to be in line with the best practices underlying worldwide recognised standards such as ISO 9001, ISO 14001, ISO 17020, ISO 17025, OSHAS 18001 and ISO 26000 by 2015.

Our regional **WORKSHOPS** are designed to cover a selection of QHSE technical areas and provide SGS employees with consistent assessment methodologies, tools and databases to improve their efficiency and effectiveness as OI professionals. Such tools include the **SGS RULES FOR LIFE** which offers clear non-negotiable safety rules focusing on the prevention of serious injury and fatal incidents. SGS is in the process of strengthening the professional competence of employees assigned to OI, especially in the area of industrial hygiene. In order to accomplish this, we have instituted professional continuing education, established a **GLOBAL INDUSTRIAL HYGIENE DATA MANAGEMENT TOOL**, hired more staff specifically trained in industrial hygiene management and procured additional monitoring equipment. Alongside establishing a governance framework to oversee and manage OI, we have

CRYSTAL INCIDENT REPORTING TOOL

INDUSTRIAL HYGIENE

MANAGEMENT SYSTEM

COMMUNICATION & ACCESSIBILITY

WORKSHOPS

SAFETY VIDEOS

SGS RULES FOR LIFE

ASSURANCE AND GOVERNANCE

instigated an active programme of training and communications designed to drive awareness and knowledge of health and safety through the business. Our ultimate goal is to eliminate occupational fatalities and achieve a significant reduction in the number of injuries.

In addition, we have established a number of internal online resources including an **INTRANET PORTAL** providing a central knowledge base for global QHSE information and a mobile phone application to assist line managers and supervisors in completing leadership site visits and leading safety meetings. A series of in-house **SAFETY TRAINING VIDEOS** are currently being produced addressing various QHSE matters facing SGS employees every day at work.

A HEAD FOR SAFETY

Following a strategic review of our major QHSE risks in 2010, road transport safety was identified as the number one priority. Throughout the world SGS employees rely on various modes of transport in their professional and personal lives, commuting to and from work, transiting between sites and operating a variety of vehicles and heavy duty machinery.

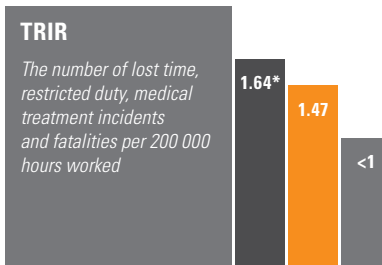
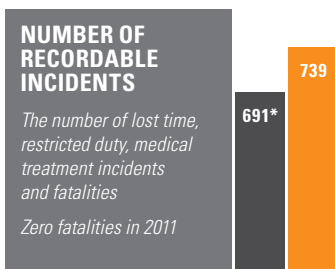
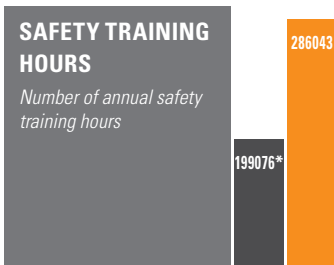
Under the guidance of Paul House, Managing Director, SGS India, a country-wide road safety initiative was launched in 2011. The growing incidence of road accidents is a concern in India with too many fatal accidents from trucks and two-wheeler vehicles, caused by a lack of information and education. In an effort to protect SGS employees and their

families, we implemented a mandatory policy on road safety linked to business trips, ensuring accurate reporting of incidents and near misses. The policy is accompanied by a road safety training programme. Class A helmets and high visibility reflective jackets compliant with the EN471 safety standard have been allocated to all employees and, on request, to family members. Paul notes, "SGS will provide you with the correct tools and PPE required to carry out your work with utmost safety, but if behaviourally we are not inclined to use these tools, or understand how or why they are to be used, then we still run significant safety risks."



CASE STUDY

OUR OPERATIONAL INTEGRITY PERFORMANCE



2014 Target
2010 Performance
2011 Performance

* Statistics exclude data for one trend country

2011 continued to show improvements in the quality of incident reporting and also in our overall performance with encouraging downward trends in TRIR and LTIFR. Our focus continues to be on raising general awareness and strengthening reporting systems where

we believe incidents may be under-reported. This will be significantly helped by the global implementation of the Crystal reporting system in 2012 which will make reporting easier and more consistent. We are pleased to report that there were no fatalities during 2011.

PROGRESS ON 2010 COMMITMENTS

Continue to report on progress of the global roll-out of HR programmes to support the 2014 plan	→	Completed and ongoing
Continue to develop employees' understanding of sustainability through our e-learning modules	→	Sustainability e-learning incorporated into formal HR onboarding programme, SHINE
Carry out a benchmark study to map our impacts and responsibilities in relation to human rights	✓	Benchmark conducted in 2011
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	→	Completed and ongoing

→ Ongoing 2012 ✓ achieved → in progress ✗ not achieved

LOOKING AHEAD

- The SGS global onboarding programme, SHINE, will be launched across all regions.
- 100% of SGS operations will have completed a staffing review process to support succession planning by the end of 2012.
- We will by the end of 2012 have completed an interim review of local initiatives in trend countries relating to people including equal opportunity in employment, natural turnover, investment in training, performance

- reviews, sickness absence rate, total recordable injury rates and alignment with the human rights principles.
- We aim to launch development planning and associated manager and employee training in 2012.
- Crystal incident reporting tool will be implemented across the Group.
- We will launch the third module of our Leadership Development Programme in 2012.

- We will conduct a review of reward tools and establish a global framework for our reward strategy.
- We will monitor our performance around natural turnover and share our insights with our Affiliates.
- The SGS Rules for Life will be rolled out during 2012.

12:00



ENVIRONMENTAL MANAGEMENT



认证服务部	Systems & Services Centre
测试服务部	Restricted Substances Test and
氏碳服务部	Energy & Carbon Serv
实验室	Food Laboratory
部	Food Service
部	Oil, Gas & Chemicals S
	Minerals Services

GLOBAL PROGRAMMES

During 2011 we made substantial progress in implementing the environmental initiatives outlined in last year's Report. Our global programmes remain the backbone of our strategy. Their aim is to make it easy for our operations to reduce their environmental impacts by providing a sustainable infrastructure for responsibly sourced goods and services, carbon neutral energy sources, energy-efficient buildings, green vehicles and the latest IT technology. Each programme has a Group lead responsible for developing

policies and identifying best practices. By building this infrastructure we are confident that we can not only achieve the majority of sustainability targets we have set ourselves as part of the 2014 plan, but also create a sustainable business, built on a low-carbon and environmentally responsible platform that will take us forward beyond 2014.

During 2011 we expanded the environmental indicators that support our global programmes, adding indicators for the generation of hazardous and non-hazardous waste and for buildings which are located near protected areas or areas of high biodiversity value.

SUSTAINABILITY WORKSHOPS

The global programmes were presented at the workshops and teams suggested ways they could support them within their own businesses. By the end of 2011 MDs had committed to over 100 short-term improvements and longer-term initiatives aimed at reducing our environmental impact. These will be implemented over the next years with support from key corporate functions and an update will appear in next Reports.

DELIVERY OF KEY SUSTAINABILITY INDICATORS AND SHARED GOALS

LOCAL WORKSHOPS

GLOBAL PROGRAMMES

- ENERGY EFFICIENCY IN BUILDINGS
- GREEN CARS
- GREEN IT
- GREEN PROCUREMENT
- SUSTAINABLE CAPEX
- WASTE MANAGEMENT

DID YOU KNOW

1

SGS Minerals has developed a method to recycle solar panels, reclaiming valuable metals and producing glass that is pure enough for recycling.

2

SGS published a white paper in 2011 highlighting the importance of ensuring that biofuels are produced sustainably and suggesting ways to ensure that their production is environmentally responsible.

3

In April 2011, SGS participated in a summit for Chinese businesses, "Responsibility and Innovation in a Shifting World", which was attended by more than 700 people.

4

SGS Hong Kong achieved a 48% saving in lighting energy at its laboratory following a two-year complete review and refit.

“

It has always been my view that if everyone at SGS makes even a small contribution, the overall benefits will be enormous. The commitment shown across the Group this year indicates that we are well on our way to achieving a step change in embedding sustainability in our operations.

CHRISTOPHER KIRK *CEO*

”

ENERGY EFFICIENCY IN BUILDINGS

SGS has over 1 350 buildings worldwide. In 2009 we signed the WBCSD Manifesto for Energy Efficiency in Buildings (EEB), committing to a 10% reduction in CO₂ emissions from our owned buildings by 2014 and a 20% reduction by 2020, compared with a 2010 baseline. We developed a phased implementation programme: establishing a baseline; evaluating current performance and identifying best practices; developing tools and implementing energy efficiency measures; and tracking and reporting performance.

WHERE WE ARE NOW

Having established a baseline in 2010, we began to communicate our EEB targets and strategy across the Group during 2011. Through our sustainability workshops, the portfolio of buildings coming under the scope of the EEB programme is gradually being expanded to cover all SGS properties, including long-term leases. We also began to estimate the cost saving potential associated with the programme to strengthen the business case and accelerate change.

In 2011 we introduced our Green Building Guidelines which cover new construction, major renovation, owned buildings and leased sites. These include a green building self-assessment checklist to identify the key sustainability elements which need to be considered during new construction or major renovation of laboratories or offices. We have supported this with a range of tools and guidelines which are now available to facilities managers worldwide including: a dedicated project team site to share best practices; an EEB portal; a building energy rating tool; and an energy management system. We made funding available for energy audits

and are in the process of carrying out audits across ten of our largest offices and laboratories.

During 2011 we created better links between our internal energy-saving programme and the EEB resources we offer to our clients to maximise our collective expertise.

This has been a year when we have built some solid foundations for changing the way our buildings are managed. All of our trend countries committed to EEB projects during our sustainability workshops and, although it may be too early to see this work reflected in our overall performance, we have already made some very significant progress in some locations:

- At our head office in Switzerland we are implementing energy efficiency measures, based on findings from a detailed energy audit conducted last year. We are also piloting displays of real-time energy consumption and targets so as to motivate better building management and promote behavioural change.
- In Geneva, we have signed a charter agreement with our electricity supplier, SIG, to participate in an energy reduction scheme. Under the scheme, SIG will provide financial support for a dedicated energy manager to deliver further reductions in electricity consumption and CO₂ emissions. This project will help us create new opportunities for energy efficiency and also benefit from the expertise of SIG.
- Lighting has been identified as a quick-win energy-saving opportunity in many of our operations. Our laboratory in Hong Kong has already achieved a 48% saving in lighting energy following a two-year complete review and retrofit.
- Our new headquarters in France have been built to the highest environmental standards using materials selected for their low

environmental impact and minimising air, water and noise pollution of its immediate surroundings. It has been HQE certified for construction.

- In Psczyna, Poland we have undertaken a major renovation of our 2 200 m² laboratory which was completed in October 2011. The refurbished building incorporates a wide range of green features, including energy-efficient materials, high insulation, double-glazed windows, and solar hot water panels.

In addition to these examples, we have secured financing for energy monitoring equipment at our laboratory in Perth, Australia and are planning an energy health check prior to the expansion of this facility in 2012. We have a number of major projects in Germany, including at one site an energy health check to explore options to upgrade heating systems, retrofit lights, introduce an improved energy management system, and install a combined heat and power plant. We have planned energy audits on three laboratories and one office building in India, two major facilities in Spain and our new headquarters in Singapore. Our new vehicle testing facility in Spain will be sustainably designed, and our new laboratory in Kolkata is seeking LEED certification to Gold level.

LOOKING AHEAD

- We will compile a global database of EEB projects with details of investments and projected savings.
- We will continue to implement the projects we have identified during 2011 and continue to identify new opportunities for energy efficiency.
- We will implement our Green Building Guidelines in as many sites as possible, and work with property owners to build EEB aspects into our lease agreements.



Headquarters building in France.



Refurbished laboratory in Poland.



New laboratory in Kolkata, India.

GREEN IT

SGS has over 45 000 computers and almost 2 800 data servers which contribute to our overall energy consumption and carbon footprint. Our Green IT programme seeks to identify areas where we can minimise the environmental impact of all types of IT, from large servers to individual printers and computer peripherals, as well as use IT to green our operations.

WHERE WE ARE NOW

Green IT is an example of where we are successfully managing environmental improvements at both global and local levels. The focus is to build a more sustainable IT infrastructure across the Group whilst also promoting the responsible use of energy and equipment within our individual offices, laboratories and buildings. In March 2011 we launched our Green IT Policy covering procurement, management of resources, innovative use of technologies, data centres, disposal of equipment and employee behaviours. This policy is supported by handbooks designed for our IT staff, employees, and data centre managers.

Globally, we are rolling out improvements in the energy efficiency of data centres through significant modification of the cooling system to directly cool the equipment rather than cooling the entire room. This was piloted in Geneva in 2011 where our present data centre consumption is 1 140 MWh per year and the initial findings show potential savings of 50%, with a return on investment of less than three years.

This modification will now be rolled out in future years across other data centres.

We are also supporting the increased use of videoconferencing as an alternative to face-to-face meetings, particularly in countries where there is high communication traffic between SGS sites. Pilots are planned for Switzerland, China, Germany and France. Finally, technology is being used to expand the issue of electronic test certificates offering a significant opportunity to save both paper and energy. Green IT was one of the most successful themes adopted during our global sustainability workshops with 100% take-up and over 20 programmes committed to by Affiliates. Some exciting initiatives have been introduced, including: server virtualisation in data centres (Singapore, UK, Geneva); re-use of computer components as spare parts to extend the life cycle of existing equipment (Taiwan and Hong Kong); and managed print services such as duplex printing, access control and cost cross-charging (Spain, Australia and Peru).

LOOKING AHEAD

- The installation of cold aisle cooling in the Geneva data centre will be completed in 2012 and rolled out globally.
- Videoconferencing will be piloted and future roll-out considered based on the results of pilots.
- Managed print services will be implemented in Geneva and other offices worldwide.

SUSTAINABLE CAPITAL INVESTMENT

As our environmental programme becomes more established it will be even more important to incorporate sustainability considerations into the investment process. This means weighing sustainability costs and benefits of our investments alongside economic aspects. This year, we have brought sustainability to the forefront in our capital expenditure process. Not only is this good for our own footprint but it also ensures we are building a long-term sustainable business.

WHERE WE ARE NOW

We have built an integrated investment approach where sustainability is now considered in our mainstream capital investment processes. Our revised Group Capital Investment Manual was published in October 2011. Under the guidelines, sustainability reviewers must be assigned for each project to ensure their alignment with our sustainability policies.

In December 2011 our first "sustainable capex" for Green IT investments was approved using the new screening process.

LOOKING AHEAD

- We will continue to raise awareness of sustainability considerations when making investment decisions.

“

The Energy Efficiency in Buildings project was launched by the World Business Council for Sustainable Development in 2006 to bring about a transformation of the building sector to achieve an 80% cut in energy use by 2050. From the start, SGS has recognised the significance of the EEB Manifesto, committing to a 20% reduction in CO₂ emissions from its owned buildings by 2020. SGS has not only made significant progress towards this goal, but has also committed to supporting its clients and other Manifesto signatories in reaching similar targets on a global scale. Collectively this offers an exciting opportunity to bring about real and significant change in the environmental impact of buildings throughout their life cycle. We would like to recognise and commend SGS for its continued commitment and leadership in this initiative. Over 100 member companies have now signed the EEB Manifesto and, following this success, the WBCSD is currently developing a second phase of the project which will focus on bringing the results of EEB to an implementation stage with the help of partnerships with key players, such as the International Energy Agency (IEA), the World Green Building Council (WGBC), the Urban Land Institute (ULI), as well as the WBCSD Regional Networks. This will be launched in 2012 with the broad objective of signing up 1 000 localities by 2015.

PETER BAKKER *President World Business Council for Sustainable Development*

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GREEN PROCUREMENT

Optimising our procurement of goods and services is a central element in the achievement of the 2014 plan. This involves streamlining our commercial transactions and ensuring our suppliers are sustainable in terms of their social, ethical and environmental performance.

WHERE WE ARE NOW

In 2011 we assigned sustainability responsibility within the Procurement team and implemented a set of qualifications for new suppliers, adding an assessment of suppliers' sustainability to our broader process for evaluating new sources. This supplier appraisal process was rolled out to all major suppliers under global agreements during 2011. Furthermore, we have made a start on developing a formal Sustainable Sourcing Charter. This will be gradually rolled out to our supply chain during 2012 and 2013, initially to centralised sources and then to suppliers that are managed locally. The Charter is being written with input from customers and other key stakeholders to ensure it incorporates their values and requirements alongside our own.

LOOKING AHEAD

- During 2012 we will begin to roll out our Sustainable Sourcing Charter to suppliers who are under global agreements.
- We will continue to broaden the application of our supplier appraisal process to incorporate suppliers who are sourced and managed locally.

GREEN CARS

SGS has over 7 000 vehicles with vehicle fuels making up around 27% of our total carbon footprint. Our target under the 2014 plan is to reduce the average carbon emissions to 130g per kilometre across this fleet.

WHERE WE ARE NOW

During 2011 we continued to work with vehicle manufacturers and distributors to trial electric and hybrid vehicles as suitable replacements for our existing fleet cars. We are still actively seeking a sustainable commercial solution that can be rolled out across all markets. In the short- to mid-term we are trying to facilitate a transition at local level through local fleet managers within our businesses. More than two-thirds of our trend countries made a commitment to research and implement more sustainable vehicles during our sustainability workshops. This demonstrates the benefits of combining global with local programmes, achieving a local way forward when a global solution has not been possible in the short-term.

LOOKING AHEAD

- We will continue to work at a global level to review new fuel-efficient vehicles and recommend appropriate replacements.
- We will monitor the uptake of environmentally responsible vehicles by SGS businesses and report on the overall impact of replacements on our carbon footprint.

WASTE MANAGEMENT

SGS stores and disposes of thousands of laboratory test samples each year. Many of these contain materials that are classified as hazardous waste. We are committed to further developing a detailed assessment and management of these waste streams through in-country waste management programmes aimed at identifying further opportunities to minimise waste and associated costs.

WHERE WE ARE NOW

During 2011 we added four new global environmental indicators for waste, covering hazardous and non-hazardous waste generated and its responsible disposal through approved contractors, with corresponding certificates of treatment. Through our sustainability workshops, we have developed a waste worksheet which outlines the measures needed to track, dispose of and reduce waste across all waste streams. Three-quarters of our trend countries committed to waste management programmes this year.

LOOKING AHEAD

- We will focus our efforts on further reduction initiatives, supporting the in-country programmes, sharing best practices and providing further guidance and communications.

PROFILE

“

MONIKA SHARMA *Head of Softlines and Sustainability Manager, SGS India*

My first exposure to sustainability was when I joined SGS 10 years ago and worked in the Softlines testing laboratory in India. We used to test eco-friendly garments and textiles for restricted chemicals and my background as a textile engineer helped me to understand their environmental impacts, particularly water pollution and health hazards to humans. Personally I'm attracted to the climate change agenda. My favourite quote is "there is no planet B" so when I had the opportunity to manage sustainability I instantly accepted. I feel proud of SGS; this organisation is diverse and dynamic and is an infinite source of learning and information. I am also very proud of our commitment to the fundamentals of integrity. One of my favourite accomplishments was environment week which we ran across India this year, involving 3 500 people in 30 locations.

There was huge enthusiasm and participation and it was truly gratifying to see how inspired people are towards saving planet Earth. Within SGS we are doing some exciting work on Energy Efficiency in Buildings and waste management. We have close to 100 leased and owned facilities in India which have immense scope for energy savings. We have kick-started a plan for energy audits and are expecting to see some visible improvements next year. We are also focusing on recycling of paper and e-waste, and planning better water management through a zero discharge effluent treatment plant in our laboratories and through rain water harvesting. Our workshops this year enabled us to align key decision makers and stakeholders with the corporate sustainability goals. The e-learning is helping to communicate this message to all employees. We need to sensitise the masses in order to bring about change, and change is what we are trying to achieve. It is challenging, but not difficult.

”

PROGRESS ON 2010 COMMITMENTS

Develop and implement new technologies wherever technically and commercially possible, and raise environmental awareness across the business	➔	Significant progress made through regional workshops and global programmes
Roll out best practice solutions throughout the business	➔	Best practices offered to Affiliates at sustainability workshops
Develop effective models for sustainable acquisitions to identify best practices, transfer technologies and skills	✓	Sustainability built into acquisition processes
Create locally grown initiatives and solutions by empowering local teams to implement environmentally responsible programmes	✓	Over 100 initiatives generated and committed to by Affiliates
Measure and monitor what our buildings are consuming and report our performance publicly 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 signatory companies to exchange and compare experiences	➔	Progress is being made through the EEB programme and publication of Green Buildings Guidelines
Capitalise on our in-house expertise by sharing with operations and facilities managers	✓	Project team site established on our intranet
Develop a set of tools and resources for Affiliates to use in greening their own operations and encourage the exchange of experience between sites to maximise knowledge transfer	✓	Green Buildings Guidelines and self assessment tool
Roll out our green IT programme to provide solutions that cover the selection, purchasing, use and disposal of IT equipment. This will be accompanied by detailed monitoring and measurement	➔	Green IT policy and handbooks launched
Extend cold aisle technology to a further 10 data centres during 2011	✗	Deferred until 2012
Provide firm targets for implementing electric vehicles plus a carbon savings forecast once we have selected a preferred model and completed trials	➔	We are testing electric vehicles and are working on a sustainable commercial solution
Present an update on our waste inventory in our 2011 Report along with a review of waste management projects	➔	Four additional indicators for waste and projects embedded through workshop commitments
Continue to actively engage suppliers in highlighting green product options	➔	Ongoing through implementation of supplier appraisal process

**2010 SOURCE
OF CO₂ (TONNES)**

**2011 SOURCE
OF CO₂ (TONNES)**

**103 328
ELECTRICITY**

**53 043
VEHICLE
FUELS**

**19 483
NON-
TRANSPORT
FUELS**

**16 357
AIR & TRAIN
TRANSPORT**

192 211

**-12 497
RENEWABLE ENERGY
CERTIFICATES
PURCHASED**

**113 189
ELECTRICITY**

**53 988
VEHICLE
FUELS**

**19 070
NON-
TRANSPORT
FUELS**

**15 567
AIR & TRAIN
TRANSPORT**

189 317

CLEAN POWER

The carbon footprint of electricity varies significantly depending on how and where it is produced. The majority of our electricity is purchased at country level and is generated by the prevailing generation methods. This mix of sources may include a proportion of renewable energy. Renewable sources derived from hydro-electric, solar, wind or biofuel are classified as carbon neutral, meaning that no additional CO₂ is released into the atmosphere through their use. Electricity produced in this way may be certified through a system of tradeable certificates called Guarantees of Origin (GO) – also known as Renewable Energy Certificates (RECs). The GO is tracked through a European platform, European Energy Certificate System (EACS), and each unique certificate documents exactly where the energy is produced and from which type of renewable energy source.

The goal of the GO system is to stimulate the creation of more renewable power production, thus contributing towards a less CO₂ intensive energy mix. Recognising the significant positive impact that this market could have on the renewable energy industry, SGS signed a contract in December 2011 with a Norwegian company, ECOHZ, to purchase renewable energy certificates each year that correspond to 100% of the electricity consumption in our trend European countries. This effectively means that the electricity supplied to these countries was carbon neutral in 2011. During the year, 58 GWh (58 000 certificates) were purchased, corresponding to a reduction in our carbon footprint of 12 497 tonnes CO₂. At the same time, SGS will continue to drive energy saving measures throughout the business to minimise our energy consumption and our overall carbon footprint. ECOHZ provides SGS with renewable certificates from a selection of hydro-electric power plants in Norway, representing one of the cleanest forms of electricity generation. These plants are owned and run by Eidsiva Energi, which is heavily engaged in implementing solutions for renewable energy production and developing additional hydro-electric generation

capacity in Norway. The certificates we purchased in 2011 were for electricity generated at storage hydro power plants at Rendalen (93 MW output) and Savalen (58 MW output) and at the run-of-river hydro power plant at Hunderfossen (116 MW output).

WATER

As a service company, SGS consumes relatively little water in our laboratories and offices and therefore we do not have a formal global programme for water conservation. However, water consumption is managed through our EEB programme with efforts already being made at some of our larger laboratories and offices to reduce usage. Water efficiency is also covered by our Green Buildings Guidelines and corresponding self-assessments. It has been included as a monetised KPI in our Green Book. Collectively, we expect these initiatives to drive further awareness and reduction in water usage where feasible across the Group.

ENVIRONMENTAL COMPLIANCE

All judicial breaches of environmental legislation or regulations are reported to, and investigated by, our Group Compliance function. During 2011, SGS did not incur any fines for such breaches. Two incidents were reported: the first where an employee working on a client's site mistakenly opened an incorrect valve resulting in a containable discharge of material; the second incident involved the mislabeling of a sample which contained hazardous material. This second case is still under investigation with the outcome pending.

CARBON DISCLOSURE

SGS is a member of the Carbon Disclosure Project (CDP), a global climate change reporting organisation which holds the largest database of corporate climate change information in the world. Through its membership, SGS provides an annual disclosure of the risks and opportunities facing the business in relation to climate change. A copy of SGS' latest response to the CDP can be accessed on the [CDP website](#).

OUR PERFORMANCE

Our work with Affiliates has strengthened the consistency of environmental data and has improved our confidence in data accuracy. Where significant changes to 2010 data have come to our attention we have re-stated this data in the Report.

SGS' environmental performance is closely linked to the intensity of our operations. In 2011, our carbon footprint increased by 5% to 201 814 tonnes CO₂, against the backdrop of a 13.7% annual growth in revenue (constant currency basis). The overall distribution of our CO₂ emissions by source remained consistent with 2010, with a slight increase in electricity representation. During 2011 we purchased renewable energy certificates equivalent to 12 497 tonnes CO₂ which brought down our overall CO₂ emissions to 189 317 tonnes, slightly less than in 2010.

Electricity consumption (kWh) grew by 12% due to the impact of acquisitions in Spain and Poland, expansion of buildings in Russia, Korea and Peru, and an overall increase in business activity and related use of equipment across the Group. Overall non-transport fuel consumption decreased slightly due to a milder winter in Europe, despite increased consumption in certain countries related to business expansion. In our owned buildings, progress was made towards our 2014 EEB targets in particular across our network of laboratories where we are now over half way to achieving our goals. Our laboratory in Adelaide reduced energy consumption by over 25% through the introduction of skylights to reduce lighting loads and the strategic consolidation of shifts and machinery usage to increase lab efficiency. In France, efficiency gains in the labs of

an average 10% were achieved through behavioural change related to fume hood usage and shutting down equipment, as well as recovering lost energy from exhaust air.

Vehicle fuels emissions increased by 2% against an increase of 11% in the number of fleet cars. This is largely explained by vehicles with expired leases being replaced by more efficient models. In addition, a programme for the control of fuel consumption was introduced in Spain, and vehicle mileage in the UK decreased offset by an increase in the use of train travel. Total air and train transport emissions fell by 5% due, in part, to improvements in the reporting process and better classification of long-haul versus short-haul flights, as well as increased cost awareness associated with air travel.

Water consumption remains comparable to 2010 at 21.8 m³ per FTE with continued improvements seen in the accuracy of the data due to better communication with utility companies. Information on hazardous and non-hazardous waste generated was gathered for the first time in 2011. We are anticipating some changes to the figures in the near future and expect our waste data to be robust enough for commentary next year.

ELECTRICITY CONSUMPTION (PEOPLE)

Annual kilowatt hours of electricity consumed per FTE

4662 4661

BUILDING ENERGY INTENSITY IN SGS-OWNED OFFICES

Annual kilowatt hours per square metre for SGS-owned offices

229♦ 223 -10%

BUILDING ENERGY INTENSITY IN SGS-OWNED LABORATORIES

Annual kilowatt hours per square metre for SGS-owned laboratories

430♦ 402 -10%

WATER USE

Annual water purchased (m³)

960886 1039904

WATER INTENSITY

Annual water purchased per employee (m³/FTE)

22.5 21.8

CO₂ EMISSIONS

Total annual CO₂ emissions (tonnes)

192211 201814

CARBON INTENSITY (REVENUE)

Annual CO₂ emissions per revenue (tonnes/CHF million)

52.2 59.0 54.4 -10%

HAZARDOUS WASTE GENERATED

Total weight of hazardous waste generated (tonnes)

5812*

RENEWABLE ENERGY

Total renewable energy certificates of origin purchased (tonnes of CO₂)

12497

TOTAL ELECTRICITY CONSUMPTION

Total annual kilowatt hours of electricity consumed (million kWh)

199 223

NON-HAZARDOUS WASTE GENERATED

Total weight of non-hazardous waste generated (tonnes)

16829*

2010 Pro forma (constant currency basis)

2014 Target

2010 Performance

2011 Performance

* Statistics exclude data for one trend country

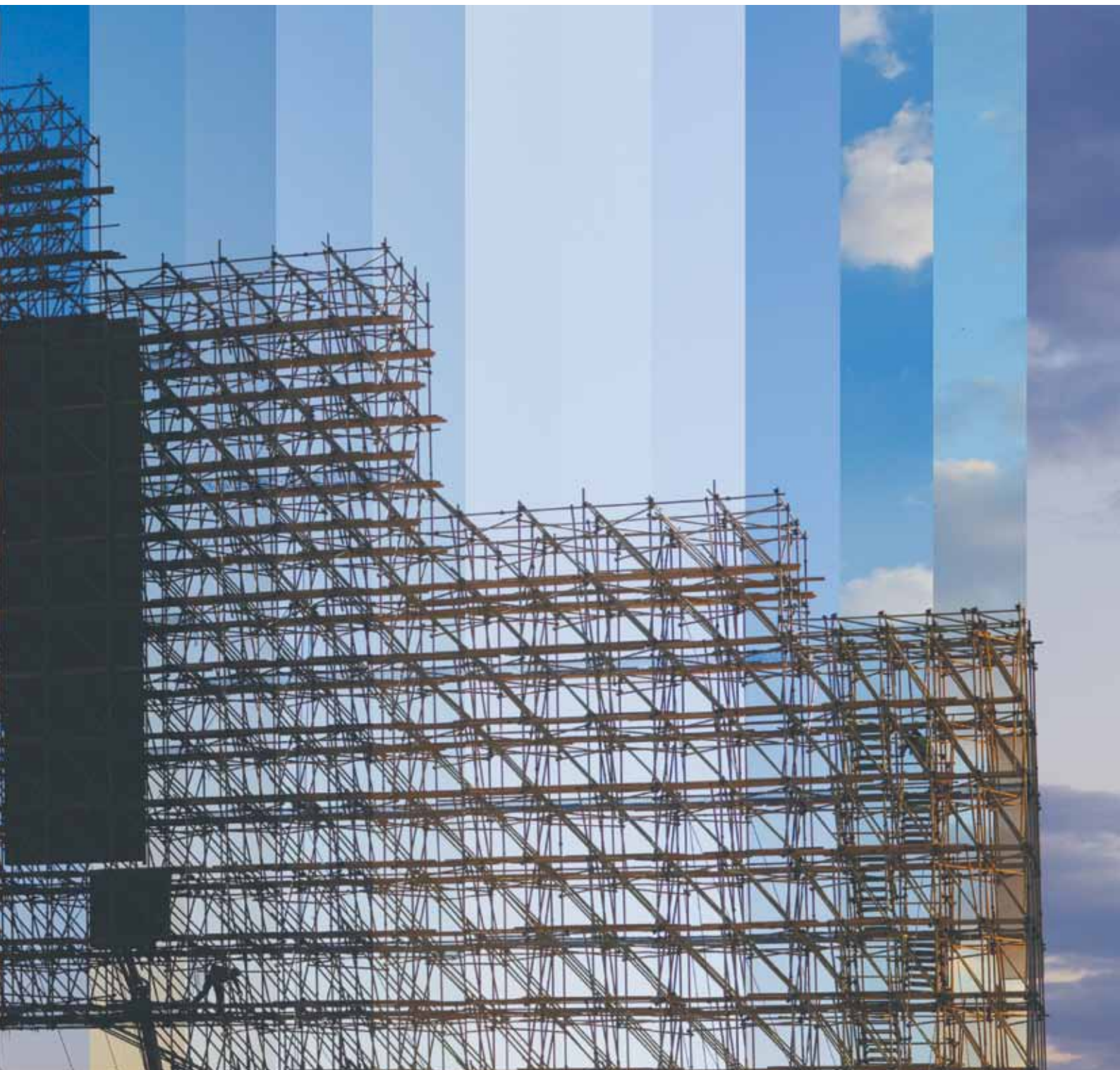
▲ Statistics exclude data for three trend countries

♦ Restated to reflect more accurate data and subject to future amendment



10:00

COMMUNITY



AS A GLOBAL COMPANY, SGS REACHES OUT TO MANY LOCAL COMMUNITIES AND AS SUCH MAKES A SIGNIFICANT DIFFERENCE TO THE LIVES OF THOUSANDS OF PEOPLE AROUND THE WORLD

SGS may be a global company but our behaviours and actions are defined by our sense of place and purpose within local communities. We work hard to demonstrate our respect and support for the communities we operate in and want to play our part in helping them to thrive through economic, social and cultural development. We believe in building lasting and mutually-beneficial relationships with local stakeholders through dialogue and close collaboration. In this section we highlight a small number of the many local community programmes that have been developed and run through the goodwill and dedication of our employees around the world.

“Our actions are inspired by the passion, intuition and entrepreneurship of our employees around the world who want to make a difference.”

CHRISTOPHER KIRK *CEO*

DID YOU KNOW

- 1** SGS employees volunteered over 8 500 hours and contributed to more than 300 community projects.
- 2** SGS sponsored community programmes to the value of CHF 547 247.
- 3** The Group donated more than CHF 300 000 to community organisations and voluntary groups.

COMMUNITY MANAGEMENT

SGS offers support to communities through sponsorship, in-kind support, employee volunteering and charitable donations. We also provide immediate support to communities in the aftermath of major disasters.

Group-level programmes are approved by Corporate Sustainability in line with the annual budget and Group Community Policy and Guidelines. The majority of programmes, however, are identified and managed locally. Through our global sustainability workshops, the Affiliates have committed to align SGS community projects with the Guidelines.

This will ensure that our projects are aligned to the United Nations Millennium Development Goals which address the world's most critical development challenges. Community investment performance is monitored and reported by all countries via our sustainability data management system, Solaris.



CORE PROGRAMMES AND PROJECTS

ERADICATING EXTREME POVERTY AND HUNGER

EMPLOYEES FROM SGS CHINA PROVIDE SUPPLIES TO POVERTY STRICKEN CHILDREN

Through its long-term commitment to the JiaJiaWa School and neighbouring primary schools, employees of SGS China have developed deep-rooted support for the poverty-stricken children in the Gansu Province.

This year 100 tailor-made jackets and 35 school bags were donated to students. Staff from the Tianjian branch were also inspired to take action when they noticed that the water in JiaJiaWa is both scarce and of poor quality, causing local people to rely on drinking rain water. A water filter was despatched to the community to ensure that the children and families could rely on safe drinking water.

CHILD HEALTH

DECORATING CHILDREN'S WARDS AT TIANJIN HOSPITAL WITH PAINT A SMILE

When SGS planned the opening of its first Wind Energy Testing Centre in Tianjin (WETC), China in May 2011, it seemed fitting for the launch event to involve the local community. Paint a Smile is a non-profit organisation whose mission is to reduce patient anxiety and make hospitals more cheerful by decorating the wards. Given that Tianjin's WETC represents the future in terms of sustainable energy supply, SGS wanted to invest in the future of Tianjin's community and decided to sponsor four Smile Painters who worked for one month in Tianjin's children's hospital alongside representatives from the hospital and SGS. They brightened up two children's wards by painting colourful and fantasy landscapes.

ACHIEVING UNIVERSAL EDUCATION

SGS CHINA SUPPORTS YINGTAO PRIMARY SCHOOL

Volunteers of SGS Chongqing visited Yingtao Primary School to donate stationery and money to pay for the annual lunch fees for ten students. Money has also been pledged to buy two ping pong tables, pay for internet access for five computers and to create a reading room in the school.

SGS GROUP SPONSORS EDUCATIS FOUNDATION TO PROMOTE UNIVERSAL HIGHER EDUCATION

SGS continues its support of this distance-learning university based in Switzerland which aims to provide universal, affordable higher education to low-income students through online training. During 2011, SGS was able to provide practical support by hosting examinations in its offices and laboratories in Senegal, Tunisia, Burundi, Mali, Burkina Faso, Côte d'Ivoire, France and Cameroon.



PROMOTING GENDER EQUALITY AND EMPOWERING WOMEN

SGS BANGLADESH COLLABORATES WITH DHAKA AHSANIA MISSION MICROFINANCE PROGRAMME

SGS Bangladesh continues to support the Dhaka Ahsania Mission (DAM) and its microfinance project focused on 'restoration of livelihood through job creation, gaining of assets by rural poor' (ROJGAR). This scheme supports the villagers of Sreepur Upazila in the remote Gazipur district. To date, 37 people have received access to credit worth approximately CHF 9 287 towards which SGS contributed approximately CHF 5 387.

In October 2011, the SGS management team paid their first visit to the project site in Sreepur Upazila to meet a number of participants, learn about their businesses and disburse cheques to groups.

COMBATING HIV/AIDS, MALARIA AND OTHER DISEASES

STAFF FROM SGS SRI LANKA DONATE BLOOD TO FIGHT DENGUE EPIDEMIC

An outbreak of Dengue fever was reported in Sri Lanka in February 2011, resulting in 17 000 cases and 124 deaths by September. Dengue is a flu-like illness which is transmitted by mosquitoes and, with no vaccine currently available, treatment is offered via blood transfusions. SGS employees responded to the call from hospitals for blood by organising a blood donation campaign with the Ministry of Health in September. Around 50 employees from SGS and neighbouring companies participated.

SGS INDIA RESPONDS TO NATIONAL CALL FOR BLOOD DONATIONS

More than 9 million units of blood are required in India every year but there is a forty per cent shortfall in blood donated. This creates a dilemma for people with life-threatening conditions such as children suffering from thalassemia,

a genetic blood disease, as well as those involved in serious road traffic accidents. In collaboration with various blood banks, SGS employees contributed 800 units of blood in 2011.

SGS IVORY COAST SUPPORTS FIGHT AGAINST HIV/AIDS

With an estimated prevalence of 3.9 per cent among adults, the Ivory Coast remains one of the countries most affected by HIV in West Africa. The first case of AIDS in the country was detected in 1985; it now has a generalised epidemic. Through a collaboration with SICTA (Sistema de Integracion Centro-Americana de Tecnologia), both SGS Ivory Coast and SICTA have established an annual fund of CHF 5 627 to purchase antiretroviral drugs. In addition, we support employees, and their families through a partnership with BRIC (Integrated Research Center Bio Clinic in Abidjan) providing medical monitoring, biological assessment and support alongside the distribution of drugs. Both companies have established committees to fight HIV and AIDS through officer training, peer educators and internal awareness raising campaigns.

CASE STUDY

ROJGAR

Rubia lives in Sreepur, Bangladesh. Her husband passed away when her second child was three months old. She started working as a domestic help before being introduced to the ROJGAR team. With their support, Rubia was able to learn tailoring skills. With a loan equivalent to CHF 240 she managed to start her own tailoring enterprise. With business picking up, she now plans to establish a shop selling hand-made garments. This opportunity has enabled Rubia to secure a livelihood for herself and her young family and provides her with the potential to apply for more loans in order to grow her business in the future.





ENSURING ENVIRONMENTAL SUSTAINABILITY

SGS GROUP AND SGS VIETNAM PARTNER WITH UNEP TO PROMOTE SUSTAINABLE LIFESTYLES

As a joint sponsor of The Centre for Development of Community Initiative and Environment, a number of capacity building workshops took place in Vietnam during 2011. These included two workshops on planning and sustainability (in conjunction with the Ministry of Planning and Investment) which were attended by more than 60 students from the National Economic University in Hanoi and Ho Chi Minh City (HCMC); two workshops on sustainability leadership involving 60 youth leaders and eight environmental clubs in Da Nang and HCMC; and a workshop in the Can Gio mangrove forest for 30 students. In addition, 250 students from Da Nang universities participated in a workshop promoting vegetarianism; a further 2 000 students took part in the Green Festival, 'Green Future for Children Programme', organised by the Foreign Trade University; and a Recycle Festival was organised for four secondary schools in HueThua Thien.

SGS INDONESIA PROMOTES SUSTAINABLE FARMING THROUGH TRAIN THE TRAINER PROGRAMME

To help promote organic and sustainable farming techniques, SGS hosted a training programme for farmers from the Magelang and Baturaden areas of Indonesia. This comprised 20% theory and 80% field practice and covered topics such as the ecosystem, basic organic farming management, solid compost, liquid fertiliser, nutrition testing and organic pest control. Weekly sessions took place over a five month period and involved more than 60 farmers.

SGS NEW ZEALAND CONTINUES ITS SUPPORT OF THE PROJECT KIWI TRUST

SGS New Zealand has continued its support of the Kiwi Trust project, donating CHF 14 000 to help protect New Zealand's indigenous, endangered bird. While SGS' expertise is used to sample and test Kuaotunu stream water, employees and their families have taken on core conservation tasks such as transporting kiwi chicks for return to the wild, helping with beach clean-ups and track building, and assisting with night-time kiwi-call surveys.

SGS New Zealand MD, Peter Hart, says he is delighted but not surprised that his team has taken the project under its wings: "Protecting kiwi where we live and work is something we feel passionate about. We wanted to support a uniquely New Zealand initiative that our people could get involved with personally. Project Kiwi Trust allows us to do this and get out as a team into the

beautiful New Zealand environment. It's a great fit with the principles at the heart of our corporate sustainability programme – people, environment and community."

SGS GROUP SPONSORS TOPTOTOP GLOBAL CLIMATE EXPEDITION

SGS Group has been a main sponsor of **TOPToTOP** since 2008. This global expedition seeks to raise awareness of climate change by summiting the highest peak on each continent and travelling between them using only human power and the forces of nature. During 2011 TOPToTOP travelled through India, Myanmar, Thailand, Malaysia, Singapore, Indonesia, Australia (Cocos (Keeling) Islands), Mauritius (including Rodriguez Island), La Reunion (France), Tanzania and South Africa. Key activities included: the 'TOPToTOP Climate Solution Contest'; participation in the 'Clean Energy Expo Asia' in Singapore; and a beach clean-up in Malaysia and five surrounding islands in conjunction with the Navy. The highlight of the year was the 'Clean Up Kilimanjaro Expedition' in Tanzania. Mount Kilimanjaro was the fifth TOP reached, with two further mountains, Denali (in Alaska) and Mount Vinson (in Antarctica), to be climbed by 2015. To date the expedition has travelled more than 40 000 nautical miles, attracted over 56 000 people to its presentations, and has collected a total of 27 tonnes of waste through its clean-up operations.



SGS HONG KONG CONTRIBUTES TO TREE-PLANTING

In January 2011, employees, families and friends from SGS Hong Kong and Xerox joined forces to climb the country's highest mountain, Damao Mountain. The aim was to prepare the ground for tree planting by removing ground cover to facilitate the healthy growth of saplings.

In the same year, the director of SGS Sustainable Growth (North China) and manager of Qingdao Branch led nearly 30 employees to plant trees in North of Zhangjiakou, helping to restore the Sanbei shelter forest system.



PROVIDING DISASTER RELIEF

QUEENSLAND FLOOD RELIEF, AUSTRALIA

Significant flooding occurred in many areas of Queensland, during late December 2010 and early January 2011, with three-quarters of the state declared a disaster zone. At least seventy towns and over 200 000 people were affected. The floods killed 35 people in Queensland. SGS set up a flood relief fund and donations from employees totalling CHF 5 825 were matched by SGS Australia to make a total of CHF 11 650. This was used to assist families with funeral expenses and help people and businesses within the Toowoomba Region recover from the affects of the floods.

NEW ZEALAND EARTHQUAKE RELIEF

On February 22nd, Christchurch, New Zealand was hit by a devastating 6.3 magnitude earthquake causing significant damage to buildings and homes, with roads, sewage systems, water lines, gas, and electricity cut off. In total, 181 people were killed in the earthquake, making it the second-deadliest natural disaster recorded in New Zealand with nationals from more than 20 countries among the victims. The government declared a state of national emergency and SGS New Zealand initiated an Earthquake Relief Fund contributing CHF 6 899 to the appeal which included

employee contributions and dollar-for-dollar matching by SGS Australia Management. SGS Indonesia, Singapore and Thailand also made donations bringing the total to CHF 11 293 for the region. The funds were used to directly assist SGS employees and families with their rebuilding efforts.

THAILAND FLOOD RELIEF

In October, the worst flooding to hit Thailand in decades affected thousands of people, including SGS employees working in the southern and northern areas of the country. In response, SGS Thailand raised funds to support disaster recovery. By the close of this Report a total of CHF 4 508 was donated to provide relief to victims. SGS also donated emergency survival kits to people directly affected by the floods.

SGS INDIA PROVIDES RELIEF TO SIKKIM QUAKE VICTIMS

A major earthquake, measuring 6.9 on the Richter scale, rocked Sikkim and parts of Nepal and Tibet in the Himalaya in September, 2011. The death toll exceeded 100 people. The north district of Sikkim was badly hit as it was closest to the epicenter, followed by other districts where there were cases of loss of human life, damage to property, loss of cattle and agricultural land and flash floods. SGS provided relief aid to tremor affected people by providing warm clothing, blankets, rice, sugar, and medicines through a collaboration with the Government of India, UNDP and Sikkim State Disaster Management Authority.

RECOGNITION AND AWARDS

SGS HONG KONG RECEIVES CARING COMPANY AWARD

On 19 April 2011, SGS Hong Kong joined The Caring Company NGO Partnership Day to celebrate achievements with over 3 500 participants. We were proud to be awarded the recognition of 5 Years Plus Caring Company by the Hong Kong Council of Social Service (HKCSS) since 2005.

MOST INFLUENTIAL PERSON AWARD

In January 2011, ‘Zhejiang’s pride—the most influential people in 2010’ award was unveiled in Hangzhou. SGS employee, Yan Yina, won the Person of the Year title in recognition of her efforts to build the Ningbo Citizen Love Bridge. The initiative came about when Yan Yina participated in the SGS volunteer teaching programme in the Gansu Province. Along with other volunteer teachers, she witnessed the perils children faced as they crossed two mountains on their way to school. An appeal was launched to raise money to provide a safe route to school. With the support of SGS leaders and colleagues and the citizens of Ningbo, the appeal raised CHF 160 480 and an embankment was built.



LOOKING AHEAD

- We will support Affiliates in implementing the Group Community Guidelines and Policy.
- We will identify a global community programme based on the framework developed in 2011.
- We will conduct a global survey to re-evaluate our community project impact and alignment with the Millennium Development Goals.

PROGRESS ON 2010 COMMITMENTS

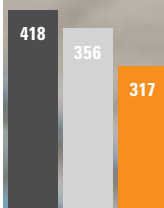
During 2011 we will communicate our Group Community Policy and Guidelines across the Company	✓	Policy communicated and Guidelines available via Intranet
We will review SGS Group community projects to explore possible additional programmes and ensure that we are operating our community programmes in accordance with the new Community Policy	➡	Ongoing
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	✓	Collaborated with Paint a Smile to decorate children’s wards at hospital in Tianjin, China
SGS Group will identify and recruit a charity partner with which to collaborate on a new global community programme	➡	Framework for evaluating global opportunities has been developed. Further research and dialogue will be undertaken in 2012 to identify a suitable programme and partner

SGS

OUR PERFORMANCE

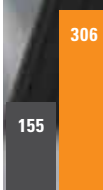
INVESTMENT IN COMMUNITY

Donations to community organisations and voluntary groups ('000 CHF)



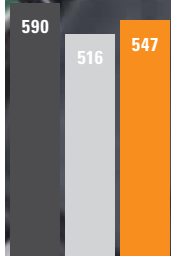
TOTAL COMMUNITY PROJECTS

Total number of projects



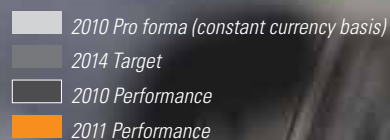
INVESTMENT IN SPONSORSHIP

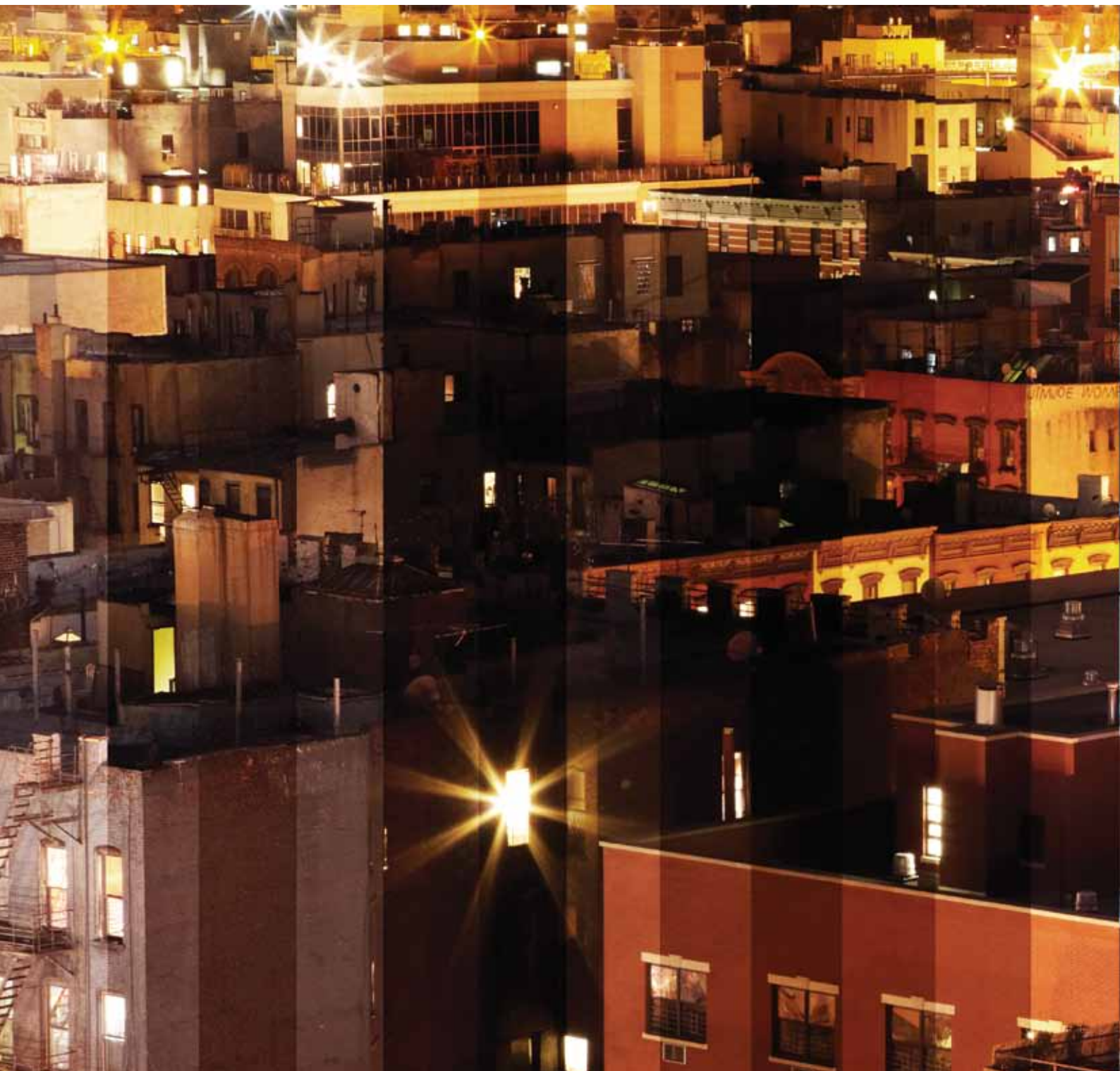
Sponsorship of community programmes ('000 CHF)



The community projects supported by our employees across our selected reporting countries almost doubled in 2011, rising from 155 to over 300. With the increase in projects, the number of community volunteering hours given by our employees also rose by 7% across our trend countries, particularly in the regions of North America and Asia Pacific. Our overall investment in

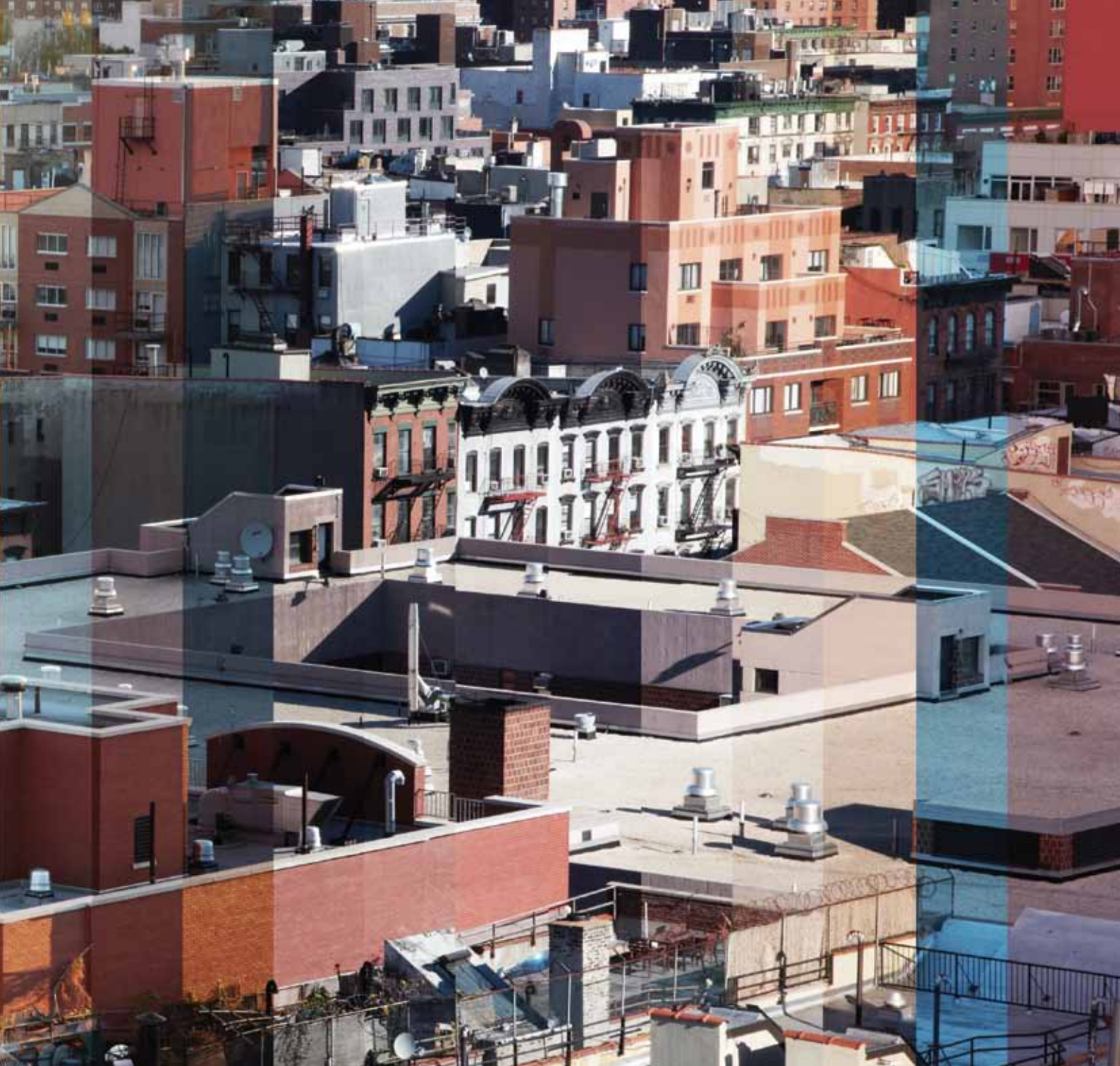
community decreased slightly to CHF 317 000, while the amount given by business to sponsorships increased by 6% (on a constant currency basis) to nearly CHF 550 000 in 2011.





09:00

ASSURANCE AND CLOSING REMARKS



REPORT ASSURANCE

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

STATEMENT FROM EXTERNAL AUDITOR

Deloitte SA was appointed by the SGS Group to perform agreed-upon procedures with respect to the SGS Sustainability Report for the year ended December 31, 2011. This engagement was undertaken in accordance with the International Standard on Related Services (ISRS 4400) as established by IFAC and applicable to agreed-upon procedures engagements. The procedures were performed solely to assist the SGS Group in supporting the assurance process conducted by SGS subcontracted assurers with respect to the SGS Sustainability Report for the year ended December 31, 2011. This agreed-upon procedures report was issued only for the information of the SGS Group. In addition, a copy of the report was provided to the Global Reporting Initiative (GRI).

STATEMENT FROM SGS MANAGING DIRECTORS

2011 was an important year for the Affiliates as we became formally engaged with the Group sustainability programme through the workshops and the resulting project charters which commit us to driving sustainability improvements in our countries. Having participated in this process, we were pleased to be invited to review the draft Corporate Sustainability Report prior to publication. Given the scale and complexity of the business, we appreciate it is challenging to provide a complete account of our sustainability approach globally. However, we believe this Report has gone further than previous ones by offering a broad account of our professional services linked to sustainability and a deeper insight into the steps we are taking at corporate level to manage our environmental and social footprint alongside our growth targets. As we embed our sustainability programmes in our countries, we are playing an increasingly active role in bringing the 2014 targets to fruition. We view the SGS' annual Corporate Sustainability Report as an essential communications tool and we look forward to sharing this latest Report with our colleagues and external stakeholders.

STATEMENT FROM THE CHAIRMAN OF THE EUROPEAN WORKS COUNCIL

In my role as Chairman of the SGS European Works Council, my aim is to help employees integrate sustainability in their everyday work place, which I recognise to be a major task. Together with the Employee Representatives, our challenge is to encourage employees to learn about sustainability within the context of their own jobs and be proactive in its application. As part of our ongoing dialogue with Corporate Sustainability, the European Works Council was involved in the review of the SGS Sustainability Report prior to its publication. This followed from our annual consultation session with Daniel Rüfenacht, Vice President Corporate Sustainability, at SGS Euroforum meeting. Based on this dialogue and our daily insight, we believe the latest Report accurately reflects the significant effort that has been made in

the last year to embed sustainability into the business, particularly in the context of employee safety, wellbeing and performance. We are encouraged to learn that the process has involved local management teams in identifying and selecting sustainability programmes that support the 2014 plan. Such evidence that sustainability is being taken seriously within the network is a very important message to share with employees. We are also encouraged to see a reduction in the Company's environmental impact in relation to its significant growth, indicating that we are becoming more efficient in our operations. We look forward to working closely with management and the Corporate Sustainability team over the coming year to help drive sustainability through the business.

GUUS WIESEMANN

Chairman, SGS European Works Council

GRI G3.1 GUIDELINES

In this Report SGS has fulfilled the requirements of GRI to level B+ as validated in the GRI Application Level Check. This year we have developed a separate content index which lists our GRI disclosures and indicators and this is available on [our website](#).

We have also cross-referenced each of the ten principles of the United Nations Global Compact to relevant sections of this Report.





ASSURANCE STATEMENT

REPORT ON THE INTERNAL ASSURANCE OF SGS CORPORATE SUSTAINABILITY REPORT 2011

NATURE AND SCOPE 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 (France, Hong Kong, Taiwan, Brazil and Poland). 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 auditors 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, to evaluate the report against the Global Reporting Initiative Sustainability Reporting Guidelines GRI 3.1 (2011) 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 the Corporate Sustainability Report 2011 is reliable and provides a fair and balanced representation of SGS Group activities in 2011 within the limitations of the stated reporting scope.

In our opinion, the SGS Corporate Sustainability Report 2011 fulfills the content and quality criteria for GRI G3.1 Application Level B+. We believe that SGS has chosen an appropriate level of assurance for this stage of its reporting journey.

COMMENTS ON MATERIALITY

The report is quite clear on the subject of critical factors for enabling organisational success. The report scores well on materiality in respect to peer, global and social materiality but loses points on the inclusion of stakeholders in identification of issues material to SGS stakeholder groups specifically, and local to sites. Future reporting would benefit from a more detailed coverage of results of stakeholder engagement, outcomes and how these have been used in the identification of material issues.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (2011) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

In our opinion, the SGS Corporate Sustainability Report 2011 meets the content and quality requirements of the Global Reporting Initiative G3 Version 3.1 Application Level B+.

Principles and management approach – In our opinion the content and quality of the report adheres to the ten GRI Principles. Opportunities were identified for consideration in future reporting cycles to ensure continual improvement, including:

- reporting on both favourable and unfavourable aspects of performance and challenges to the company
- the comments on the principle of Materiality also apply to the principle of Stakeholder Inclusiveness
- increasing content on the management approach to human rights and product responsibility.

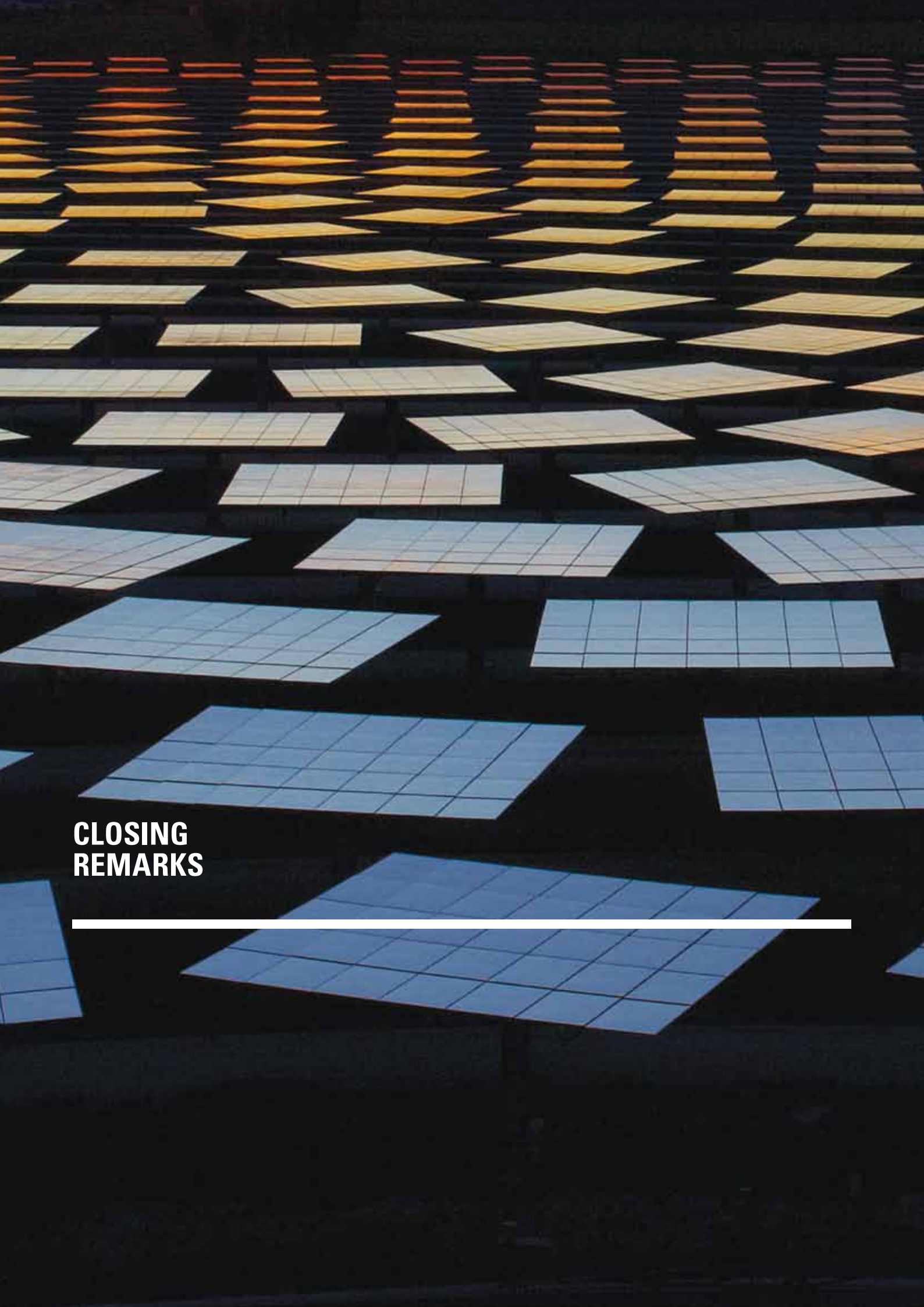
RECOMMENDATIONS

Through our data review we have observed SGS' efforts to improve its data collation and consolidation process. However SGS should continue to improve consistency of implementation throughout its Affiliates.

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

RITA GODFREY SRA Lead Assuror
February 2012

MICHEL MOOSER SRA Assuror
February 2012



**CLOSING
REMARKS**

DEAR STAKEHOLDERS,

We hope you found this Report an interesting read and learned something new about our journey to becoming a sustainable business. Our aim has been to share with you our Group aspirations, our innovative solutions and our services linked to sustainability, as well as the global programmes we are implementing to help support the Company's achievement of the 2014 plan. Much of the inspiration behind this year's Report has come from you – from the comments you provided in our online survey, the case studies you contributed and through your participation in our sustainability workshops and interviews.

Of the many local initiatives involving employees around the world in 2011, the highlights for us included: establishing a Minerals Skills Training Academy in West Africa to create a talent pipeline; introducing server virtualisation in data centres in Singapore, the UK and Switzerland; re-using computer parts in Taiwan and Hong Kong; and reducing energy and resources through sound

print management initiatives in Spain, Australia and Peru.

We would like to applaud colleagues in SGS India for bringing together over 3 500 employees in 30 locations to celebrate environment week, and the many hundreds of employees who participated in local community projects. In particular, we wish to recognise the amazing efforts of employees in Thailand, India, Japan, Australia and New Zealand who provided vital hands-on support and funding to the local citizens affected by the most appalling natural disasters.

Looking to the future, operational excellence is the driving force behind our goal of achieving our growth targets by the end of 2014. In sustainability terms, this means doing more with less. In 2012 we are focusing our efforts on achieving greater energy efficiency in SGS offices and laboratories; reducing our carbon footprint through greening our IT, car fleet and our capital expenditures; and increasing our involvement in local community initiatives.

At the same time, we must remain focused on protecting our reputation as a responsible business by upholding the highest standards of professional integrity and safeguarding the health and safety of ourselves and others at all times.

Having put in place the framework for action, we are confident that we can make considerable progress this coming year. We hope our employees will feel inspired to play their part in driving local sustainability programmes and developing sustainable solutions for our customers and ourselves. Success will be dependent on us harnessing the passion, innovation, knowledge and skills of our employees, customers, business partners, suppliers and other stakeholders. We invite you to engage in our programmes and help guide our approach by sharing your thoughts, ideas and feedback with us. We would like to thank you for your ongoing support and look forward to working with you in 2012 to achieve remarkable change.

2011 MARKED A SIGNIFICANT STEP IN FORTIFYING THE INVOLVEMENT OF SGS MANAGEMENT AND EMPLOYEES IN OUR SUSTAINABILITY PROGRAMME



Christopher Kirk
Chief Executive Officer



Daniel Rüfenacht
Vice President Corporate Sustainability

KEY TERMS

AFFILIATE (SGS)

An SGS business or market which is part of the SGS Group.

AQUACULTURE

The farming of aquatic organisms such as fish, crustaceans and molluscs under carefully controlled conditions.

AQUACULTURE STEWARDSHIP COUNCIL (ASC)

A body responsible for working with independent, third parties to certify that farms comply with responsible aquaculture standards.

BEST AQUACULTURE PRACTICES (BAP)

The Best Aquaculture Practices (BAP) standards address environmental and social responsibility, animal welfare, food safety and traceability in a voluntary certification programme for aquaculture facilities.

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.

BIOGENIC CARBON

Carbon dioxide which is produced by burning carbon sourced from natural renewable materials such as food waste or paper. Biogenic CO₂ is usually treated as having no impact on climate change, as it is part of the natural carbon cycle.

BREEAM

A voluntary environmental assessment method and rating system for sustainable buildings established in the UK by the Building Research Establishment.

BS EN471: 2003

The current European standard for high-visibility clothing worn for professional use.

CARBON DATING

A type of radioactive dating which is applicable to matter which was once living and presumed to be in equilibrium with the atmosphere, taking in carbon dioxide from the air for photosynthesis.

CARBON DISCLOSURE PROJECT (CDP)

The Carbon Disclosure Project is an independent not-for-profit 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.

CERTIFIED EMISSION REDUCTION (CER)

A unit of emissions, equivalent to 1 metric tonne of CO₂, issued under the Clean Development Mechanism for emission reductions from CDM initiatives.

CLEAN DEVELOPMENT MECHANISM (CDM)

A mechanism which allows a country with an emission-reduction or emission-limitation commitment under the Kyoto Protocol to implement an emission-reduction project in developing countries.

CORPORATE SUSTAINABILITY

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

CRYSTAL

SGS environmental, health and safety data management software.

DOW JONES SUSTAINABILITY INDEX (DJSI)

Launched in 1999, the Dow Jones Sustainability Index tracks the financial performance of the leading sustainability-driven companies worldwide. They provide asset managers with benchmarks to manage sustainability portfolios.

ELECTROMAGNETIC COMPATIBILITY (EMC)

Taking measures to prevent unwanted electromagnetic energy from equipment from interfering with radio and telecommunication, and to ensure equipment itself is not susceptible to disruption from radio emissions when used as intended.

EMPLOYEE

An individual who is formally contracted by SGS under a full-time, part-time, permanent or temporary contract of employment.

ENERGY EFFICIENCY IN BUILDINGS (EEB)

Term used by the World Business Council for Sustainable Development to refer to the consumption of energy in new and existing buildings. The EEB project and accompanying EEB Manifesto, which has been signed by over 100 member companies, collectively aim to transform the international building sector to reduce energy consumption by 2050.

EQUATOR PRINCIPLES

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

FOREST STEWARDSHIP COUNCIL (FSC)

A council established in 1993 to provide internationally recognised standard-setting and labelling of products derived from responsible forestry.

FTE

Full-time equivalent employee.

FUGITIVE EMISSIONS

Greenhouse-gas emissions as by-products, waste or loss during the process of fuel production, storage, or transport e.g. methane produced during oil and gas drilling, or leakage of natural gas from pipelines.

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.

GLOBAL POSITIONING SYSTEM (GPS)

A constellation of orbiting satellites which provide navigation data to military and civilian users worldwide.

GREEN BOOK

An internal bi-annual report of sustainability data and analysis, including monetary valuation of KPIs.

GREEN INFORMATION TECHNOLOGY (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.

GROUP SUSTAINABILITY AND REPORTING MANUAL (GSM)

A manual for use by SGS finance managers which defines the Company's sustainability indicators and data reporting requirements. It includes definitions for all input fields and KPI calculations as agreed between the Corporate Finance and Corporate Sustainability functions.

GUARANTEE OF ORIGIN - SEE RENEWABLE ENERGY

Guarantee of Origin.

HAUTE QUALITÉ ENVIRONNEMENTALE (HQE) CERTIFICATION

A French certification scheme designed to promote and certify sustainable buildings.

HAZARDOUS WASTE

Waste that is regulated under strict specifications in order to prevent or limit the potential negative effects on the environment and on human health due to inappropriate management.

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)

ISO is a non-governmental organisation and is 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 9001

An international quality management system standard.

ISO 14001

An international environmental management standard.

ISO 17020

An international standard on the operation of bodies performing inspections.

ISO 17025

An international standard on the competence of testing and calibration laboratories.

ISO 26000

An international standard for organisations on the management of social responsibility.

ISO 50001

An international energy management standard.

INTERNATIONAL LABOUR ORGANISATION (ILO)

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

LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED)

A third-party certification programme established in the USA covering the design, operation and construction of high performance green buildings.

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 INCIDENTS FREQUENCY RATE (LTIFR)

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

OHSAS 18001

An international standard for occupational health and safety management system.

LABORATORY

An SGS-owned building with laboratory and storage area representing 50% or greater 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.

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.

MARINE STEWARDSHIP COUNCIL (MSC) STANDARDS

Standards for sustainable fishing and seafood traceability that ensure that MSC-labelled seafood comes from, and can be traced back to, a sustainable fishery.

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 but which was avoided by circumstance.

NON-HAZARDOUS WASTE

Waste that is not classified as hazardous (see Hazardous Waste) e.g. paper, glass, metals, plastics, rubber, leather textiles, wood and food scraps.

OFFICE

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

PROTECTED AREA

A geographically defined area that is designated, regulated or managed to achieve specific conservation objectives.

OPERATIONS COUNCIL

The Operations Council comprises individuals responsible for the operational management of SGS Group activities and is chaired by the Chief Executive Officer (CEO). Its remit includes the approval and implementation of business strategy and covers elements relating to sustainability.

PERSONAL PROTECTIVE EQUIPMENT (PPE)

Equipment which is intended to be worn or held by a person at work to protect them against health or safety risks.

QHSE

Quality, health, safety and environment.

RENEWABLE ENERGY CERTIFICATES (RECS)

Tradeable certificates that are produced at the point of generation to accompany each megawatt-hour of energy produced from a renewable source. RECS can be sold either alongside, or separately from the electricity itself.

RENEWABLE ENERGY GUARANTEE OF ORIGIN (REGO)

A scheme under the Directive 2009/28/EC requiring EU Member States to certify eligible renewable energy sources of electricity. REGOs are designed to facilitate trade in renewable energy between Member States.

SGS PRODUCT CARBON FOOTPRINT (PCF) MARK

A product mark awarded by SGS covering the GHG (greenhouse gas) quantification processes at each product life cycle stage. Information relating to the calculation is shown adjacent to the mark. The mark must be assessed annually for renewal.

SGS SUSTAINABILITY STEERING COMMITTEE

A sub-committee of the Operations Council chaired by the Chief Executive Officer. Members include Chief Operating Officers, Executive Vice Presidents and Senior Vice Presidents across SGS operating regions. The Committee meets twice a year and is responsible for the strategic development, performance review and setting of core programmes and improvement targets relating to corporate sustainability.

SHINE

SGS' new onboarding programme developed to help new and transferring employees to become integrated into SGS and their roles.

SOLARIS

A data management system, linked to SGS' Group Financial reporting, used to collate and report corporate sustainability data across SGS operations.

STAKEHOLDER

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

SUB-CONTRACTOR

Full-time equivalent personnel working on behalf of the Company and representing SGS.

SUSTAINABLE DEVELOPMENT

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

SIX SWISS EXCHANGE

SIX Swiss Exchange is a leading securities exchange, owned by the SIX group and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

THE 2014 PLAN

Unveiled in 2010, the 2014 plan defines the strategic lines SGS is pursuing 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 2014 plan SGS aims to achieve revenues of CHF 8 billion and an operating income of CHF 1.6 billion

TOTAL RECORDABLE INCIDENT RATE (TRIR)

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

TREND COUNTRIES

A selection of countries that are identified as representative of SGS Group performance. These cover more than two-thirds of employees and over three-quarters of revenue.

UNITED NATIONS ENVIRONMENT PROGRAM (UNEP)

Created in 1972 the 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 BANK VOLUNTARY DISCLOSURE PROGRAM (VDP)

A voluntary initiative designed to combat the illicit diversion of Bank funds. Under the scheme, firms, NGOs, individual consultants and contractors disclose to the Bank the results of internal investigations into past fraudulent, corrupt, collusive, or coercive acts in projects or contracts financed or supported by the Bank Group.

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.

TERMS AND ABBREVIATIONS

C-14	An isotope of carbon
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHF	Swiss francs
CO₂	Carbon dioxide
COO	Chief Operating Officer
CSR	Corporate social responsibility
DJSI	Dow Jones Sustainability Index
EMS	Environmental management system
EVP	Executive Vice President
GWh	Gigawatt hour
KWh	Kilowatt hour
M	Million
m²	Square metre
m³	Cubic metre
MD	Managing Director
MWh	Megawatt hour

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STOCK EXCHANGE LISTING

SIX Swiss Exchange, SGSN

STOCK EXCHANGE TRADING

SIX Swiss Exchange

COMMON STOCK SYMBOLS

Bloomberg: Registered Share: SGSN.VX

Reuters: Registered Share: SGSN.VX

Telekurs: Registered Share: SGSN

ISIN: Registered Share: CH0002497458

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PHOTOGRAPHY

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SGS Employees

24 HOUR IMAGES

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FURTHER INFORMATION AND FEEDBACK

This Report is available as an interactive and downloadable pdf and is summarised in a fact sheet. These can be accessed via [our website](#).

If you have a moment, please share your comments on this Report and our overall sustainability approach in [a short survey](#).

Alternatively you can contact a member of our Corporate Sustainability team via corporate.sustainability@sgs.com

Employees can access a dedicated intranet site on sustainability for more information, review the latest performance data and share knowledge, advice and best practice.

WWW.SGS.COM

WHEN YOU NEED TO BE SURE

