OUR VALUE TO SOCIETY

CORPORATE SUSTAINABILITY REPORT 2017

START HERE

SGS

This report is supported by additional core sustainability content on our website.

The content provided online is considered semi-permanent and does not ordinarily require updating every year, unlike the material presented here.

ONLINE REPORT
www.sgs.com/cs-report2017

INTRODUCTION

OUR NINTH ANNUAL SUSTAINABILITY REPORT COVERS THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2017.

We want to share our sustainability approach with as many interested stakeholders as possible. Although we are moving towards an integrated reporting model (and our Annual Report 2017 contains significant sustainability content), our Corporate Sustainability Report 2017 provides more comprehensive insight into our sustainability activities.

SGS IS THE WORLD'S LEADING INSPECTION, VERIFICATION, TESTING AND CERTIFICATION COMPANY. SGS IS RECOGNISED AS THE GLOBAL BENCHMARK FOR QUALITY AND INTEGRITY. WITH MORE THAN 95 000* EMPLOYEES, SGS OPERATES A NETWORK OF OVER 2 400 OFFICES AND LABORATORIES AROUND THE WORLD.

| GRI | G4-31 |

Full-time equivalent.

> 95 000*
EMPLOYEES

> 2 400
OFFICES AND LABORATORIES

1
GLOBAL NETWORK

THE WORLD LEADER
We provide competitive advantage, drive sustainability and deliver trust. At SGS, we are continually pushing ourselves to deliver innovative services and solutions that help our customers move their businesses forward. Our sustainability approach is about more than just reducing carbon emissions. We maintain the highest professional standards and ensure our employees are able to lead fulfilling working lives. We also seek to maximise the positive impact our business has 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 are and will be determined by our ability to be the most competitive and to consistently deliver unequalled service to our customers.

OUR VALUES
We seek to be characterised by our
PASSION, INTEGRITY, ENTREPRENEURIALISM 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.

SUSTAINABILITY AT SGS
At SGS, we use our scale and expertise to enable a more sustainable future. We ensure that we minimise our impact on the environment throughout the value chain while positively investing in the communities in which we operate. In this way, we add significant value to society.

Provides an account of our sustainability commitments, performance and management priorities.

Offers easy access to additional, semi-permanent details on our sustainability management approach.

CHAIRMAN AND CEO'S
LETTER

GRI	G4-1

DEAR COLLEAGUES, PARTNERS AND STAKEHOLDERS,

As the world's leading inspection, verification, testing and certification company, we play a key role in creating a sustainable future for our stakeholders.

The concept of using resources responsibly and making sure future generations can meet their needs is built into the fabric of our business: All of our employees and partners internalise these principles and add value to society – both at work and in their communities.

In 2017, we reached a significant milestone in this regard: We started the process of adopting an integrated leadership model, which will ultimately ensure that our strategy is increasingly connected to our broader societal aims. This move also represents an important step in our journey towards developing a fully integrated report in line with

Integrated Reporting Framework guidelines. Consequently, our 2017 Annual Report has taken an exciting step forward, yet we retain this Corporate Sustainability Report 2017 to provide further detail on our sustainability efforts.

ANOTHER CRITICAL DEVELOPMENT SHOWS THAT WE ARE AMONG THE WORLD LEADERS IN THE SUSTAINABLE FIELD: In 2017, for the first time, we have provided an economic valuation for the value we are creating for society through our operations and supply chain. Quantifying our contribution enables us to better set our sustainability priorities and improve our strategic decision-making.

Incorporating the United Nations Sustainable Development Goals (SDGs) into our reporting approach is a next step towards demonstrating the value we are adding to society. By mapping our activities against the 17 SDGs, we have an improved mechanism for showing our well-balanced approach to addressing social and environmental challenges.

We have also achieved many concrete goals against our Sustainability Ambitions 2020 and other Key Performance

Indicators (KPIs) that show how we embed sustainability:

A reduction of CO_2 emissions per FTE by 9.8% and by revenue by 10.7%

Offsetting of any remaining carbon emissions to remain a carbon neutral company

A decrease of the Total Recordable Incident Rate (TRIR) and Lost Time Injury Rate (LTIR) by 24.8% and 14.5% respectively

2.7 million hours of training given to employees across the SGS Network

Our sustainability achievements include being recognised as a Dow Jones Sustainability Indices Leader and being awarded the RobecoSAM Industry Leader Gold Class Sustainability Award for the fourth consecutive year, receiving a gold rating from ECOVADIS for the third consecutive year and being included in the FTSE4GOOD Index for the first time.

Looking forward, when identifying our long-term priorities, we not only aim to anticipate the development of external events and megatrends, but to better manage the impact that our operations, supply chain and services have on society. That's why the next generation of sustainability at SGS will be defined by putting the concept of adding value to society at the heart of our

decision-making. We believe that including sustainable leadership in our strategies and Business Principles continues to strengthen our competitive advantage, drive business growth and foster innovation.

There is still a lot of work ahead of us, but we are encouraged by our progress.

WE WOULD LIKE TO THANK ALL OF OUR STAKEHOLDERS – ESPECIALLY OUR SGS EMPLOYEES – FOR HELPING US LEAD THE WAY TOWARDS A MORE SUSTAINABLE FUTURE.

Sergio Marchionne
Chairman of the Board

Frankie Ng
Chief Executive Officer

SUS TAIN ABILITY
TEAM'S LETTER

GRI	G4-1

Daniel Rüfenacht

Vice President of Corporate Communication and Corporate Sustainability

Paula Ordoñez

Global Head of Corporate Sustainability

DEAR COLLEAGUES, PARTNERS AND STAKEHOLDERS,

2017 was a significant year in SGS' sustainability journey. We took a landmark step in terms of quantifying our value to society. Using an innovative approach, we published figures that express our impact on society beyond our financial return, demonstrating the scale of our efforts. With the publication of our Value to Society (V2S) figures this year (covering both our own operations and part of our supply chain), we are proud to be one of the first companies to use and refine this kind of model.

We have come a long way since we began our sustainability journey. We have transitioned from process implementation to business integration and delivering value to society. Because this notion of creating value has become essential to the way we do business, we had to ensure that our strategic thinking and decision-making are connected to include our broader societal aims. This shift of accountability is why we have embraced the integrated leadership model, which allows us to add value to society and ensures that our impact on society is considered when making strategic decisions – alongside our operational, legal, tactical and financial concerns.

In the last few years, we have seen how responsible corporate behaviour can positively influence a business. Sustainable development has offered us new opportunities for innovation and has given us a competitive advantage that influences how we attract talent, choose our suppliers and collaborate with partners. We believe that sustainability and positive contributions to society are a critical part of how we achieve both professional and operational excellence – and with our V2S figures, we can demonstrate this success.

Highlights that show how our sustainability efforts contribute to a better society include our continuous decrease in carbon intensity, while our increase in volunteering hours and investment in communities around the world not only show how we support the people around us but also represent a Sustainability Ambition 2020 that we have achieved early. Another initiative strengthens our efforts to making sure human rights are a working reality throughout our operations and the supply chain: The SGS Human Rights Policy, which was rolled out throughout the Group in 2017, is complemented by a newly implemented Code of Conduct for Suppliers and the inclusion of a Human Rights module in our Annual Integrity Training.

Even though we have hit several of our Sustainability Ambitions 2020 early, these goals continue to guide our efforts to add value to society. Achieving sustainable excellence is a group effort that affects everyone who works with and for us.

WE WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK ALL OUR COLLEAGUES AND PARTNERS FOR THEIR SUPPORT, EXPERTISE AND COMMITMENT OVER THE LAST DECADE, IN HELPING US REALISE OUR ROLE AS A TRUSTED PARTNER IN BUILDING OUR VALUE TO SOCIETY.

SUSTAINABILITY HIGHLIGHTS

AWARDS

ROBECOSAM Sustainability Award Gold Class 2018

SGS RECEIVED THE ROBECOSAM INDUSTRY LEADER GOLD CLASS SUSTAINABILITY AWARD FOR THE FOURTH CONSECUTIVE YEAR

MEMBER OF **Dow Jones Sustainability Indices** In Collaboration with RobecoSAM

SGS WAS NAMED FOR THE FOURTH CONSECUTIVE YEAR INDUSTRY LEADER BY THE DOW JONES SUSTAINABILITY INDEX

SGS RECEIVED A GOLD RATING FROM ECOVADIS FOR THE THIRD CONSECUTIVE YEAR AND WAS PLACED IN THE TOP 1% OF THE EVALUATED COMPANIES

FTSE4Good

SGS WAS INCLUDED IN THE FTSE4GOOD INDEX FOR THE FIRST TIME

PERFORMANCE

SGS MAINTAINED ITS STATUS AS A CARBON NEUTRAL COMPANY

17.8%
DECREASE IN TOTAL GREENHOUSE GAS EMISSIONS SINCE 2014

17 086
HOURS GIVEN TO COMMUNITY VOLUNTEERING BY SGS EMPLOYEES

5.9%
REDUCTION IN TOTAL GREENHOUSE GAS EMISSIONS

EURONEXT vigeo-iris

SGS RETAINED ITS PLACE IN THE EURONEXT VIGEO INDEX FOR THE SECOND CONSECUTIVE YEAR

CHF 1.27 MIO
INVESTED IN COMMUNITIES AROUND THE WORLD

THINK

100% OF EMPLOYEES SIGNED THE CODE OF INTEGRITY

THE EQUAL OPPORTUNITIES RATIO INCREASED BY 18.4% OVER THE LAST FIVE YEARS

HUMAN RIGHTS

INCLUSION OF A HUMAN RIGHTS MODULE IN THE ANNUAL INTEGRITY TRAINING

TOTAL RECORDABLE INCIDENT RATE (TRIR) AND LOST TIME INJURY RATE (LTIR) DECREASED BY MORE THAN 24.8% AND 14.5% RESPECTIVELY

2.7 MIO
HOURS OF TRAINING ACROSS THE SGS NETWORK

ACROSS THE SGS MANAGEMENT BOARD AND OPERATIONS COUNCIL, THERE ARE 16 NATIONALITIES REPRESENTED

OUR FOCUS AREAS

PROFESSIONAL EXCELLENCE

PAGE 35

Trust lies at the heart of the value we deliver to our customers and society. We have a responsibility to maintain the highest levels of professional integrity.

PEOPLE

PAGE 60

Our people are our most important asset. We must ensure that our employees are safe and healthy at work, are treated fairly and with respect and are able to fulfil their potential.

ENVIRONMENT

PAGE 85

We are committed to achieving sustainable growth while managing our impact on the environment, under our aim to 'Do More With Lëss'. We also recognise our role in supporting our customers to improve their own environmental performance. We support the precautionary principle through our commitment to measuring and reducing our carbon footprint.

COMMUNITY

PAGE 98

We welcome local talent and knowledge to our business. We want to give back to the communities in which we operate and live.

SUSTAINABILITY PERFORMANCE

SUSTAINABILITY PERFORMANCE

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

PROFESSIONAL EXCELLENCE

	2014	2015	2016	2017	2020 TARGETS
Total number of integrity issues reported through corporate integrity helplines	241	245	207	**227**	
Total number of valid reports investigated, concluding in no breaches	109	169	155	**178**	
Total number of breaches of the Code of Integrity identified through corporate integrity helplines	42	31	22	**14**	
Employees signing the Code of Integrity (%)	100	100	100	**100**	**100**
Procurement: new savings (CHF million)			57	**61**	
Reduction in the number of suppliers (%)			22	**19**	
Spend analysed on sustainability risks (%)		100	100	**100**	**100**
Tier 1 supplier analysed on sustainability risks (%)		100	100	**100**	**100**
Online negotiated spend (%)				**18**	**60**
Assets sold or redeployed (EquipNet Programme)		32	64	**123**	**340**

FOR MORE INFORMATION ON OUR PERFORMANCE GO TO OUR ONLINE DATABANK

SUSTAINABILITY PERFORMANCE

PEOPLE

	2014	2015	2016	2017	2020 TARGETS
Equal Opportunity Ratio (EOR)	0.84	0.87	0.88	**0.89**	
Training ratio (%)	2.24	2.22	2.09	**1.97**	
Natural Turnover (%)	12.77	11.93	12.10	**13.04**	**<10**
Lost Time Incident Rate (LTIR)*	0.60	0.38	0.27	**0.23**	**0.30**
Total Recordable Injury Rate (TRIR)*	1.11	0.65	0.53	**0.40**	**0.55**
Operational integrity training hours (per employee)	12.62	12.47	18.21	**19.57**	
Participants in the Safety Month initiative	50 005	54 963	55 342	**67 153**	
Women in leadership positions (%)		25.63	26.31	**26.16**	**30**
Engagement index (%)	64	68	68**	**68**	**65**

FOR MORE INFORMATION ON OUR PERFORMANCE GO TO OUR ONLINE DATABANK

*Against 2014 baseline.   **As measured in 2015 Catalyst survey.

ENVIRONMENT

	2014	2015	2016	2017	2020 TARGETS
Electricity and non-transport fuels (GWh)	477	492	526	544	
Vehicle fuels (GWh)	332	354	360	357	
Renewable energy (GWh)	219	266	333	363	
Total energy (GWh)	809	846	886	902	918
Total GHG emissions (thousand tonnes CO_2e)	214	203	187	176	
Carbon intensity by revenue	38.88	35.78	31.01	27.70	31.10
Carbon intensity by employee	2.57	2.36	2.08	1.88	2.06
Scope 1 emissions (tonnes CO_2e)	108 223	111 542	113 241	113 508	
Scope 2 emissions (tonnes CO_2) (market based)	77 082	63 849	45 910	32 413	
Volume of purchased water (million m^3)	1.98	1.88	1.84	1.89	2.25
Total waste generated (tonnes)	43 467	43 184	42 890	41 741	49 275
Total hazardous waste generated (tonnes)	10 603	12 026	11 363	10 674	
Total non-hazardous waste generated (tonnes)	32 865	31 159	31 527	31 067	

FOR MORE INFORMATION ON OUR PERFORMANCE GO TO OUR ONLINE DATABANK

COMMUNITY

	2014	2015	2016	2017	2020 TARGETS
Community hours	13 021	11 363	18 966	**17 086**	
Investment in community (thousand CHF)	759	1 046	1 186	**1 270**	**987**
Community projects	217	222	356	**305**	

" Having a positive impact in our communities is an essential part of our sustainable business strategy. We not only continue to increase our financial contributions to address social needs but also encourage employees to volunteer and support local projects throughout the year. **"**

Daniel Rüfenacht
Vice President of Corporate Communication and Corporate Sustainability

FOR MORE INFORMATION ON OUR PERFORMANCE GO TO OUR ONLINE DATABANK

OUR VALUE TO SOCIETY

WHAT IS
VALUE
TO SOCIETY?

Traditionally, acts such as creating employment, paying taxes, serving customers and making returns to investors were perceived to be at the heart of a company's interaction with society. Increasingly, however, businesses have begun to acknowledge that their engagement with society is now viewed in a much broader context.

SGS takes a very proactive approach to sustainability. Rather than working to minimally acceptable standards, we actively seek to have a positive impact through our activities. We believe that through these efforts, we benefit society in as broad a way as possible.

Value to Society is how SGS describes the value that it creates beyond its financial return.

It encompasses all of our economic, environmental and social impacts. It is both an emerging technical framework for quantifying our impact on society and an important goal for us to strive for each and every day. Consequently, it is a notion that will increasingly become part of our daily approach to doing business. Our value to society can

also be reflected against the United Nations Sustainable Development Goals (see page 17).

Additionally, this year, we have formally included the notion of adding value to society into our leadership model (see page 16). This model explicitly indicates that the aim of creating value to society (along with achieving business success) is an important objective as a company.

HOW SGS ADDS VALUE

SGS can add value to society in three principal ways. It can create direct value through its own operations and 'enabled' value through both its supply chain and its services. Our own operations can benefit society in a number of ways, for example, by creating employment and training, by being carbon neutral, by giving staff time off to volunteer for community projects and by providing solid returns to investors. On occasions in 2017, we have undoubtedly created value simply by being a good neighbour in times of difficulty (see Mexico City and Houston case studies on pages 79 and 107).

SGS also adds value through its supply chain, for instance, by creating indirect employment, prioritising 'green' or local suppliers or ensuring suppliers match our own standards of integrity through our Supplier Code of Conduct. Our greatest impact, however, almost certainly comes through the multiplier effect that is generated by our services to our customers.

SGS' VALUE TO SOCIETY MULTIPLIER EFFECT

Being a Testing, Inspection and Certification (TIC) industry firm, most of our services inherently benefit society. For example, we often help customers verify that their products and services are at the expected quality levels. This means that end consumers can safely enjoy these products, knowing that they are fit for purpose. Testing the paint on children's toys to check that it is not toxic and potentially harmful to children's health is a perfect example of this in practice (see consumer case study on page 15).

Considering that this service could be performed for some of the largest toy manufacturers in the world, with products being shipped across the entire planet, you can see how our services can substantially amplify the value we create for society, going far beyond the benefits created by our own operations. Technically, we refer to this difference as our 'direct' (operational) and 'enabled' (supply chain and services) value to society.

CASE STUDY:
UNCLE BEN'S® RICE

THE MULTIPLIER EFFECT IN ACTION

UNCLE BEN'S® Rice, produced by Mars Inc., is the world's largest global rice brand. UNCLE BEN'S® have committed to an ambitious goal of sourcing 100% of their rice sustainably by 2020 (working to Sustainable Rice Platform standards). While the brand is working closely with World Wildlife Fund (WWF) and UN Environment to make this possible on the ground, they are also working with SGS and our strategic technology partner Transparency-One (in whom we hold a 20% stake), to ensure product transparency throughout their supply chain. Ultimately, we are helping the brand ensure that the processes they are setting up are optimal and working properly. As a result, we can reasonably say that we are enabling them to achieve their 2020 ambitions, and that they are giving us the chance to massively amplify our own value to society.

QUANTIFYING OUR VALUE TO SOCIETY

Since 2014, we have been developing a framework to measure the impact of our business across the value chain.

Working in collaboration with external provider Route2, we have designed a pioneering model to analyse our impact across six capitals to encourage holistic thinking and nurture a deeper understanding of the interdependencies along the value chain.

The purpose for quantifying our value to society is to enable us to better understand our material issues, set our sustainability priorities and make better strategic decisions within our integrated leadership model. Following several years of development, for the first time in our Annual Report 2017, we showed an estimated economic valuation of our value to society. This information has also been made available in this report on pages 30–33.

Ultimately, we create value to society through thinking about sustainability in the same way while giving it the same importance as all other strategic concerns. This is where our Integrated Leadership Model comes in.

SGS SERVICE
toy testing

preventing use of restricted substances · potentially life-saving · peace of mind for parents · reduced fire hazards · customer
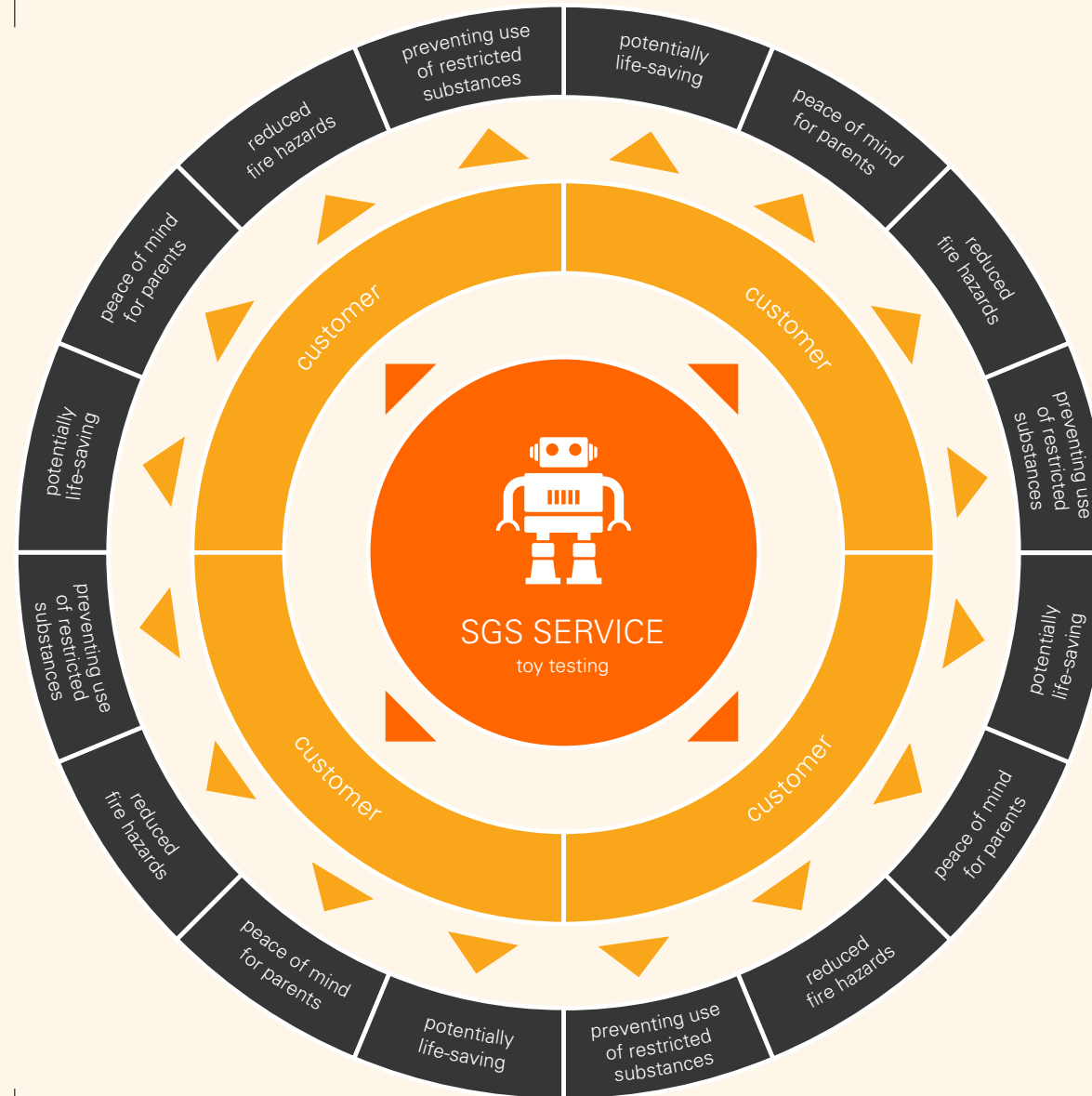
CASE STUDY:

TOY TESTING

Parents need to be confident that the toys they buy for their children are safe. The idea of a child being poisoned by toxic paint or choking on a faulty part can be a genuine concern. Someone has to check that toys are safe and meet national and regional regulatory standards, particularly when they are produced in other countries. SGS fulfils this need: We test toys for electrical safety to prevent shocks and burns. We check for the use of hazardous substances, as these can be dangerous for children to swallow or suck. We cover major safety issues, such as the risk of choking, strangling, entrapment, cuts by sharp parts or injury by projectiles. We also conduct flammability testing on fabrics so that if a toy does catch fire, a child has time to either drop it or climb out of it before serious injury occurs.

INTEGRATED LEADERSHIP MODEL

GRI	G4-DMA

The value that SGS creates for society is the result of our integrated approach to leadership.

Market opportunities and risks are studied meticulously before the Group's strategic priorities are set. All steps we then take towards our goals are made within the framework of our Business Principles. Our Business Model then has a transformative effect on our capital inputs, creating our operating outcomes and business success. Value to society is created through our stakeholders and reflected in the United Nations Sustainable Development Goals. From 2017 onwards, this value will be given an economic valuation, our Value to Society (V2S) number.

ESTABLISHING AN INTEGRATED APPROACH TO LEADERSHIP

Integration is more than just a reporting process. It is a thought process. As the notion of creating value to society becomes more central to the way we do business, so our strategic thinking and decision-making need to be increasingly connected to encompass our broader aims. That is why we have embraced the integrated leadership model.

More details about our Integrated Leadership Model are available in our Annual Report 2017 (see page 24).

EXTERNAL LEADERSHIP

MARKET OPPORTUNITY
- MEGATRENDS
- RISK ASSESSMENT
- MATERIALITY MATRIX
- STRATEGIC FOCUS
- PERFORMANCE MANAGEMENT
- RISK MANAGEMENT

COMPETITIVE LEADERSHIP

BUSINESS PRINCIPLES
- INTEGRITY
- HEALTH AND SAFETY
- QUALITY AND PROFESSIONALISM
- RESPECT
- SUSTAINABILITY
- LEADERSHIP

SUSTAINABLE LEADERSHIP

OPERATING CAPITALS
- CAPITALS
- CAPITAL INDICATORS

BUSINESS LEADERSHIP

BUSINESS MODEL
- BRAND
- GROWTH
- INNOVATION
- EXPERTISE
- INVESTMENT
- OPERATIONAL EXCELLENCE

OPERATING OUTCOMES
- MEASURING OUR DIRECT OPERATIONS
- MEASURING OUR SUPPLY CHAIN AND SERVICES

BUSINESS SUCCESS
- WHAT MAKES US STAND OUT
- THE BUSINESS BENEFITS WE DELIVER
- THE EXPERT SERVICES WE OFFER
- NETWORK

VALUE TO SOCIETY
- VALUE FOR EMPLOYEES AND SUPPLIERS
- VALUE FOR INVESTORS
- VALUE FOR CUSTOMERS
- VALUE FOR GOVERNMENTS AND INDUSTRIES
- VALUE FOR CONSUMERS
- VALUE FOR COMMUNITIES AND THE PLANET

MARKET OPPORTUNITY

Analysing trends, risks and opportunities helps us assess the potential of our markets.

1. MEGATRENDS

2. RISK ASSESSMENT

3. MATERIALITY MATRIX

4. STRATEGIC FOCUS
> SUS AMBITIONS 2020
> BUSINESS AMBITIONS 2020

5. PERFORMANCE MANAGEMENT
> OTHER KPIS

6. RISK MANAGEMENT
> OTHER KPIS

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Our integrated leadership model allows us to add value to society. However, in order to achieve this, it is important that we are clear about exactly what value to society means.

The United Nations Sustainable Development Goals provide a comprehensive and universally recognised framework.

These set out a series of societal objectives that companies can contribute to. Adopted in 2015, the United Nations Sustainable Development Goals (SDGs) aim to eliminate poverty, protect the planet and ensure prosperity for all. Each of the 17 goals has specific targets that define global priorities and aspirations for 2030.

Our Sustainability Ambitions 2020 are closely linked to the SDGs, and our services support them.

In a further step, we have mapped all of our direct operations, supply chain and services against the 17 goals (which can be seen on the following pages).

By using this mapping to visualise the contributions we are making towards the SDGs, we can develop strategic plans that can be integrated into management and reporting processes at the affiliate level. By taking this approach, we can maximise the value we create for society.

Connecting SGS' internal initiatives with the United Nations Sustainable Development Goals allows us to allocate resources efficiently and create a well-balanced approach that addresses social needs, climate change and the environment.

4 QUALITY EDUCATION

EXAMPLE 1.   SDG 4

QUALITY EDUCATION

An example of how we contribute to the Sustainable Development Goals is by equipping young people and adults with the technical and vocational skills necessary for entrepreneurship and meaningful employment. Our affiliates work with stakeholders to identify people who have the aptitude and educational background to benefit from training but cannot afford the investment. SGS then provides these candidates with scholarships that promote quality education.

1 NO POVERTY

EXAMPLE 2.   SDG 1

ENDING POVERTY EVERYWHERE

SGS works towards this goal through numerous actions. These include staff volunteering efforts that support microcredit programmes and other initiatives in the communities we operate in. Our policy of employing and training local people, and purchasing from local suppliers wherever practical, helps reinforce this impact.

OUTLOOK

SGS is developing a three-stage SDG Strategy that will be fully implemented by 2020.

STAGE 1.

Is in progress and involves understanding our SDG priorities by country, focusing on those countries with the most significant revenues first. The output from this stage will be a country-based SDG priority matrix that is enriched with relevant case studies that explain how SGS is qualitatively contributing to the SDGs.

STAGE 2.

Will quantify the contributions SGS makes to the countries' SDG achievements and involves establishing tasks and measuring the performance along country-specific and target-specific attainment pathways.

STAGE 3.

Will seek to identify the ideal investments that SGS can make to help a country fulfil its SDG commitments while continuing to build our own organisational resilience.

STAGE **1.**
SDG PRIORITISATION

SDG prioritisation means understanding the SDG priorities by SGS' countries of operation. We have achieved this by structuring and routinely scoring the SDG Indicator data as published by the United Nations statistics division.

For example, consider SDG Indicator 1.1.1 (the proportion of population below the international poverty line). The country with the highest proportion is scored 10. The country with the lowest proportion is scored 1. All other country proportions are allocated relative scores between 1 and 10.

This scoring exercise is repeated for all indicators and, therefore, assumes that all indicators, targets and goals are of equal importance. One output from this scoring exercise reveals SGS' revenue-weighted priorities by Supra-Regions (see map).

SGS GLOBAL SDG PRIORITIES:

QUALITY EDUCATION

DECENT WORK AND ECONOMIC GROWTH

CLIMATE ACTION

LIFE ON LAND

AMERICAS:

DECENT WORK AND ECONOMIC GROWTH

LIFE BELOW WATER

LIFE ON LAND

EUROPE, AFRICA AND MIDDLE EAST:

GENDER EQUALITY

DECENT WORK AND ECONOMIC GROWTH

LIFE ON LAND

ASIA AND PACIFIC:

QUALITY EDUCATION

LIFE BELOW WATER

LIFE ON LAND

RETROFITTING VENTILATION HOODS TO IMPROVE SAFETY AND SAVE ENERGY

| USA | SDG | 8 | SGS.COM |

HURRICANE RESPONSE

| USA | SDG | 15 | SGS.COM |

MITIGATING FIRE EFFECTS

| PORTUGAL | SDG | 15 | PAGE 104 |

HELPING YOUNG ENTREPRENEURS

| INDIA | SDG | 4 | SGS.COM |

SUPPORTING LOCAL SCHOOLS

| SRI LANKA | SDG | 4 | PAGE 101 |

APPLYING OI SAFETY TRAINING IN REAL LIFE

| MEXICO | SDG | 8 | PAGE 79 |

REFORESTATION

| THAILAND | SDG | 15 | PAGE 104 |

MANAGING STRESS IN THE WORKPLACE

| MADAGASCAR | SDG | 8 | SGS.COM |

SUPPORTING LOW-INCOME STUDENTS' CAREER PATHS

| CHILE | SDG | 8 | PAGE 102 |

TRANSFORMING HOW WE RECRUIT AND DEVELOP TALENT AND DIVERSITY

| SOUTH AFRICA | SDG | 5 | SGS.COM |

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

The following table shows how SGS' direct operations, supply chain and services support the **UNITED NATIONS 17 SUSTAINABLE DEVELOPMENT GOALS.**

SUSTAINABLE DEVELOPMENT GOALS	DIRECT OPERATIONS	SUPPLY CHAIN	SERVICES
1 NO POVERTY — End poverty in all its forms everywhere.	SGS COMMUNITY PROGRAMME* BUSINESS CONTINUITY PROGRAMME		GIS
2 ZERO HUNGER — End hunger, achieve food security and improved nutrition and promote sustainable agriculture.	SGS COMMUNITY PROGRAMME*		AFL CRS CBE EHS GIS
3 GOOD HEALTH AND WELL-BEING — Ensure healthy lives and promote well-being for all at all ages.	SGS COMMUNITY PROGRAMME* GLOBAL CORPORATE CHALLENGE INDUSTRIAL HYGIENE PROGRAMME STOP WORK AUTHORITY PROGRAMME RULES FOR LIFE		AFL CRS EHS GIS
4 QUALITY EDUCATION — Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	SGS COMMUNITY PROGRAMME* SGS ACADEMY		CBE GIS
5 GENDER EQUALITY — Achieve gender equality and empower all women and girls.	WOMEN IN LEADERSHIP TARGET* HUMAN RIGHTS POLICY CODE OF INTEGRITY		CBE GIS
6 CLEAN WATER AND SANITATION — Ensure availability and sustainable management of water and sanitation for all.	WATER PLEDGE PROGRAMME	HUMAN RIGHTS POLICY SGS SUPPLIER CODE OF CONDUCT	CBE IND EHS GIS

Sustainability Ambitions 2020.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

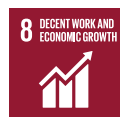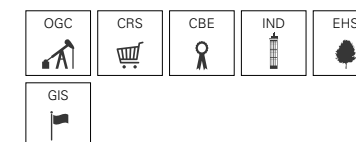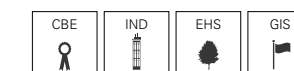| SUSTAINABLE DEVELOPMENT GOALS		DIRECT OPERATIONS	SUPPLY CHAIN	SERVICES
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all.	ENERGY EFFICIENCY IN BUILDINGS PROGRAMME RENEWABLE ENERGY CERTIFICATES PURCHASE RE100 DO MORE WITH LESS CAMPAIGN – SPOT THE ORANGE DOT		OGC CRS CBE IND EHS GIS
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	HUMAN RIGHTS POLICY CODE OF INTEGRITY EMPLOYEE ENGAGEMENT SURVEY OPERATIONAL INTEGRITY TARGETS* RULES FOR LIFE SAFETY MONTH CUSTOMER RELATIONSHIP MANAGEMENT CUSTOMER SATISFACTION INDUSTRIAL HYGIENE PROGRAMME STOP WORK AUTHORITY PROGRAMME GROSS VALUE ADDED	HUMAN RIGHTS POLICY SGS SUPPLIER CODE OF CONDUCT SUSTAINABILITY SUPPLY CHAIN RISK ASSESSMENT	CBE IND EHS GIS
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.	INNOLAB SGS R&D PROGRAMME GREEN IT PROGRAMME	SUPPLIERS INNOVATION CLUB	CBE IND TRP GIS
10 REDUCED INEQUALITIES	Reduce inequality within and among countries.	WOMEN IN LEADERSHIP TARGET* HUMAN RIGHTS POLICY CODE OF INTEGRITY	HUMAN RIGHTS POLICY SGS SUPPLIER CODE OF CONDUCT SUSTAINABILITY SUPPLY CHAIN RISK ASSESSMENT	CBE GIS
11 SUSTAINABLE CITIES AND COMMUNITIES	Make cities and human settlements inclusive, safe, resilient and sustainable.	SGS COMMUNITY PROGRAMME* ENERGY EFFICIENCY IN BUILDINGS PROGRAMME RENEWABLE ENERGY CERTIFICATES ACQUISITION RE100 GREEN IT PROGRAMME		AFL CRS CBE EHS TRP GIS
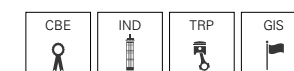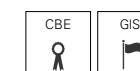
Sustainability Ambitions 2020.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

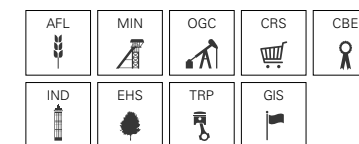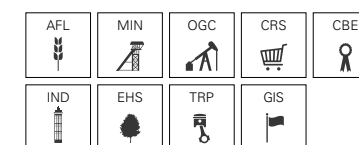| SUSTAINABLE DEVELOPMENT GOALS		DIRECT OPERATIONS	SUPPLY CHAIN	SERVICES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns.	EQUIPNET PROGRAMME ENERGY EFFICIENCY IN BUILDINGS PROGRAMME WASTE AND WATER MANAGEMENT PROGRAMME GREEN CARS PROGRAMME OPEN SOURCE OF INTELLECTUAL PROPERTY GREEN IT PROGRAMME	HUMAN RIGHTS POLICY SGS SUPPLIER CODE OF CONDUCT SUPPLIERS INNOVATION CLUB SUSTAINABILITY SUPPLY CHAIN RISK ASSESSMENT E-INVOICING STRATEGY	AFL MIN OGC CRS CBE IND EHS TRP GIS
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts.	ENERGY EFFICIENCY IN BUILDINGS PROGRAMME CO_2 EMISSIONS REDUCTION TARGET* CARBON NEUTRALITY STRATEGY RE100 MEMBERSHIP DO MORE WITH LESS CAMPAIGN – SPOT THE ORANGE DOT GREEN IT PROGRAMME		AFL MIN OGC CRS CBE IND EHS TRP GIS
14 LIFE BELOW WATER	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.			AFL CBE IND EHS TRP GIS
15 LIFE ON LAND	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	SGS COMMUNITY PROGRAMME*		AFL CBE EHS GIS
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective accountable and inclusive institutions at all levels.	GROSS VALUE ADDED CODE OF INTEGRITY HUMAN RIGHTS POLICY	HUMAN RIGHTS POLICY SGS SUPPLIER CODE OF CONDUCT	GIS
17 PARTNERSHIPS FOR THE GOALS	Strengthen the means of implementation and revitalise the global partnership for sustainable development.	WBCSD MEMBERSHIP RE100 MEMBERSHIP		GIS

*Sustainability Ambitions 2020.

RISK
MANAGEMENT AND
MATERIAL
TOPICS
IDENTIFICATION

GRI | G4-2, G4-27

SGS RISK MANAGEMENT

The SGS Board of Directors and Executive Management are responsible for the integration of risk management into key business planning processes.

Every year, the SGS Board of Directors assesses the risks faced by the Group. To facilitate and optimise this process, the Group employs a comprehensive approach to identifying risk that involves the active participation of various management levels throughout the company. This risk assessment process is supported by our Enterprise Risk Management Framework.

SGS RISK ASSESSMENT 2017

In 2017, our risk assessment revealed an increasing dependency on IT operations and talent management. The review also highlighted emerging risks, such as those relating to cyberattacks, new technologies, geopolitical shifts and compliance with new laws and regulations, as well as ethical culture.

In addition, it was decided to develop a new risk intelligence tool that our Board of Directors is rolling out across the company (see Outlook for more information). As part of this transition, we re-evaluated our risk management model. This was carried out on three levels: process, systems and oversight.

WE ALSO INTEGRATED THE GUIDELINES OF THE NEW COMMITTEE OF SPONSORING ORGANIZATIONS OF THE TREADWAY COMMISSION, WHICH WAS ESTABLISHED IN JUNE 2017, INTO THE REVISED MODEL.

OUTLOOK

In 2018, SGS is launching a new platform to manage governance, risk and control. With the goal of achieving synergies in relation to these areas, the platform will enable the Group to:

- Roll out risk assessments through an integrated workflow and survey engine
- Develop response strategies to address identified risks
- Manage incidents and their impact on SGS businesses

The platform will also:

- Help execute business strategies while managing enterprise and operational risks
- Have Group-wide risk coverage
- Establish a clear link between risks and performance objectives
- Facilitate communication between Management and lines of business

Regarding our Business Materiality Matrix, with 2016 as our year zero, we are committed to conducting a high-level materiality review every year and an external stakeholder survey on a biennial basis. The next external shareholder survey will therefore take place in 2018.

The purpose of the robust exercise we conducted in 2016 and the move to a risk intelligence approach in 2017 is to continually assess our material and business issues and to ensure that our business objectives and our Sustainability Ambitions 2020 remain focused on the most important issues for our stakeholders and for the business.

For more detailed information on our risks – See our Business Materiality Overview in our Annual Report 2017 (page 36).

OUR RISK CATEGORISATION IS STRUCTURED AS FOLLOWS:

STRATEGY AND PLANNING RISKS

These arise when strategy selection and execution are inadequate and when there are external factors that can affect performance.

GOVERNANCE AND INTEGRITY RISKS

These arise when the corporate governance structure and controls are inadequate and when the ethical culture and procedures are weak.

GLOBAL SUPPORT RISKS

These arise when core functions do not operate effectively and do not support business performance.

OPERATIONS RISKS

These arise when business processes do not achieve the objectives required as part of the business model. The identification and assessment of financial risks are also part of this framework.*

*This specific process is comprehensive and complex, which is why the mechanisms we use to identify, assess and mitigate financial risks are described in detail in the Finance section of our Annual Report 2017 (see pages 201–205).

RISK MANAGEMENT AND MATERIAL TOPICS IDENTIFICATION

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

SGS BUSINESS MATERIALITY MATRIX

GRI	G4-19

In 2016, we reached a significant milestone in our journey towards integrated reporting by merging the outputs of our materiality and business risk assessment processes. The journey began with an extensive materiality assessment process, involving a consultation with around 850 stakeholders in 52 countries. These included customers, senior managers, employees, suppliers, NGOs, ratings agencies, sustainability professionals and academics. Alongside the survey, we conducted a detailed benchmark review of globally relevant and sector-specific sustainability issues and trends.

Having conducted a weighted analysis of the results of our materiality assessment by stakeholder type, we integrated the business risks identified in our annual Board of Directors risk review to provide a more complete picture of the most salient issues for SGS. This resulted in a consolidated list of environmental, social and governance topics.

Next, we conducted an impact assessment, which involved over 80% of Operations Council members participating in an online survey to rank each topic (covering business continuity, economic performance, reputation and legal compliance) according to its relative impact on the business and assessing the controls in place to manage that impact.

THE OUTCOME OF THE PROCESSES DESCRIBED ABOVE WAS THE DEVELOPMENT OF OUR FIRST BUSINESS MATERIALITY MATRIX. DURING 2017, WE CARRIED OUT A HIGH-LEVEL REVIEW OF THE MATERIAL TOPICS IDENTIFIED, ADAPTING THE MATERIALITY MATRIX TO NEW TRENDS.

The review included the integration of updated information from sustainability ratings, financial analysts, media and investors and new business risks raised as a result of our three-level risk identification process.

OUR RISK CATEGORIES:

- STRATEGY AND PLANNING
- GOVERNANCE AND INTEGRITY
- GLOBAL SUPPORT
- OPERATIONS

IMPORTANCE TO STAKEHOLDERS (LOW → HIGH)

IMPACT ON SGS (LOW → HIGH)

Ethical Culture
Finance and Economic Performance
Operational Integrity
Energy and Climate Change
Market Presence
Talent Acquisition and Retention
Compliance with Local Laws and Regulations
Investment Strategy/Mergers and Acquisitions
Respect for Human Rights
Sustainable Procurement and Supply Chain
Corporate Governance
CRM/Customer Satisfaction
Diversity and Equal Opportunities
IT Security/ IT Operations
Brand and Brand Protection
Investment in Local Communities
Pricing
Tax Strategy
Data Privacy and Protection
Innovation
Talent Development and Recognition
Risk and Crisis Management
Water and Waste Management
Fair and Equal Remuneration
Employee Engagement
Policy Influence
Materials Consumed
Economic Conditions
Indigenous Rights Protection
Architecture and Technologies
Protection of Biodiversity
Approach on Security of Company Assets

SUSTAINABILITY AMBITIONS 2020

	2014	2015	2016	2017	2020 TARGETS
PEOPLE					
Maintain a natural turnover rate of no more than 10%	12.77	11.93	12.10	**13.04**	**<10**
30% of leadership positions will be held by women		25.63	26.31	**26.16**	**30**
Reduce our LTIR by 50%*	0.60	0.38	0.27	**0.23**	**0.30**
Reduce our TRIR by 50%*	1.11	0.65	0.53	**0.40**	**0.55**
ENVIRONMENT					
Reduce our annual CO_2 emissions (per FTE) by 20%*	2.57	2.36	2.08	**1.88**	**2.06**
Reduce our annual CO_2 emissions (by revenue) by 20%*	38.88	35.78	31.01	**27.70**	**31.10**
COMMUNITY					
Increase our investment in communities around the world by 30%*, with a focus on volunteering	759	1 046	1 186	**1 270**	**987**
PROFESSIONAL EXCELLENCE					
Deliver measurable sustainable value to society	OUR VALUE TO SOCIETY FROM DIRECT OPERATIONS** **+ CHF 4 026 MIO**		OUR VALUE TO SOCIETY FROM OUR SUPPLY CHAIN** **+ CHF 1 068 MIO**		
Link management incentive plan to sustainability	**NOT ACHIEVED YET – IN PROGRESS**				

*Against 2014 baseline.   **Based on 2016 figures.*

HOW WE MEASURE OUR VALUE TO SOCIETY: THE CAPITALS

OUR VALUE TO SOCIETY MODEL EMBEDS THE PRINCIPLES OF THE INTEGRATED REPORTING <IR> FRAMEWORK, USING SIX CAPITALS:

NATURAL CAPITAL
Comprises the renewable and non-renewable natural resources and processes SGS needs to operate. Natural inputs include air, water, land and ecosystem health.

MANUFACTURED CAPITAL
Relates to the inventory of property, plant, equipment and other manufactured goods that house SGS business activities and enable SGS to successfully compete in the global marketplace.

FINANCIAL CAPITAL
Relates to the storage of cash and cash equivalents that can be used in exchange for other stock functions (e.g. human capital) that enable SGS to successfully compete in the global marketplace.

SGS VALUE TO SOCIETY MODEL

NATURAL CAPITAL — HUMAN CAPITAL — SOCIAL AND RELATIONSHIP CAPITAL — MANUFACTURED CAPITAL — SGS — FINANCIAL CAPITAL — INTELLECTUAL CAPITAL
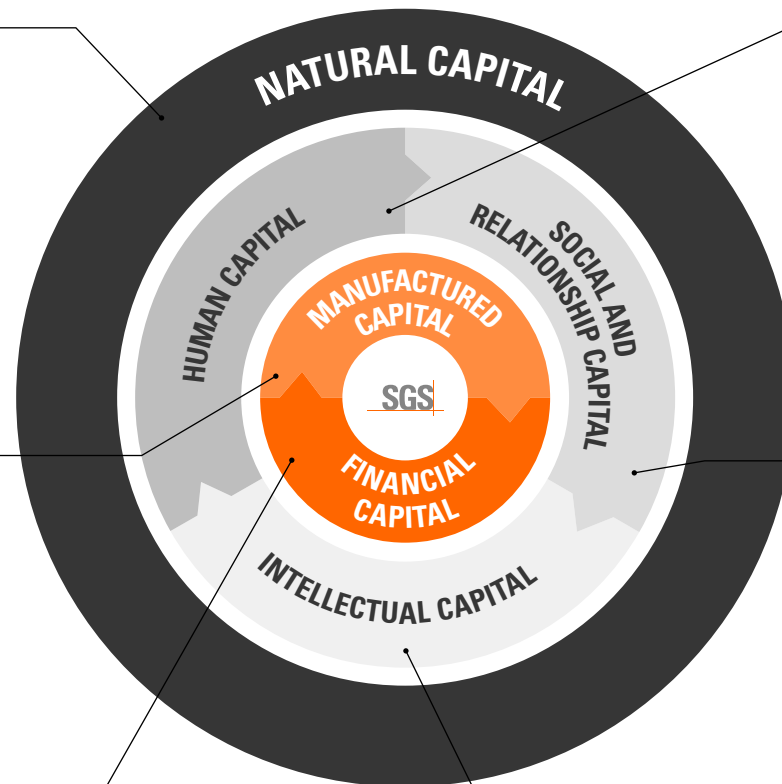
HUMAN CAPITAL
Relates to the physical and psychological capacity of individuals (e.g. motivation, safety or well-being) to undertake market-based employment and to pursue wider aspirations.

SOCIAL AND RELATIONSHIP CAPITAL
Covers SGS' relationships and interactions with communities, stakeholders, organisations and networks. They include notions like trust, loyalty and other values.

INTELLECTUAL CAPITAL
Consists of intangible and knowledge-based assets. Intellectual inputs include the brand, patents and copyrights as well as employees' knowledge of protocols and procedures.

OUR VALUE TO SOCIETY MODEL

The model identifies the economic, social and environmental costs and benefits of our business activities at a macro-level and allows us to interrogate the data to gain deeper insight into the underlying factors at play. This enhanced intelligence enables us to more comprehensively assess and understand our contribution to a sustainable future and drive continuous improvement.

According to our analysis, our value to society in 2016 has been net positive. This means that in each step of the value chain, the benefits of our business activities substantially exceed the costs to society. For us, Value to Society is more than an academic exercise or an activity limited to developing internal intelligence on our business impacts. It underpins the development of our approach to integrated reporting (see the SGS 2017 Annual Report), and it enables us to meet additional reporting requirements around impact valuation as we also evaluate externalised impacts that will serve us to identify positive contributions beyond our company boundaries, develop sustainable strategies and also anticipate regulatory and financial risks.

After four years of developing our Value to Society approach, we believe that we have a pragmatic, efficient, auditable and scalable approach to valuing our impact.

IMPACT VALUATION

At SGS, we use our Value to Society model to provide a single, coherent and business-focused narrative on our impact valuation. In doing so, we aim to help stakeholders more accurately understand how economic, environmental and social impacts are being managed responsibly within SGS and across our value chain to ensure long-term sustainable success.

Impact valuation is based on the premise that in order to succeed, companies must more precisely understand how value is created and diminished as a consequence of their activities and use this information to mitigate risks and harness business opportunities. Creating this holistic view can change the way in which flows of costs or benefits are understood internally and externally. For example, internally, impact valuation can support decision-making, risk identification and innovation, and it can act as a management tool to help orient company strategies towards sustainable activities, solutions and sourcing. Externally, it can help investors and other stakeholders evaluate the influence of the social and environmental externalities on business value drivers such as growth, profitability and risk. The impact categories currently included in SGS' impact valuation approach are selected based on a combination of material business topics, the availability of reliable primary and secondary data

and the feasibility of calculation methods. We acknowledge that impact valuation is an emerging topic, and there is much work to be done to develop and standardise our own company approaches. Notwithstanding these limitations, we consider that our assessments have produced results that are directionally correct and sufficiently sound for communication and reporting purposes.

WE ARE COMMITTED TO USING IMPACT VALUATION TO SUPPORT OUR GOAL OF ENSURING LONG-TERM, SUCCESSFUL AND SUSTAINABLE VALUE CREATION FOR ALL OUR STAKEHOLDERS.

We will make efforts to improve the maturity, quality, reliability, consistency and comparability of measurement and valuation techniques, and we shall continue to share our learnings on the feasibility, benefits and the practical limitations of impact valuation.

We welcome and support the initiative of RobecoSAM to encourage companies to report on their approaches to valuing the positive and negative social or environmental externalised impacts of their business operations, products and services. We look forward to a time when the widespread reporting of impact valuation can be used to accurately assess and compare the real value of business activities on the environment and society at large.

HOW WE MEASURE OUR VALUE TO SOCIETY: THE CAPITALS

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

CAPITAL **INDICATORS** AND INTERLINKAGES
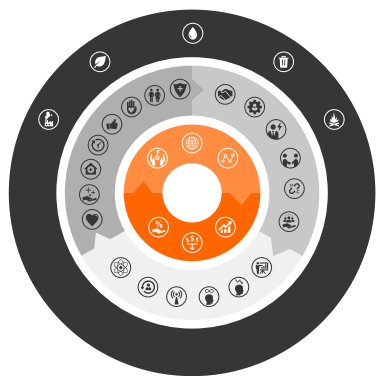
The business environment is complex and interlinked. Our impact on our capitals is evaluated through highly varied indicators that interact and affect one another in very nuanced ways.

Our indicators have been defined to analyse flows within the six capitals. They have been selected based on materiality principles and the available research literature and data. Using our model to chart the indicators allows us to understand the subtle interlinkages between the capitals. This is in line with the objectives of the Integrated Reporting Framework.

Note that these indicators are only used to map our direct operations. Our supply chain and services are treated separately.

NATURAL CAPITAL

CO₂ EMISSIONS

The social cost of the CO_2 released into the atmosphere as a result of our activities.

CARBON OFFSETTING

The associated economic benefit of our carbon neutrality approach. Any carbon that we cannot eliminate from our operations is offset through investments in clean energy projects that deliver both social and environmental benefits in communities where SGS operates.

WATER MANAGEMENT

The opportunity cost for wider society and the environment of our water consumption.

WASTE MANAGEMENT

The environmental cost, in monetary terms, resulting from the final disposal methods of waste flows.

ENVIRONMENTAL INCIDENTS

The economic cost of damage to the environment due to site incidents (e.g. oil spills).

For more information on our natural inputs, see our ENVIRONMENT section.

HUMAN CAPITAL

EMPLOYEE HEALTH AND WELL-BEING

The impact, in monetary terms, of our well-being programmes and non-mandatory health care benefits (the latter being only evaluated in Switzerland at present).

SICKNESS ABSENCE

The economic cost of days spent absent as a result of sickness, in terms of reduced quality of life. Even though we cannot fully control all factors affecting our employees' health, it is our duty to create a healthy working environment to ensure our contribution is positive.

EMPLOYEE SALARY SCHEMES AND BENEFITS

The measurement of several non-mandatory benefits to employees and salary schemes.

OVERTIME

The impact on employees' health of working overtime hours as well as the impact of lowering productivity.

EMPLOYEE ENGAGEMENT

Employee engagement in terms of productivity and reduced sickness absence, resulting from increased job satisfaction.

EMPLOYEE VOLUNTEERING

The social (mental and physical) benefits for employees involved in volunteering.

DIVERSITY AND EQUAL OPPORTUNITIES

Gender-related opportunities at SGS measured in economic terms (e.g. the cost of reduced employee productivity resulting from lack of progression opportunities for female employees).

OCCUPATIONAL SAFETY

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

For more information on our human inputs, see our PEOPLE section.

SOCIAL AND RELATIONSHIP CAPITAL

REGULATORY COMPLIANCE

The cost of impaired relationships resulting from non-compliance with regulations.

SUPPLIER RELATIONSHIP MANAGEMENT (SRM)

The impact of investing resources in SRM IT infrastructure and systems.

SUPPLIER STRESS

The cost of declining or impaired relationships with suppliers, resulting from late payment of invoices.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM) AND DATA SECURITY

The positive impact in relationships with customers arising from investments in CRM infrastructure and systems, including investments in data security (GDPR). In the future, this indicator will also evaluate the impact of our online communications activities.

SUBSTANDARD SERVICES

The damage to relationships with customers due to poor service delivery.

LOCAL COMMUNITY INVESTMENT

The social benefit of investing time and money in local community projects.

INTELLECTUAL CAPITAL

EMPLOYEE TRAINING

The benefits of enhancing capabilities through training and development programmes.

KNOWLEDGE DECAY

Economic cost of technological knowledge obsolescence, for example, the declining productivity of existing know-how.

KNOWLEDGE DEVELOPMENT

The measurement of social impact, in monetary terms, of intellectual property, knowledge and skills developed while employees are at SGS and the benefits of this knowledge beyond SGS. In particular, it evaluates the benefits of white papers, webinars and SafeGuardS technical bulletins.

USE OF PUBLIC INFORMATION

In the same way that we contribute to disseminating knowledge through our publications, we consume information goods and services for free. This indicator estimates the economic cost of producing these goods.

EMPLOYEE TURNOVER

The impact of suboptimal turnover rates and talent flows.

RESEARCH AND DEVELOPMENT

The social benefit of enhancing know-how through Research and Development activities.

MANUFACTURED CAPITAL

ASSET MAINTENANCE

The damage, wear and tear and maintenance work on SGS' physical assets, including buildings, equipment and vehicles.

USE OF PUBLIC INFRASTRUCTURE

The societal cost of a reduction in quality and provision of public infrastructure that results from greater usage than investment.

MARKET MOVEMENTS

The economic costs and benefits of property market movements, both upwards and downwards.

FINANCIAL CAPITAL

PROFITABILITY

We measure profitability through operating profit. Profit (or loss) is the sum of income minus expenditure.
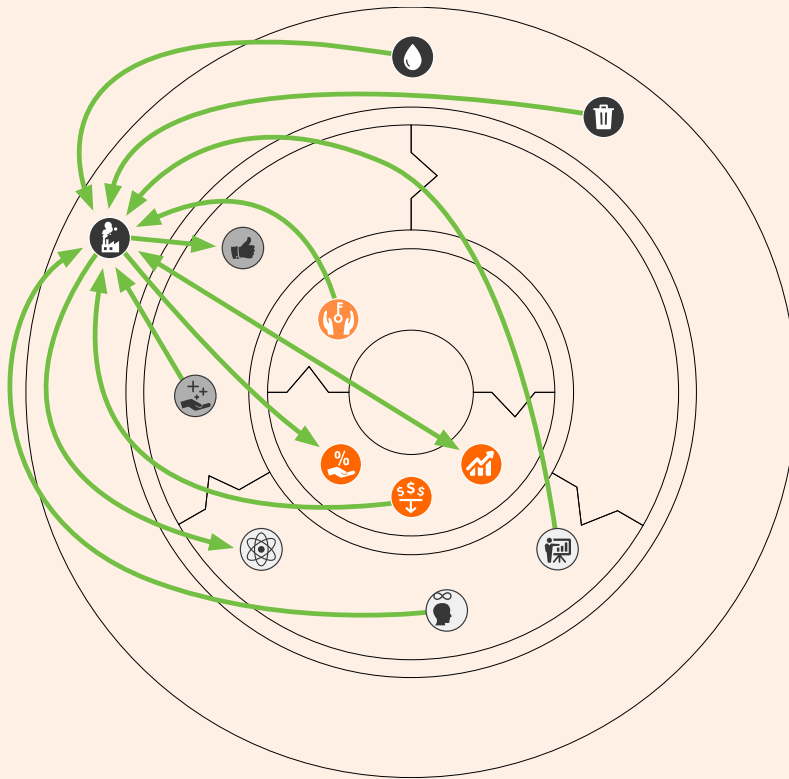
EMPLOYMENT COSTS

We measure costs relating to SGS employees, recruitment, wages and benefits, restructuring and redundancies.

TAXES

SGS contributes economically to society by paying all taxes due as part of our responsibilities to the countries in which we operate.

HOW WE MEASURE OUR VALUE TO SOCIETY: THE CAPITALS

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

OUR CAPITALS **ARE OFTEN INTERLINKED AND OUR MODEL CAN BE USED TO TRACK THESE LINKS**

OCCUPATIONAL SAFETY → PROFITABILITY

Safety performance can impact profitability through, for example, lost time due to illnesses or injuries and fines associated with breaches of safety regulations. SGS has developed a methodology to evaluate financial and non-financial costs associated with lost time through illnesses or injuries.

PROFITABILITY → OCCUPATIONAL SAFETY

Profits enable SGS to invest in robust safety processes as part of our Operational Integrity Management System (OIMS). Our leadership initiatives, training and awareness programmes, risk prevention strategies and communications help to promote a safety culture across our global business.

WASTE MANAGEMENT → OCCUPATIONAL SAFETY

Through our services, SGS handles quantities of hazardous and non-hazardous waste, which need to be disposed of responsibly and without risk to our workers and wider society. Waste is managed through our Operational Integrity Management System, our Green Buildings programmes and our environmental behaviour campaign, Spot the Orange Dot.

OCCUPATIONAL SAFETY → EMPLOYEE HEALTH AND WELL-BEING

At SGS, employee health and well-being is an integral part of our OIMS. We are committed to promoting positive mental and physical health through training and awareness programmes linked to occupational health, industrial hygiene and well-being.

OCCUPATIONAL SAFETY → EMPLOYEE SALARY SCHEMES AND BENEFITS

Achieving company safety targets is factored into the bonuses of Managing Directors and their direct reports across our affiliates. The payment provides a direct benefit to selected employees, which directly links to our safety performance.

EMPLOYEE SALARY SCHEMES AND BENEFITS → OCCUPATIONAL SAFETY

Employees who feel valued for their skills and work are more likely to be motivated to help drive business success and profitability. Within SGS, our safety culture aims to drive productivity, promote health and well-being and reduce risks associated with poor safety performance.

OCCUPATIONAL SAFETY → EMPLOYEE ENGAGEMENT

Employees are motivated to engage with companies that have a good track record of safety performance. We promote a strong safety culture through our Operational Integrity campaigns and initiatives (e.g. our annual Safety Month), which equip employees with the knowledge and skills to protect their own and their colleagues' health and safety.

EMPLOYEE ENGAGEMENT → OCCUPATIONAL SAFETY

Engaged employees are more likely to embrace our safety culture and to support actions that promote safe working practices.

EMPLOYEE TRAINING → OCCUPATIONAL SAFETY

We equip employees with the skills to manage their physical and mental health and reinforce our safety culture through focused training programmes and tools as part of our Operational Integrity Management System.

KNOWLEDGE DEVELOPMENT → OCCUPATIONAL SAFETY

SGS employees share their expert knowledge on Environment, Health and Safety management and certification with our customers and wider society through webinars, conferences and white papers.

OCCUPATIONAL SAFETY → EMPLOYEE TURNOVER

Employees are motivated to work for companies that take safety responsibilities seriously. SGS measures employee engagement in our corporate sustainability programmes through our annual Catalyst survey.

ASSET MAINTENANCE → OCCUPATIONAL SAFETY

Safety linked to our use of physical assets – including buildings, equipment, vehicles and tools – is intrinsic to building a safety culture within SGS.

REGULATORY COMPLIANCE → OCCUPATIONAL SAFETY

SGS complies with all relevant laws and regulations focused on ensuring health, safety, consumer protection and environmental protection. Failure to comply with regulations could impact our reputation and customer trust in the SGS brand.

OCCUPATIONAL SAFETY
HUMAN CAPITAL

CO₂ EMISSIONS
NATURAL CAPITAL

EMPLOYMENT COSTS ➡ CO₂ EMISSIONS

CO₂ emissions arising from our business operations are directly linked to the energy we consume. As a growing business, an increase in employment costs can also lead to higher energy consumption and CO₂ emissions, if not effectively managed. For this reason, SGS measures CO₂ emissions as a proportion of headcount.

CO₂ EMISSIONS ➡ PROFITABILITY

Profitability is impacted by costs relating to energy consumption, CO₂ offsetting and compensation schemes. We aim to protect our profit margin through global policies (e.g. our vehicle emissions, Green IT and Green Buildings policies) and local programmes (e.g. our Spot the Orange Dot campaign) aimed at reducing CO₂ emissions and offsetting through energy efficiency.

PROFITABILITY ➡ CO₂ EMISSIONS

An increase in profits linked to business growth can lead to higher CO₂ emissions linked to more activity. To effectively manage these changes, SGS measures CO₂ emissions as a proportion of revenue. Conversely, profitability allows us to invest in CO₂ offsetting programmes in communities where we operate.

CO₂ EMISSIONS ➡ TAXES

Energy reduction through global policies (e.g. our vehicle emissions, Green IT and Green Buildings policies) and local programmes (e.g. our Spot the Orange Dot campaign) can result in lower CO₂ emissions. These efforts indirectly contribute to reduced carbon and fuel taxes payable at source, which are then passed along the supply chain.

WATER MANAGEMENT ➡ CO₂ EMISSIONS

SGS' water management can contribute indirectly to reductions in greenhouse gas emissions (e.g. carbon dioxide, methane and nitrous oxide) resulting from the biological wastewater treatment processes in treatment plants, as well as CO₂ emissions linked to energy used in the production of the treatment plants. Responsibility for water management is split between the Operational Integrity and Corporate Sustainability functions, and, as such, requirements for water use, reuse, reduction and monitoring are incorporated in the Operational Integrity HSE Self-Assessment Checklist for sites and the SGS Green Building Guidelines.

KNOWLEDGE DEVELOPMENT ➡ CO₂ EMISSIONS

SGS employees share their expert knowledge on CO₂ reduction with our customers and wider society through webinars, conferences and white papers.

WASTE MANAGEMENT ➡ CO₂ EMISSIONS

SGS contributes indirectly to greenhouse gas emissions (e.g. methane) released from landfill sites and the incineration of waste from our operations. Waste disposal is managed through our OIMS, our Energy Efficiency in Buildings programme and our employee environmental behaviour campaign, Spot the Orange Dot.

EMPLOYEE SALARY SCHEMES AND BENEFITS ➡ CO₂ EMISSIONS

Employees who feel valued for their skills and work are more likely to be motivated to help drive business efficiency and profitability. This can be achieved through supporting our CO₂ emissions reduction targets, which directly impact the bottom line.

CO₂ EMISSIONS ➡ EMPLOYEE ENGAGEMENT

Employees are motivated to work for companies that take environmental responsibilities seriously. Employees are actively encouraged to engage in CO₂ emissions reduction as part of our Spot the Orange Dot environmental behaviour campaign. SGS measures employee engagement in our Corporate Sustainability Programme through our annual Catalyst survey.

EMPLOYEE TRAINING ➡ CO₂ EMISSIONS

Employee training on environmental behaviour in the workplace can lead to reductions in Greenhouse gas emissions (especially CO₂) emissions. Where possible, we use technology to deliver training to employees around the world, thus reducing our burden on the energy needed for travel and accommodation.

CO₂ EMISSIONS ➡ RESEARCH AND DEVELOPMENT

Pressing climate issues are driving innovations and technological developments aimed at reducing the principal causes of global warming, such as CO₂ emissions. Research is at the core of SGS' business model to develop procedures aimed to increase efficiency and reduce CO₂ emissions. Our commitment to reducing CO₂ emissions extends beyond our own operations and services to supporting innovative programmes, such as RE100, which commit companies to using 100% renewable energy by 2020.

ASSET MAINTENANCE ➡ CO₂ EMISSIONS

Energy efficiency linked to our use of physical assets – including buildings, equipment, vehicles and tools – can significantly reduce our greenhouse gas emissions (especially CO₂). Our energy reduction commitments are set out in our vehicle emissions, Green IT and Green Buildings policies. We also manage a focused programme on Energy Efficiency in Buildings across our affiliates.

MEASURING OUR **DIRECT** OPERATIONS

GRI	G4-EC7, G4-EC8
SDG	1 2 3 5 7 8 9 10 11

Our direct operations are assessed by the flow of our capital stocks. These are identified and described on pages 27–29.

SGS' sustainability efforts have long been based on strategic KPIs, which were developed following a study of our material topics see page 23.

Measuring the direct operations is currently the most developed section of our impact valuation. We have developed about 30 economic, social and environmental indicators, based on our strategic KPIs and availability of research literature, within each of the six capitals: financial, human, social, intellectual, natural and manufactured. For each indicator, both internal and external impacts are analysed and quantified by assigning a monetary value (see some examples on table on the right).
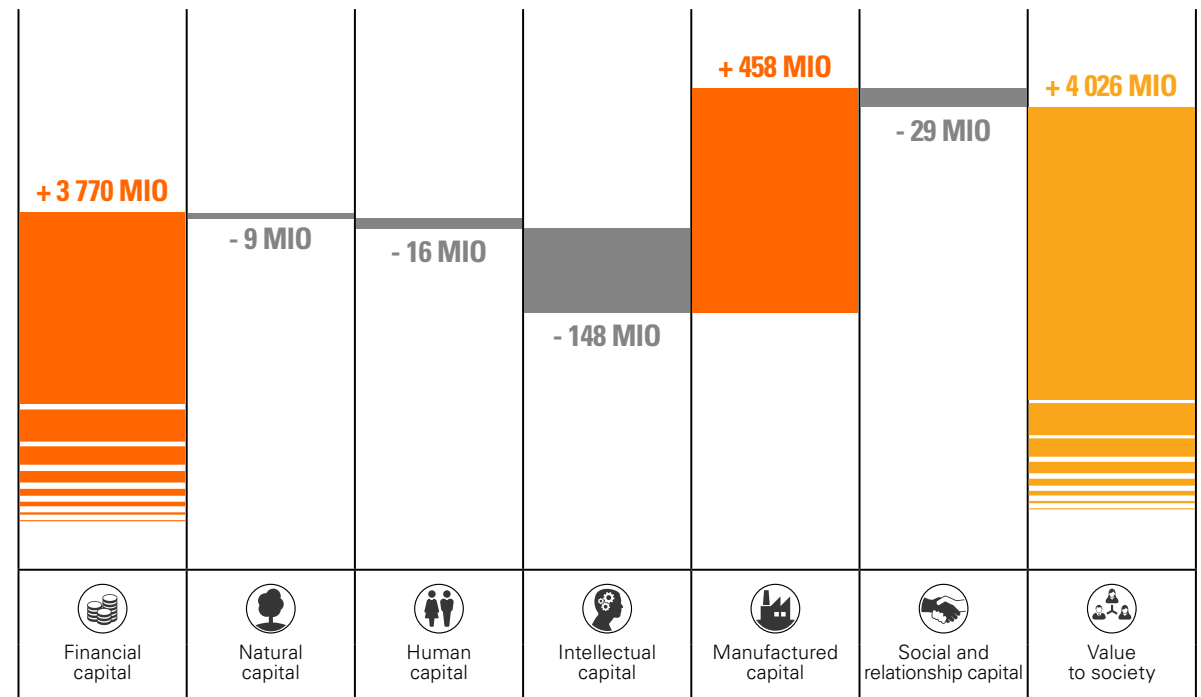
INTERNAL IMPACTS:

These impacts reflect the opportunity costs that could be materialised with improved performance. Identifying indirect internal impacts not directly contributing to financial statements, like loss of productivity due to suboptimal turnover, can serve as a sound tool for management decision purposes. Direct financial impacts, i.e. administrative costs due to sickness absence, have not been considered as they are considered to be included in financial capital performance.

EXTERNAL IMPACTS:

We have identified and evaluated financial and non-financial impacts in society caused by our business activities beyond our company boundaries.

Our Value to Society quantitative figures are based on 2016 data.

OUR VALUE TO SOCIETY FROM DIRECT OPERATIONS (IN CHF)*

	CAPITAL	INDIRECT INTERNAL IMPACT	EXTERNAL IMPACT
Water management	NATURAL	Not applicable	Cost of ecological damage resulting from over-consumption and over-abstraction.
Employee Training and Development	INTELLECTUAL	Benefit accrued by SGS due to enhanced employee capabilities	Benefit accrued by the employee due to enhanced employment opportunities and increased earnings.
Overtime	HUMAN	Reduced productivity at work due to fatigue	Decreased employee health due to high stress levels and anxiety generated by working overtime hours and the wider cost to society of medical treatment.

HOW WE MEASURE OUR **SUPPLY CHAIN**

GRI	G4-EC7, G4-EC8, G4-EN7
SDG	1 2 3 5 7 8 9 10 11 13

Through our procurement of products and services, we indirectly contribute to our suppliers' positive and negative impact on society– for example, their payments of taxes and release of greenhouse gas emissions. Our procurement activities enable impacts to society through the activities of direct (tier 1) and indirect (tier 2, tier 3, etc.) suppliers. We use established 'input-output' modelling based on spend at affiliate (country) level.

In 2017, we have estimated our impact valuation across four capitals: financial, human, natural and manufactured. This model enables us to calculate additional parameters, such as the risk of modern slavery and child labour, within the global supply chain.

Based on 2016 data.

OUR VALUE TO SOCIETY FROM OUR SUPPLY CHAIN (IN CHF)*

POSITIVE FLOW / NEGATIVE FLOW

Gross Value Added

+ 1729 MIO

Capital Formation

+ 383 MIO

+ 1 068 MIO

- 1 011 MIO
Greenhouse Gases
Energy
Consumption
Land Use
Minerals Used
Waste
Water

- 33 MIO
Modern Slavery
Child Labour
Occupational Fatalities

Financial capital | Natural capital | Human capital | Intellectual capital | Manufactured capital | Social and relationship capital | Value to society

	CAPITAL	INDIRECT INTERNAL IMPACT	EXTERNAL IMPACT
Modern Slavery	**HUMAN**	Not applicable	The economic cost of coercing persons to work through the different forms of modern slavery that could be potentially enabled through our spending.

HOW WE USE EXTENDED INPUT-OUTPUT ANALYSIS

Input-output analysis is a standard macro-economic technique that is used to model the implications of changes in consumer preferences. It studies how a change in the supply and demand for one item in the economy impacts other sectors. For instance, if there was a reduction in the use of coal to produce electricity, what would be the impact on mines, mining jobs and transportation companies? And what would be the impact on alternative energy suppliers and providers of the raw materials needed to construct solar panels and wind farms? This analysis is usually done at a national and regional level.

With extended input-output analysis, we can take the same approach and look at more specific issues. For example, we can examine how much CO_2 is being emitted per industry sector in a given country, and how this changes with shifts in the supply and demand for certain products (e.g. electricity demand). This creates the possibility of allocating an economic cost to that particular item. This approach can be applied to multiple items that do not have a market value, such as water and waste management and even social issues. When cross-referenced against the level of procurement spend in a particular country, companies can then map the impact of their activities on a country or regional basis.

*Based on 2016 data.

1 068

ESTIMATED ECONOMIC VALUE TO SOCIETY OF OUR SUPPLY CHAIN (CHF MILLION)*

BY TRACKING AGAINST PROCUREMENT SPEND, WE ARE ALSO EFFECTIVELY MEASURING OUR IMPACT ON OUR SUPPLY CHAIN ACROSS SELECTED INDICATORS. WHILE STILL DEVELOPING AS AN ACCOUNTING PRACTICE, THIS IS NOW A RECOGNISED METHOD THAT IS BEING USED NOT JUST BY SGS BUT BY SEVERAL OF THE LARGEST CONSULTANCY FIRMS.

HOW WE MEASURE OUR **SERVICES**

GRI	G4-EC7, G4-EC8, G4-EN7
SDG	1 2 3 5 7 8 9 10 11 13

The inspection, verification, testing and certification services we provide to our customers represent our most significant and tangible value to society. Developing our impact valuation methodology is ongoing and requires the close collaboration of our business lines to ensure that the model produces meaningful outcomes. However, we are able to report the impact valuation of particular services.

Mirroring the economic attribution method used with suppliers, the proposal is that SGS will take credit for a customer's contribution equivalent to the economic value of the service it provides (relative to the economic value of all other customer inputs).

The way we are now approaching this topic is by analysing how the particular service is changing the reality on the ground and what percentage of that change can be attributed to SGS. For example, if we look at the number of energy audits in a given country in a year, how much does that actually reduce electricity usage and what is SGS' market share of those audits? (See case study below.)

By taking this approach, we have been able to explore several case studies to begin to examine our impact. As we are still developing our approach in this area, we cannot yet provide full results across all services, but these case studies help to demonstrate, in a concrete way, the direction we are presently taking.

*Based on 2016 figures.

352

ESTIMATED VALUE TO SOCIETY OF OUR SOCIAL RESPONSIBILITY AUDITS (CHF MILLION)*

248

ESTIMATED VALUE TO SOCIETY OF OUR ENERGY MANAGEMENT CERTIFICATION (CHF MILLION)*

CASE STUDY: HUMAN CAPITAL

SOCIAL RESPONSIBILITY AUDITS

Social Responsibility Audits detect and assess the controls in place to prevent issues, such as forced labour, discrimination and sexual harassment, in the workplace. They include audits against third-party standards and corporate codes of conduct, corrective action monitoring and other tailored audits. SGS analysed the socio-economic benefits of reducing the prevalence of forced labour, exploitation, discrimination and sexual harassment. The avoided social costs equate to a value to society of CHF 352 million.*

CASE STUDY: NATURAL CAPITAL

ENERGY MANAGEMENT CERTIFICATION

ISO 50001 Energy Management certification helps organisations save money and conserve resources while tackling climate change through energy efficiency and the development of an energy management system. SGS has helped around a thousand companies achieve ISO 50001 certification, resulting in an estimated reduction in CO_2 emissions that equates to an estimated value to society of CHF 248 million.*

	CAPITAL	INDIRECT INTERNAL IMPACT	EXTERNAL IMPACT
CO_2 emission reduction from Energy Management Certification	**NATURAL**	Not applicable	Benefit to society due to decreased likelihood of negative impacts associated with climate change due to the enabled reduction in CO_2 emissions.

OUR STAKEHOLDERS

INVESTORS

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

GOVERNMENTS AND INDUSTRIES

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

CUSTOMERS

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

EMPLOYEES AND SUPPLIERS

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

The value we create for society through our integrated leadership model is a major source of our success. What do we mean by society? Specifically, it is the value created both for and through our stakeholders.

COMMUNITIES AND THE PLANET

We help nurture the communities we operate in and strongly support disaster relief efforts. Our sustainability endeavours are recognised as being among the very best – both regionally and in the TIC industry.

CONSUMERS

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

PROFESSIONAL EXCELLENCE

Our success is built on the trust our customers place in us. To maintain this trust, we expect our employees to embody SGS' values in everything they do. Whether it is through the way they conduct themselves, the way they treat those around them or the way they work with suppliers and customers, our employees strive to exceed expectations every day. We call this professional excellence. As an industry leader, we believe our behaviour inspires other businesses to act in the same way, creating a better working environment for all.

ECONOMIC
PERFORMANCE

SGS BUSINESS MATERIALITY MATRIX

Finance and Economic Performance

Investment Strategy/Mergers and Acquisitions

WHY IS THIS IMPORTANT TO SGS?

Economic performance was identified by SGS stakeholders as being a material issue for the Company, as defined in our 2017 Business Materiality Matrix. Our investors are recognised as being one of our key stakeholders (see), and effective financial performance underpins our ability to continue to operate as a business. Without good economic performance, SGS risks insolvency, making it a highly important issue to the business.

GRI	G4-DMA, G4-EC1

FOCUS AREAS	GRI	SDG
MANAGING OUR ECONOMIC PERFORMANCE	G4-EC1	2 5 7 8 9

Our economic performance directly influences our ability to maintain a long-term, profitable business and to distribute wealth – through salaries paid to employees, as taxes to government, as donations to charitable causes, and as profit, dividend and reserves to our investors.

Managing our economic performance is contingent on our ability to satisfy our customers' needs and to understand their preferences while upholding standards of professional excellence and effective management of our relationships with clients. Sustainability also plays a role in boosting economic performance by reducing operating costs, mitigating risk, improving brand value and increasing sales through customer trust and loyalty.

MANAGING OUR ECONOMIC PERFORMANCE

GRI	G4-EC1
SDG	2 5 7 8 9

MANAGING OUR ECONOMIC PERFORMANCE IS OF FUNDAMENTAL IMPORTANCE TO OUR VERY EXISTENCE AS A COMPANY.

Our economic performance is managed as part of our business strategy. For a comprehensive account of our economic performance, see our Annual Report 2017.

Many stakeholders inside and outside the Company rely on our economic performance.

We do not receive any significant financial assistance from governments. We do benefit from incentives in the form of grants from certain government schemes – for example, energy saving incentives – but these are of low value.

STRONG ECONOMIC PERFORMANCE MEANS THAT:

☑ *Customer orders are fulfilled*

☑ *Value is delivered to our shareholders*

☑ *Value is delivered through our services to society*

☑ *Employees are offered competitive salaries and benefits*

☑ *Obligations to suppliers and creditors are met*

☑ *Governments gain tax revenues*

☑ *Local communities receive investment*

Our Green Book also measures our environmental and social profit and loss by applying financial values to a range of indicators on people, environment and community, and progress on these is reported to senior management every six months.

PERFORMANCE ON ECONOMIC VALUE GENERATED AND DISTRIBUTED

SGS showed solid performance in 2016 with total revenues reaching CHF 6.0 billion. This represents revenue growth of 6.0%, of which 2.5% was organic and 3.5% was contributed by recent acquisitions. Trading conditions remained difficult during the year with the fall in commodity prices, primarily impacting Oil, Gas and Chemicals, and Minerals and Industrial Services.

For more information on our economic performance please see our Annual Report 2017.

SGS GROUP STATEMENT OF ECONOMIC VALUE GENERATED AND DISTRIBUTED

CHF MILLION	2017	%
ECONOMIC VALUE GENERATED		
Revenue	6 349	
Financial Income	14	
TOTAL ECONOMIC VALUE GENERATED	6 363	100.00
ECONOMIC VALUE DISTRIBUTED		
EMPLOYEE WAGES AND BENEFITS		
Salaries and wages	3 196	
TOTAL	3 196	50.23
OPERATING EXPENSES		
Subcontractors' expenses	394	
Depreciation, amortisation and impairment	336	
Other operating expenses	1 420	
TOTAL	2 150	33.79
PAYMENT TO SHAREHOLDERS AND LENDERS		
Financial expenses	57	
Dividends paid[1]	571	
TOTAL	628	9.87
PAYMENT TO GOVERNMENT		
Income taxes	187	
Other taxes	30	
TOTAL	217	3.41
PAYMENT TO COMMUNITY		
Community contributions and charitable donations	1	
TOTAL	1	0.02
TOTAL ECONOMIC VALUE DISTRIBUTED	**6 192**	**97.32**
ECONOMIC VALUE RETAINED	**171**	**2.68**

[1]*Dividends due to non-controlling interest and to shareholders as proposed by the Board of Directors.*

COMPLIANCE, INTEGRITY AND HUMAN RIGHTS

SGS BUSINESS MATERIALITY MATRIX

- Operational Integrity
- Compliance with Local Laws and Regulations
- Respect for Human Rights
- Risk and Crisis Management

GRI	G4-DMA

WHY IS THIS IMPORTANT TO SGS?

Our success is built on the trust that our stakeholders place in us. If we don't act in ethical and responsible ways, we damage our reputation, jeopardise our growth and risk losing our biggest asset – the confidence of our employees, customers and partners.

FOCUS AREAS	GRI	SDG
WIRING INTEGRITY THROUGH THE WHOLE ORGANISATION	G4-DMA, G4-34, G4-50, G4-56, G4-57, G4-58	16
INTEGRITY TRAINING	G4-HR2	–
REPORTING AND INVESTIGATING INCIDENTS	G4-50, G4-57, G4-58, G4-EN29, G4-EN34, G4-LA16, G4-HR3, G4-HR4, G4-HR8, G4-HR12, G4-SO5, G4-SO8, G4-SO11, G4-PR2, G4-PR4, G4-PR7, G4-PR8, G4-PR9	2 5 8 16
TRANSPARENCY IN POLICY INFLUENCE	G4-16, G4-EC4, G4-LA16, G4-SO6, G4-SO7, G4-SO11	16
HUMAN RIGHTS COMMITMENTS	G4-EN33, G4-HR5, G4-HR6, G4-HR9, G4-HR11, G4-LA15, G4-SO10	5 8 16

Integrity guides our decisions in everything we do – in business, in our communities and in how we work with and relate to each other.

We seek to create a work environment that is grounded in dignity and respects human rights. We have well-established mechanisms to ensure our people embrace these principles and comply to the standards we expect of them.

Compliance, integrity and human rights are among the most important topics for SGS. Our Business Principles, (available in full on page 43 of our Annual Report 2017), which are the cornerstone on which all of our activity rests, specifically refer to these topics. The SGS Code of Integrity also ensures that we treat everyone with fairness, dignity and respect (see page 39).

Our professional conduct as well as our behaviour towards others helps us build and maintain trust with our customers and stakeholders.

Additionally, our shared principles keep us from seeking any business advantage that would compromise our integrity or threaten our assets, brand, people or intellectual property. As such, SGS does not engage in any form of bribery or corruption, and we adhere strictly to the legal requirements of every country we operate in. What's more, we hold anyone acting on behalf of SGS to the highest standards of professional integrity at all times. Our Code of Integrity and our Business Principles apply not only to our employees, but also to all affiliated companies, contractors, subcontractors, joint-venture partners and agents.

SGS BUSINESS PRINCIPLES

INTEGRITY

MAKING SURE WE BUILD TRUST

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

RESPECT

MAKING SURE WE TREAT ALL PEOPLE FAIRLY

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

WIRING
INTEGRITY
THROUGH
THE WHOLE
ORGANISATION

GRI	G4-DMA, G4-34, G4-50, G4-56, G4-57, G4-58
SDG	16

Our Code of Integrity defines professional integrity for everyone in the SGS Group. It is an expression of the values that we share as an organisation. It is our reference, our guide and a support in every business decision.

The Code exists to help anyone acting for SGS to make the correct decisions. To make this a working reality, compliance to the Code is managed through mandatory training, risk assessments, due diligence, performance monitoring and reporting, and whistle-blowing procedures. Any reported violations of the Code of Integrity are investigated by the Professional Conduct Committee. The result of these investigations may lead to disciplinary action, including termination of employment and criminal prosecution.

To further strengthen our culture of integrity, we have an Investigation Network, which recruits experts from around the world. We then provide these experts with training in investigative skills, using guidance based on the European Convention of Human Rights (ECHR). Reporting to the Head of Security, these investigators analyse and report on internal and external incidents. Key learnings from these investigations are fed into the Annual Integrity Training (AIT).

THE CODE IS THERE TO HELP ANYONE ACTING FOR SGS TO MAKE THE CORRECT DECISIONS.
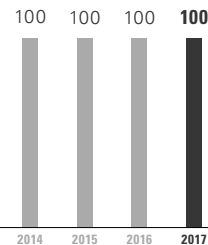
100%

% OF EMPLOYEES SIGNING THE CODE OF INTEGRITY

100 (2014) 100 (2015) 100 (2016) **100** (2017)

EMPLOYEES SIGNING THE CODE OF INTEGRITY

227 [1]

TOTAL NUMBER OF INTEGRITY ISSUES REPORTED THROUGH CORPORATE INTEGRITY HELPLINES

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

241 (2014) 245 (2015) 207 (2016) **227** (2017)
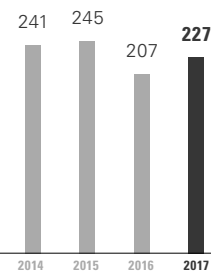
CODE OF INTEGRITY REPORTS

14

TOTAL NUMBER OF BREACHES OF THE CODE OF INTEGRITY IDENTIFIED THROUGH CORPORATE INTEGRITY HELPLINES
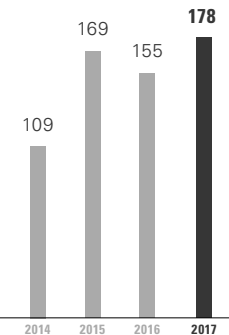
"Helplines" means channels used by employees and external parties to report suspected violations of the Code of Integrity. The reports can be submitted online or by phone, email, fax or post.

42 (2014) 31 (2015) 22 (2016) **14** (2017)
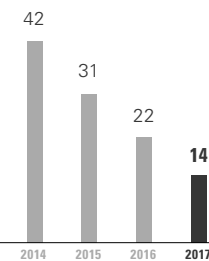
CODE OF INTEGRITY NON-COMPLIANCES

178

TOTAL NUMBER OF VALID REPORTS INVESTIGATED CONCLUDING IN NO BREACHES

109 (2014) 169 (2015) 155 (2016) **178** (2017)

CODE OF INTEGRITY INVESTIGATIONS

1. As of 2017, the figure includes pending cases which are still under review at the time of reporting.

FOR MORE INFORMATION ON OUR PERFORMANCE GO TO OUR ONLINE DATABANK

COMPLIANCE, INTEGRITY AND HUMAN RIGHTS

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

INVESTIGATION NETWORK PROCESS FOR IMPROVEMENT

CASE STUDY:

PROTECTING THE INTEGRITY OF THE SGS BRAND

Purchasing an item with an SGS logo or certificate verifies that the product has met a required standard. In the past, individuals have attempted to fraudulently use the SGS brand to enhance sales of uncertified products.

Protecting the integrity of our brand is a key concern. By protecting the brand and managing its reputation, SGS' Corporate Security team not only prevents criminal activities but also increases our global competitiveness. The team identifies vulnerabilities, monitors the markets and investigates incidents of fraudulent acts, which include a growing number of counterfeit certificates and inspection reports. By building integrity into every stage of our operational processes in business lines and countries, SGS continues to protect its global brand as well as the value it stands for.

INTEGRITY RESPONSIBILITIES

OPERATIONS COUNCIL

RESPONSIBLE FOR:
- *Assessing the scope of SGS' involvement in regions*
- *Evaluating risks to individuals, communities and assets*

PROFESSIONAL CONDUCT COMMITTEE

RESPONSIBLE FOR:
- *Ensuring implementation of the Code of Integrity*
- *Advising Management on all issues of business ethics*

INCLUDES:
- *Chairman of the Board of Directors*
- *Two other Board members*
- *Chief Executive Officer*
- *Chief Compliance Officer*

CHIEF COMPLIANCE OFFICER

RESPONSIBLE FOR:
- *Implementing procedures governing ethical behaviour and conducting investigations on alleged staff misconduct*

CORPORATE SECURITY TEAM

RESPONSIBLE FOR:
- *Ensuring that security arrangements adequately protect our people and assets and respect human rights*
- *Continuous evaluation of assets and businesses*

HUMAN RIGHTS COMMITTEE

RESPONSIBLE FOR:
- *Overseeing implementation of human rights commitments*
- *Supporting human rights as defined in the Code and Business Principles*

INCLUDES:
- *Chief Executive Officer*
- *Chief Compliance Officer*
- *Vice President Corporate Sustainability*

SENIOR MANAGERS

RESPONSIBLE FOR:
- *Visible and explicit support for the Code and human rights as well as all relevant training*
- *Senior Management support*

THE SGS BRAND VALIDATES THE QUALITY OF GOODS AND MATERIALS THAT ARE SOLD OR TRADED AROUND THE WORLD.

SGS

INTEGRITY
TRAINING

| GRI | G4-HR2 |

Training is an essential part of creating and maintaining a culture that embraces the importance of integrity. That's why we conduct mandatory annual integrity training, which now includes a specific module on human rights.

Embedding integrity into our culture begins the moment employees first join the company. Besides learning about the Code of Integrity (see page 39), all new hires must complete an e-learning module within three months of joining.

In 2017, 90% of SGS employees participated in the Annual Integrity Training (AIT), which covers all aspects of the SGS Code of Integrity and includes bribery, corruption, non-discrimination and employee relations. By recently including a new Human Rights module in the AIT, we have achieved more visibility and greater understanding of that important matter throughout the network.

THE INCLUSION OF THIS MODULE WAS NOT A SINGULAR UPDATE. THE CONTENT OF THIS ANNUAL INTEGRITY TRAINING IS REFRESHED EACH YEAR, USING CASE STUDIES DRAWN FROM THE ISSUES THAT ARISE IN THE BUSINESS – INCLUDING THOSE IDENTIFIED BY OUR INVESTIGATION NETWORK, AS DISCUSSED PREVIOUSLY (SEE PAGES 39–40).

For 2018, the AIT will evolve from the current PowerPoint approach to a more structured and tailored delivery. Generic e-learning courses will be given to all employees, supplemented by face-to-face specialist training on core business aspects for relevant employees. Our Compliance and HR teams ensure employees sign the Code of Integrity and complete the AIT and e-learning module on the Code. Our overall performance against the SGS Code of Integrity is reported to the Professional Conduct Committee.

EMPLOYEE
ANNUAL INTEGRITY TRAINING (AIT)

FACE-TO-FACE SPECIALIST TRAINING

NEW MODULE ON **HUMAN RIGHTS**

THINK

E-LEARNING INTEGRITY TRAINING

CASE STUDY:
BANGLADESH

INTEGRITY TRAINING

As with all SGS affiliates, SGS Bangladesh embraces the Annual Integrity Training, ensuring all employees are trained on new modules, such as Human Rights. Throughout the year, 660 employees, both permanent and contractual, across all five SGS sites underwent the training. The training was rolled out from the top. Our country Managing Director delivered face-to-face training to his managers, who, in turn, passed the learning down to their teams.

REPORTING AND INVESTIGATING INCIDENTS

FOR MORE INFORMATION ON OUR PERFORMANCE GO TO OUR ONLINE DATABANK

GRI	G4-50, G4-57, G4-58, G4-EN29, G4-EN34, G4-LA16, G4-HR3, G4-HR4, G4-HR8, G4-HR12, G4-SO5, G4-SO8, G4-SO11, G4-PR2, G4-PR4, G4-PR7, G4-PR8, G4-PR9
SDG	2 5 8 16

In addition to fostering an integrity culture, there must also be a mechanism in place to report and investigate integrity-related incidents.

SGS ENCOURAGES EMPLOYEES, CUSTOMERS AND SUPPLIERS TO REPORT ANY CONCERNS WITHOUT FEAR OF RETRIBUTION.

Both the SGS Code of Integrity and the SGS Supplier Code of Conduct (see page 51) contain clear guidance on grievance mechanisms. Any suspected violations, including cases of discrimination, can be reported using confidential integrity helplines or by contacting local or corporate level Compliance teams.

To prevent corruption and misconduct, SGS has established clearly defined governance systems covering training and communication, contractual obligations, effective reporting and monitoring and a responsive network of investigators to review cases of suspected violations.

We cooperate with the relevant authorities to identify, mitigate and remedy any adverse human rights impacts our operations may have caused or contributed to.

To proactively address security risks, SGS senior managers and SGS travelers receive internal reports and briefings. Corporate Security provides training materials to raise awareness of employees to risks affecting their own personal security, as well as the security of SGS assets and operations. Corporate security conducts targeted risk assessments to ensure that procedures are adequately implemented.

NON-COMPLIANCE WITH HUMAN RIGHTS ISSUES IN 2017

0 There were zero reported violations of the rights of indigenous people.

1 There was one confirmed case of corruption recorded. This did not result in public legal cases brought against the Company or against SGS employees.

1 There was one case of discrimination reported via our helplines.

There was no case of child labour, forced or compulsory labour, or violation of the right to exercise freedom of association. 0

PROVEN IN ACTION

OUR COMMITMENT TO INTEGRITY

During 2017, 227 integrity issues were reported via our corporate integrity helplines and 178 investigations were conducted. Of these, 14 incidents reported breaches of the Code of Integrity. These resulted in eight confirmed incidents in which employees were dismissed.

We have not identified the payment or imposition of any significant fines for non-compliance with regulations* concerning:

ENVIRONMENT

HEALTH AND SAFETY IMPACTS OF OUR PRODUCTS AND SERVICES

PRODUCT AND SERVICE INFORMATION AND LABELLING

CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA

MARKETING COMMUNICATIONS, INCLUDING ADVERTISING, PROMOTION AND SPONSORSHIP

*This information is based on our global information gathering system, based on incidents reported via the SGS integrity helplines. We are not aware of any significant incidents of these types reported at a local level during 2017.

TRANSPARENCY **IN POLICY INFLUENCE**

GRI	G4-16, G4-EC4, G4-LA16, G4-SO6, G4-SO7, G4-SO11
SDG	16

IN 2017, THE TOP-FIVE ANNUAL MONETARY CONTRIBUTIONS TO TRADE ASSOCIATIONS WERE MADE TO:

CHF **101 275**

FIA – INTERNATIONAL FEDERATION OF INSPECTION AGENCIES LTD. (INDUSTRY ASSOCIATION)

CHF **80 000**

WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (INDUSTRY ASSOCIATION)

CHF **65 000**

IIOC – INDEPENDENT INTERNATIONAL ORGANISATION FOR CERTIFICATION LTD.

CHF **50 000**

ECONOMIE SUISSE (BUSINESS FEDERATION)

CHF **45 788**

SWISSHOLDINGS (BUSINESS FEDERATION)

We have a neutral position towards development of public policy to ensure its impartiality. For this reason, we do not provide any financial or in-kind support, given directly or indirectly, to political parties, their elected representatives or persons seeking political office.

We do support some industry associations; however, the amount is not material, representing just 0.01% of our revenues.

FINANCIAL ASSISTANCE

SGS does not receive any significant financial assistance from governments, but we benefit from incentives in the form of grants from certain government schemes, such as energy-saving incentives, but these are of low value.*

ANTI-COMPETITIVE BEHAVIOUR, ANTI-TRUST AND MONOPOLY PRACTICES

In 2017 we have not identified any legal actions related to anti-competitive behaviour, anti-trust, and monopoly practices.**

This information is based on our global information gathering system. We are not aware of any significant incentives granted by governments or any financial aid granted to political parties at local level during 2017.

**This information is based on our global information gathering system based on incidents reported via the SGS integrity helplines. We are not aware of any significant incidents of this type at a local level during 2017.

COMPLIANCE, INTEGRITY AND HUMAN RIGHTS

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

HUMAN RIGHTS COMMITMENTS

SGS honours the United Nations' Guiding Principles on Business and Human Rights. We strive to comply with all applicable laws and internationally recognised human rights wherever we operate. Where national law and international human rights standards differ, we follow the higher standard.

Our human rights commitments are embedded in the SGS Code of Integrity, the SGS Human Rights Policy, the SGS Business Principles and related policies. Our Supplier Code of Conduct also sets out our standards for suppliers on respecting human rights in our supply chain.

As with all other areas of integrity, we make human rights a working reality by ensuring compliance is managed through mandatory training, risk assessments, due diligence, performance monitoring and reporting as well as whistle-blowing procedures.

Wherever our Code of Integrity creates conflict with local legal requirements, we adhere to national laws and ensure we respect human rights to the greatest extent possible. All approaches are continually evaluated and reviewed to ensure that they reflect legal developments and societal expectations.

HUMAN RIGHTS POLICY

Developed in 2016, with inputs from the Sustainability Steering Committee as well as internal and external advisors, the SGS Human Rights Policy was formally approved in April 2017. The draft policy was also shared with employee representatives on the European Works Council in October 2016, who prepared a statement endorsing the Company's human rights commitments. An update was also provided at a Works Council meeting in Stockholm.

NEW HUMAN RIGHTS POLICY

Formally approved in April 2017, our human rights policy includes:

- ☑ *A statement of commitment to respect human rights in accordance with internationally accepted standards*
- ☑ *Expectations of our operations (employees, direct activities, products or services)*
- ☑ *Expectations of our suppliers*
- ☑ *Expectations of our partners*
- ☑ *Actions and procedures we undertake to meet our commitment*

HUMAN RIGHTS COMMITMENTS

We are committed to conducting our business in a manner that respects the rights and dignity of everyone affected by our business activities, acting with due diligence, and addressing the adverse impacts of our global operations.

We honour the principles and guidance contained in the United Nations (UN) Guiding Principles on Business and Human Rights.

We comply with all applicable laws and we respect internationally recognised human rights wherever we operate. Where national law and international human rights standards differ, we follow the higher standard; where they are in conflict, we adhere to national law and we seek ways to respect international human rights to the greatest extent possible.

We treat the right of causing or contributing to gross human rights abuses as a legal compliance issue.

In the course of its activities, SGS will not willingly be complicit in human rights violations.

SGS policies and codes are informed by the International Bill of Human Rights and the International Labour Organization's declaration on Fundamental Principles and Rights at Work; the Children's Rights and Business Principles; UN Women's Empowerment Principles; and the UN Global Compact.

We strive to treat everyone with whom we come into contact fairly and without discrimination. Our employees, sub-contractors, business partners and suppliers are entitled to work in an environment and under conditions that respect their rights and their dignity.

We respect freedom of association. Where our employees wish to be represented by trade unions or works councils, we will cooperate in good faith with the bodies that our employees collectively choose to represent them within the appropriate national legal frameworks.

We respect the rights of people in communities impacted by our activities. We will seek to identify adverse human rights impacts and take appropriate steps to address and remedy them.

Our actions are guided by transparency, fact-based decision-making and based on a preventative, precautionary and integrated approach to environmental management. This means conforming to or exceeding the requirements of national or international regulations as well as investing in environmental technologies and engaging in continuous and informed dialogue with relevant stakeholders.

In our business dealings we expect our partners to adhere to standards of conduct and business principles that are consistent with our own. We are also committed to working collaboratively with state and non-state actors to inform our approach, share experiences and help address shared challenges and influence systemic positive change.

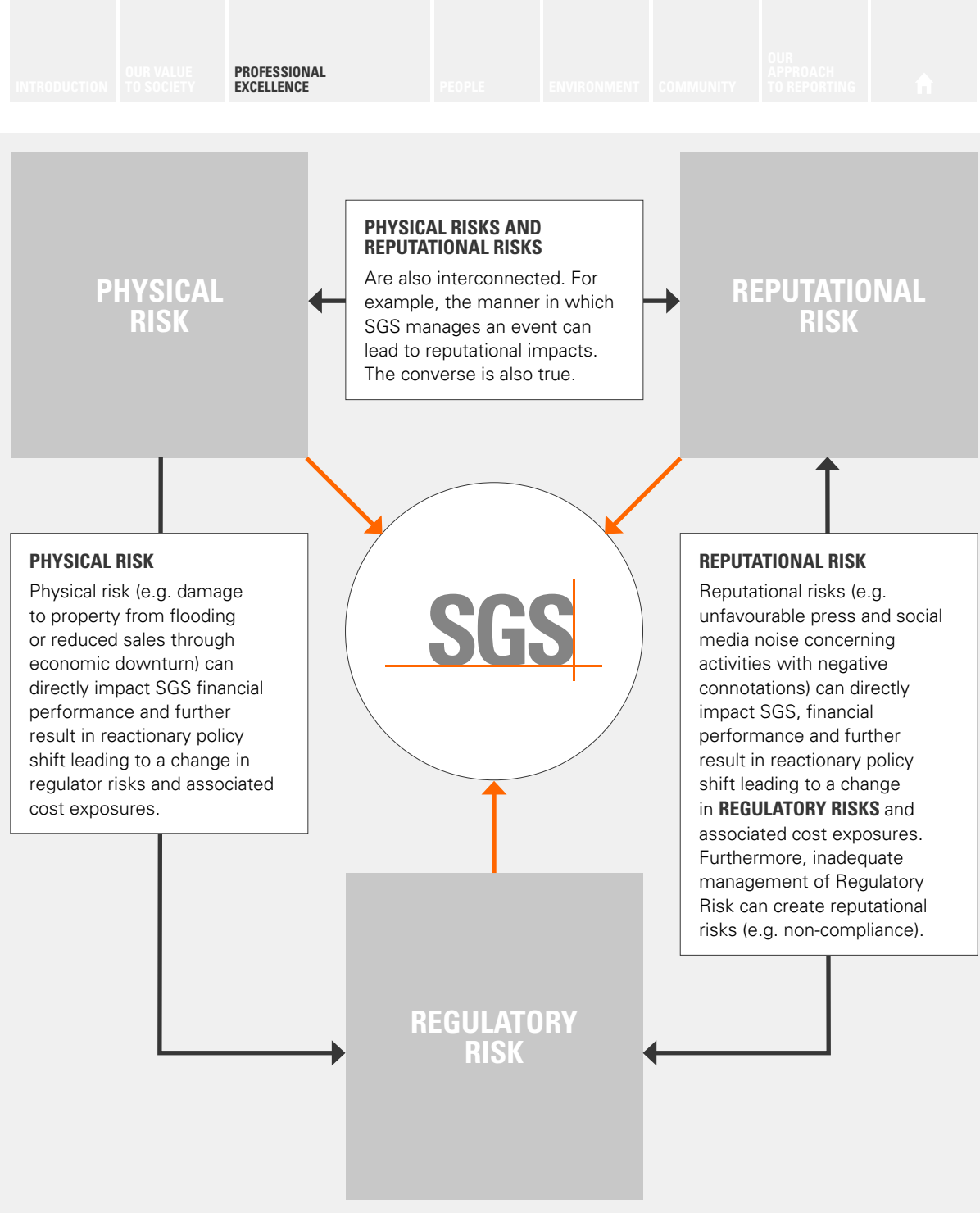| **GRI**	G4-EN33, G4-LA15, G4-HR5, G4-HR6, G4-HR9, G4-HR11, G4-SO10
SDG	**5** **8** **16**

IDENTIFYING AND MINIMISING RISKS

As a global company, SGS and its supply chain are exposed to economic, political, social and environmental risks in the countries where we operate. To minimise these risks, each year, we conduct Sustainability Risk Assessments to evaluate our economic, political, social, regulatory and environmental risks.

Our Sustainability Risk Assessment model evaluates the sustainability risks across 220 geographies and includes our own employees, suppliers, children, indigenous people, migrant labour and local communities. The data that underpins the assessment of these risks comes from different sources, such as the IMF World Economic Outlook, the World Economic Forum, the global Conflict Risk Index, The Corruption Perception Index, the Yale Environmental Performance Index or the Climate Change Vulnerability, among others. By introducing our revenue generated and our spend per country into the risk assessment process, we are able to assess the potential tier 1 sustainability risks – for both our direct operations and supply chain – across all the countries we operate in.

In a second stage of the Sustainability Risk Assessment, we also consider the indirect impact of SGS operations. Using an economic input-output model, we have evaluated our tier 1, tier 2 and tier 3 risks across 35 industry sectors in all countries SGS operates in.

This economic modelling provides a more focused view of the company's exposure to human rights, social and environmental risks and factors, such as greenhouse gas emissions, employee numbers and compensation, occupational fatalities, modern slavery and child labour.

PHYSICAL RISK

REPUTATIONAL RISK

REGULATORY RISK

SGS

PHYSICAL RISKS AND REPUTATIONAL RISKS

Are also interconnected. For example, the manner in which SGS manages an event can lead to reputational impacts. The converse is also true.

PHYSICAL RISK

Physical risk (e.g. damage to property from flooding or reduced sales through economic downturn) can directly impact SGS financial performance and further result in reactionary policy shift leading to a change in regulator risks and associated cost exposures.

REPUTATIONAL RISK

Reputational risks (e.g. unfavourable press and social media noise concerning activities with negative connotations) can directly impact SGS, financial performance and further result in reactionary policy shift leading to a change in **REGULATORY RISKS** and associated cost exposures. Furthermore, inadequate management of Regulatory Risk can create reputational risks (e.g. non-compliance).

COMPLIANCE, INTEGRITY AND HUMAN RIGHTS

| INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING |

SUSTAINABILITY RISKS ASSESSED

ECONOMIC RISK
- Current account balance
- Gross and net debt
- Not lending
- Government revenues
- Government expenditure
- GDP growth
- Competitiveness
- National savings
- Unemployment
- Total investment

POLITICAL RISK
- Empowerment rights
- Levels of repression
- Government
- Effectiveness regime type
- Lack of democracy
- Corruption

SOCIAL RISK
- Child labour and modern slavery
- Human development index (inequality, morality, etc.)
- Aid dependency
- Socio-economic vulnerability
- Vulnerable migrant labour
- Food security
- Conflict prevalence (peace years, neighbour conflicts, etc.)
- Ethnic composition
- Social dispersion

ENVIRONMENTAL RISK
- Natural hazards (earthquake, flood, tsunami, cyclone, drought)
- Water stress
- Climate risk
- Environmental health (air quality, water and sanitation, health, etc.)
- Ecosystem vitality (water resources, agriculture, forests, fisheries, biodiversity, etc.)

REGULATORY RISK
- Carbon pricing regimes
- World governance indicators (voice and accountability, government effectiveness, etc.)
- Institutional capacity (disaster relief response, communication, etc.)
- Institutional readiness
- Environmental regulatory regime index

100%

OF OUR REVENUES AND SPENDING COVERED IN OUR SUSTAINABILITY RISK ASSESSMENT

Our Risk Assessment and Evaluation Framework uses a three-step risk identification process to judge the severity of any given risk. These are as follows:

1. THREAT

The probability an SGS asset or service line is directly and or indirectly negatively impacted (via physical, regulatory or reputational origins) during a specified period.

2. VULNERABILITY

The probability of damage to an SGS asset occurring, given a specific event within a specified period. (Damage may involve fatalities, injuries, property damage, defunct services, negative press, etc.)

3. CONSEQUENCE

The expected magnitude of damage to an SGS asset.

COMPLIANCE, INTEGRITY AND HUMAN RIGHTS

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

RESULTS

Following this process, SGS identified several areas where we could face potential major risks in both our operations and supply chain. As a result, these now constitute our key sustainability risks: child labour, modern slavery, natural hazards, vulnerable migrant labour, water stress and political conflicts.

MITIGATION ACTIONS WE HAVE IN PLACE

SGS OPERATIONS

To mitigate our human rights risks in our own operations, we use our Code of Integrity Management system. Every year, all SGS employees have to sign the Code of Integrity and complete an annual training. The SGS internal audit team conducts periodic audits, as per an audit plan agreed by the Audit Committee of the Board of Directors. Such audits aim to validate compliance with internal processes and the existence of appropriate internal control systems.

Such audits aim to validate compliance with internal processes and the existence of appropriate internal control systems. Violations of the Code of Integrity result in disciplinary action, including termination of employment and criminal prosecution for serious violations.

The Professional Conduct Committee ensures the implementation of the Code of Integrity within our organisation and advises management on all issues of business ethics. The Committee comprises the Chairman of the Board of Directors, two other Board members, the Chief Executive Officer and the Chief Compliance Officer.

The SGS Code of Integrity and the SGS Supplier Code of Conduct contain clear requirements and guidance on grievance mechanisms. Suspected violations are reported via an integrity helpline or directly to the corporate and local Compliance teams. We encourage employees and other stakeholders to report any concerns without retribution.

Our Compliance and HR teams monitor the number of employees signing the Code of Integrity, keep track of the number of new employees completing the e-learning module on the Code and check that all employees complete the Annual Integrity Training (AIT).
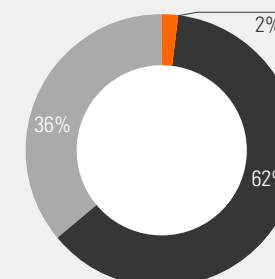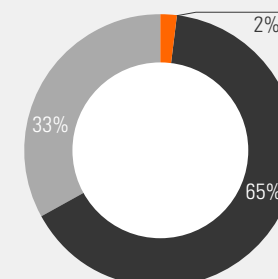
SUPPLY CHAIN

For more information on how we manage critical suppliers and the mitigation actions in place, see the supply chain section of this report ().
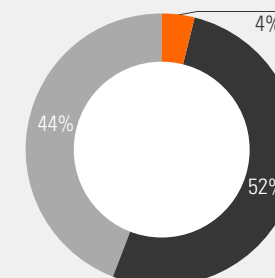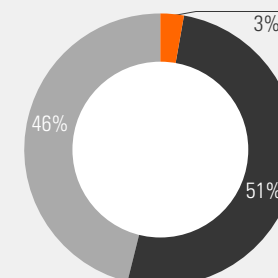
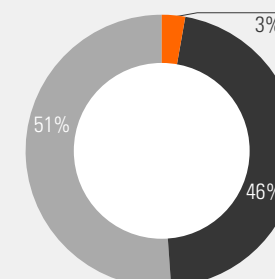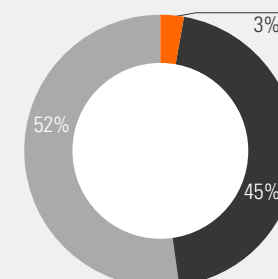## POTENTIAL SUSTAINABILITY RISKS

DIRECT OPERATIONS   **SUPPLY CHAIN**

ECONOMIC RISK

Direct Operations: 2%, 65%, 33%
Supply Chain: 2%, 62%, 36%

SOCIAL RISK

Direct Operations: 3%, 51%, 46%
Supply Chain: 4%, 52%, 44%

ENVIRONMENTAL RISK

Direct Operations: 3%, 45%, 52%
Supply Chain: 3%, 46%, 51%

GLOBAL SUSTAINABILITY RISK

Direct Operations: 4%, 44%, 52%
Supply Chain: 4%, 45%, 51%
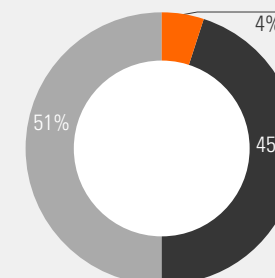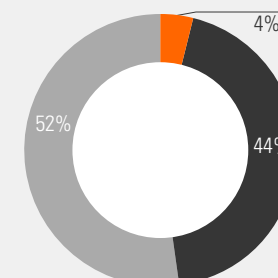
■ LOW RISK   ■ MEDIUM RISK   ■ HIGH RISK

PROCUREMENT
AND SUPPLY CHAIN
MANAGEMENT

SGS BUSINESS MATERIALITY MATRIX

Sustainable Procurement
and Supply Chain

PERFORMANCE

CHF 2.1BN

**APPROXIMATE SUPPLY
CHAIN SPEND**

WHY IS THIS IMPORTANT TO SGS?

SGS runs operations in more than 125 countries, many of which are considered medium- or high-risk countries. This fact, along with the diversity of our nine business lines, makes our supply chain quite complex. To deliver the right service to our customers, we draw on the services of 63 000 global, regional and national suppliers. As a major purchaser, we not only have to ensure a sustainable supply of goods and services for our businesses worldwide but also make all the efforts to respect human rights across our supply chain to mitigate reputational and non-compliance risks.

GRI	G4-DMA, G4-12

OUR BUSINESS IS GLOBAL, DIVERSE AND HIGHLY SPECIALISED. YET, EACH SGS SUPPLIER PLAYS AN INTEGRAL ROLE IN HELPING US TO PROVIDE SUPERIOR SERVICES TO OUR CLIENTS.

As the world's leading inspection, verification, testing and certification company, we use our scale and expertise to enable a more sustainable future. We ensure that we minimise our impact on society throughout the value chain, and we are committed to procuring products and services in a responsible way.

With an approximate spend of CHF 2.1bn across different categories, SGS is a major global purchaser of goods and services.

FOCUS AREAS	GRI	SDG
PROCUREMENT STRATEGY	G4-DMA, G4-13, G4-EC9, G4-EN1	1 5 8 12
SUSTAINABLE SUPPLY CHAIN STRATEGY	G4-EN32, G4-EN33, G4-HR1, G4-HR5, G4-HR6, G4-HR10, G4-HR11, G4-LA14, G4-LA15, G4-SO9, G4-SO10	5 8 16
MITIGATION INITIATIVES	G4-EN33, G4-LA15, G4-HR5 G4-HR11, G4-SO10	5 8 16

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

PROCUREMENT **STRATEGY**

GRI	G4-DMA, G4-EN1
SDG	1 5 8 12

As a major purchaser of supplies and services, SGS uses its supply chain strategy to minimise costs, support operational excellence and help ensure business sustainability.

The new Vice President of Global Procurement is developing a best-in-class procurement organisation that will contribute to our Sustainability Ambitions 2020 by focusing on maximising value in areas such as supplier innovation, operational excellence and digitalisation while strengthening our relationships with suppliers and internal stakeholders.
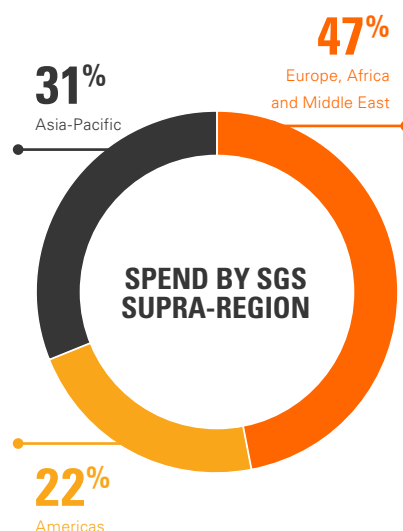
STRUCTURE

The Procurement and Supply Chain Management structure at SGS is built around three main functional areas:

SGS SPEND BY CATEGORY

- 21% Other OPEX
- 14% CAPEX
- 24% External services
- 18% Material and supplies
- 5% General repairs and maintenance
- 18% Travel and vehicles
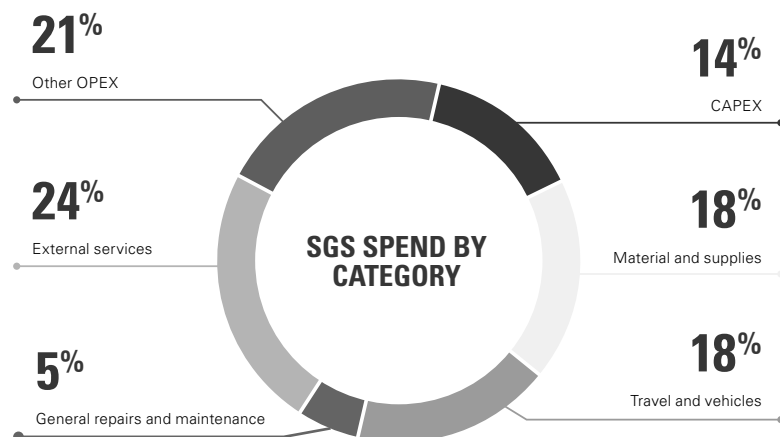
CATEGORY MANAGEMENT AND INNOVATION: Our global category team works with local procurement teams to develop and execute sourcing strategies for all major spend categories and create innovative solutions with an ecosystem of suppliers.

PROCUREMENT EXCELLENCE AND SUSTAINABILITY: Our focus is to develop and implement best-in-class processes and systems and provide sourcing expertise to the procurement organisation worldwide. By doing this, we drive the efficiency and effectiveness of the procurement organisation and ensure sustainable, long-term success through risk management and responsible sourcing.

SUPPLY CHAIN MANAGEMENT (SCM): The supply chain management team drives operational excellence in our laboratories through integrated optimisation of the end-to-end demand-to-supply process.

SPEND BY SGS SUPRA-REGION

- 47% Europe, Africa and Middle East
- 31% Asia-Pacific
- 22% Americas

GLOBAL PROCUREMENT STRUCTURE

The Vice President of Global Procurement is responsible for procurement at the corporate level. The Procurement function operates on three levels – global, regional and local – which allows us to offer the best options to our affiliates. Global procurement covers all categories where suppliers operate on a global level, such as field and testing equipment, IT and telecommunications, laboratory equipment and supplies, subcontracting, supply chain and logistics as well as travel and fleet management. The global procurement team develops and implements globally harmonised long-term sourcing strategies and innovation partnerships.

Our Professional Excellence teams optimise global sourcing processes and systems, and they are responsible for industry benchmarking and knowledge-sharing in a broader team. Regional procurement ensures that our regional sourcing activities follow the globally defined strategy and coordinates activities for the countries in each region. The regional procurement teams are based in each region in which we operate, and they cover related geographies. Local procurement operates through global or regional contracts and is leading sourcing from local partners.

CHIEF FINANCIAL OFFICER

GROUP VP GLOBAL PROCUREMENT AND SCM

- **CATEGORY MANAGEMENT AND INNOVATION**
- **PROCUREMENT EXCELLENCE AND SUSTAINABILITY**
- **SUPPLY CHAIN MANAGEMENT**
- **REGIONAL AND LOCAL PROCUREMENT**

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

INTRODUCTION | OUR VALUE TO SOCIETY | **PROFESSIONAL EXCELLENCE** | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

GRI	G4-13, G4-EC9
SDG	12

LOCAL VS GLOBAL SOURCING

Large global suppliers offer a certain degree of stability in terms of their financial resilience, delivery capacity and pricing structures – important factors that ensure a secure supply of materials, allowing us to run our business. By benefitting from economies of scale, global businesses can also often offer better pricing and improve margins, which is highly important to our investors. Our policy to rationalise our supply chain is in part to benefit from the standardisation, stability, quality control and pricing contracts that these large firms can offer us.

However, our supply chain is quite diverse and geographically dispersed, and our procurement teams need to find regional and local suppliers that meet our business requirements. Through structured sourcing processes, we always select the best option for SGS, and we will continue to support local suppliers when they meet our business requirements (e.g. high product quality). Over 87% of our yearly spend goes to regional and local suppliers, which demonstrates our dedication to supporting the communities in which we operate.

GROUP PROCUREMENT
GLOBAL CONTRACTORS 1%
13% OF SPEND

LOCAL PURCHASING MANAGERS
LOCAL SUPPLIERS 99%
87% OF SPEND

These figures represent approximately 80% of the total spend of SGS.

STRATEGY

Our mission is to maximise value and innovate to drive efficiency and support profitable growth in a sustainable way.

SGS has developed a Procurement Policy that has been deployed in all affiliates. The purpose of this policy, which is updated every year, is to establish the key principles, criteria and guidelines for any contracting activity throughout the Group.

The Procurement and Supply Chain Management strategy at SGS is built around three pillars: deliver value, optimise processes and enhance supply chain management. We deliver these goals through structured sourcing programmes, Source to Pay standardisation and automation, centralised category management and global processes, which are all implemented by our local procurement teams.

Ultimately, each of these pillars is overseen by the appropriate functional area as previously outlined (see).

SOURCING AND INNOVATION PROGRAMME:
Our global category management programme aims to select the best suppliers for each category on a global, regional or local level while finding the most efficient solution to bring innovative solutions to our business. After successfully delivering on target for the 2015–2017 period, we are defining a new three-year savings programme. This pillar is overseen by the Category Management and Innovation functional area.

SOURCE TO PAY EXCELLENCE:
The global operating model will be further enhanced to drive efficiency through the standardisation and automation of our end-to-end Source to Pay. Successful ongoing projects, such as a global rollout

of our e-sourcing tool or an electronic invoicing programme, will be further pursued. Over the next three years, 60% of all tender processes are expected to be completed online, while the electronic invoicing solution aims to automate 40% of all SGS invoices. The broad use of these platforms increases transparency, enforces compliance and drives operational excellence. This pillar is overseen by the Procurement Excellence and Sustainability functional area.

SUPPLY CHAIN MANAGEMENT:
Our supply chain management is enhanced through optimising inventories, cutting logistics costs and focusing on standardising Stock Keeping Units (SKUs) to ease demand planning. This pillar is overseen by the Supply Chain Management functional area.

ACHIEVEMENTS

In 2017, Procurement and Supply Chain Management reported CHF 61 million in new savings, successfully delivering on the CHF 160 million target defined for the three-year savings programme 2015–2017. Ties have been strengthened with core suppliers, resulting in an 85% growth in the supplier incentive programme, versus 2016, by bundling procurement volumes.

In 2017, the number of suppliers worldwide was reduced by 19%, while the use of internal purchasing catalogues increased by 17%. This change has generated higher savings and created process efficiency.

2017 also heralded the launch of several key transformation projects: In the US and Spain, a supplier portal that supports electronic invoicing was launched. It will be rolled out globally starting in early 2018 and will create significant process automation. In China and

France, an e-sourcing tool was successfully launched, and 80% of newly negotiated spend and over 60 online auctions have already been sourced through it.

A pilot for the new SGS Transportation Management tool, which increases distribution efficiency and decreases transport-related costs and carbon emissions, was successfully completed in France, leading to a broader rollout in 2018.

SGS has continued to partner with leading suppliers as part of the

Supplier Innovation Programme, allowing the Group to benefit from the innovation power of our supplier ecosystem. To optimise the effectiveness of the programme, it has been fully integrated into our 'Inno 2020' Global Innovation initiative. The programme is on track to deliver additional revenue to the Group as of 2018.

CHF 61 MIO

NEW PROCUREMENT SAVINGS

19%

REDUCTION IN THE NUMBER OF SUPPLIERS

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

SUSTAINABLE **SUPPLY CHAIN STRATEGY**

GRI	G4-EN32, G4-EN33, G4-LA14, G4-LA15, G4-HR1, G4-HR5, G4-HR6, G4-HR10, G4-HR11, G4-SO9, G4-SO10
SDG	5 8 16

OUR GROUP-WIDE SUSTAINABLE SUPPLY CHAIN MANAGEMENT SYSTEM IS A KEY COMPONENT TO CREATE A RESPONSIBLE AND EFFICIENT SUPPLY CHAIN.

In 2017, SGS published figures to demonstrate the various ways in which we add value to society through our supply chain and ensure that sustainability is a central part of our procurement strategy (see pages 31 and 48).

As part of this process, we are developing a new approach to understanding and minimising supply chain risk and drive our insistence on integrity, compliance and respect for human rights down our supply chain. We have already taken significant steps over the last year and plan to continue in 2018. Our efforts in this area can be divided into three parts:

- The Supplier Code of Conduct and the self-assessment will be deployed throughout the global supply chain, following the conclusion of the 2016 pilot

- Risk assessment and process implementation: SGS is expanding its responsible business activities to include the global assessment and review of the social and environmental performance of our business partners and is adding sustainability criteria to our supplier selection process

- Short- to medium-term sustainability initiatives in the procurement process, such as the deployment of our updated car and travel policy, our asset redeployment programme (EquipNet) or the use of eco-friendly office materials

SUPPLIER CODE OF CONDUCT AND SELF-ASSESSMENT

OUR SELF-ASSESSMENT QUESTIONNAIRE IS FOCUSED ON EVALUATING THE FOLLOWING CRITERIA:

- ☑ *Adoption of the Supplier Code of Conduct*
- ☑ *Implementation of management systems*
- ☑ *Major sustainability breaches*
- ☑ *Monitoring of tier 2 suppliers (suppliers of our suppliers)*

To date, SGS' Supplier Code of Conduct has been issued in seven countries as part of a pilot test. Twenty-two percent of SGS suppliers in these countries have signed the commitment at the time of writing.

In 2017 a new strategy was established and approved, to be deployed during 2018, in order to have a bigger coverage of suppliers. Starting in 2018, the Supplier Code of Conduct will be deployed across the global supply chain. This process is supported by a Supplier Self-Assessment process that aims at disclosing and addressing potential gaps. The Supplier Code of Conduct defines both non-negotiable minimum standards that we expect from our suppliers and minimum requirements for responsible sourcing. The Code is written meeting the requirements of the International Bill of Human Rights (the UN Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights) and the International Labour Organization's fundamental conventions on Rights at Work.

The OECD Guidelines for Multinational Enterprises are also referenced. All our new suppliers will be requested to adhere to the SGS Supplier Code of Conduct. They are encouraged to use our confidential integrity helplines to raise concerns about possible violations with either the SGS Code of Integrity or the SGS Supplier Code of Conduct.

Our standard supplier contract template requires all suppliers to conduct their activities in accordance with environmental, health, safety and employment policies as well as with relevant standards and legislation. Suppliers are also expected to encourage their own contractors and subcontractors to follow these practices.

SUSTAINABILITY RISK ASSESSMENT PROCESS

Our Sustainability Risk Assessment Process for our supply chain takes a three-step approach.

Our tier 1 suppliers include all active suppliers in the top 28 SGS countries, covering 80% of our spend. To determine which suppliers could represent a risk, we conducted a structured assessment process of economic, social and environmental issues across industries and combined it with other criteria, such as spend per supplier and criticality of product categories. Our focus population (high- and medium-risk suppliers) targets 4 111 vendors.

	TOTAL TIER 1 SUPPLIERS	HIGH- AND MEDIUM-RISK SUPPLIERS
Number of countries	**28**	12
Spend (%)	**80**	28
Number of suppliers	**63 240**	4 111

Suppliers in the focus group will be asked to perform a self-assessment for identifying potential areas of risk. The Supplier Code of Conduct and the Self-Assessment give us a better understanding of the suppliers' status and trigger possible follow-up actions, such as physical audits to ensure compliance with our Supplier Code of Conduct.

This three-step process – rollout of the Supplier Code of Conduct, the Self-Assessment and the physical audit – builds our cohesive sustainable sourcing system that ensures the sustainability of our supply chain.

> **THE SUSTAINABILITY RISK ASSESSMENT PROCESS WILL BE ROLLED OUT GRADUALLY, WITH A PILOT ALREADY UNDERWAY. AS OF 2018, WE WILL DEFINE KPIS AND TARGETS TO MEASURE THE SUCCESS OF THE DEPLOYMENT.**

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

MITIGATION
INITIATIVES

GRI	G4-EN33, G4-HR11, G4-LA15, G4-SO10
SDG	5 8 16

In addition to our global Sustainable Supply Chain Strategy, a number of successful initiatives are underway, at both the local and global level, to promote ever more sustainable supply chain practices.

LOCAL PROCUREMENT INITIATIVES

VERIFIED SUPPLIER MARK PROJECT IN CHINA

Globalisation and the ease of international trade result in a growing number of business deals conducted remotely. Honesty and credibility play an important role in trading platforms, but in today's digital environment, buyers and sellers may never meet, making these value judgments more difficult. Today, supplier verification protects the interests of all parties on trading platforms.

The SGS Verified Supplier (VS) Mark is an innovative product developed by the SGS China e-commerce team, in collaboration with SGS Procurement, to verify the authenticity of SGS suppliers in China. Following an in-depth assessment process, the SGS VS Mark provides a stamp of approval that can be used by suppliers to promote their credentials in the marketplace. SGS VS Mark is available globally and provides a reliable way for buyers to access supplier credentials to choose

53

SGS SUPPLIERS COMPLETED VS MARK PROJECT IN CHINA

their trading partners. Together with a QR Code, the VS Mark can be used on product packaging and on electronic platforms to verify the authenticity of suppliers, manufacturers or service providers.

UK SUPPLIER ASSESSMENT

During 2016, SGS UK updated its Quality, Health, Safety and Environment supplier risk assessment process to incorporate a basic ethical assessment and address the requirements of the Modern Slavery Act 2015. The risk assessment process now includes a requirement for suppliers to provide detailed compliance information in relation to the services provided to SGS and associated operational and management controls. Each assessed supplier is given both technical and ethical risk ratings. The given ratings will dictate how often we review the supplier and the depth of the review required to properly ensure that SGS is not susceptible to compromise. As part of the assessment process, we also request that suppliers formally commit to our Supplier Code of Conduct, while reserving the right to terminate contracts in the event of a breach.

During 2017, we approached a wide range of suppliers, including those that were already subject to routine technical evaluation and also our top 50 suppliers by spend. To date, approximately 80 suppliers have signed up to our Supplier Code of Conduct, with a further 100 to send their feedback.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

GRI	G4-HR5, G4-HR6, G4-HR10
SDG	**8** **16**

GLOBAL PROCUREMENT INITIATIVES

2017 was marked by the launch and consolidation of several key transformation projects linked to our sustainability strategy:

ELECTRONIC INVOICING

In the US and Spain, a supplier portal enabling electronic invoicing was launched. This paperless solution facilitates knowledge-sharing across our supplier base and will be rolled out globally in early 2018, leading to significant process automation. The electronic invoicing solution aims to automate 40% of all SGS invoices by 2020.

ELECTRONIC SOURCING AND SUSTAINABILITY REQUIREMENTS IN TENDERS

Over the next three years, 60% of all tender processes in scope are expected to be completed online. This will increase transparency of our selection process and help drive competition between our suppliers to encourage optimal value for SGS. SGS' tenders, also known as requests for proposals (RFPs), already require new suppliers to respond to questions covering sustainability management systems, policies, measurement and reporting of economic, environmental and

social impacts and certifications. In 2017, 6% of our tender processes required suppliers to go through our standard SGS sustainability questionnaire. However, this year, new, increasingly robust criteria were selected to be included across these categories. The new criteria will appear in tenders offered in 2018, following the implementation of our electronic tendering system.

EQUIPNET

The circular economy aims to eradicate waste in a way that goes above and beyond the principles of lean management. Rather, it strives to reduce waste systematically throughout the life-cycle of products and their components. SGS supports this principle. In addition to 5% of our procurement category spend going towards the maintenance and repair of our current equipment, we also
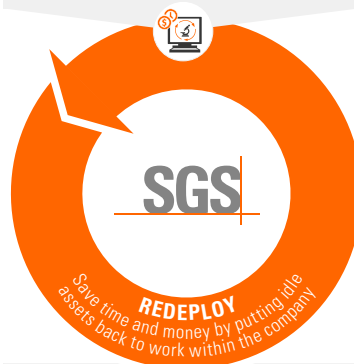
EQUIP**NET**

BUY
Save more time and money by sourcing premium, pre-owned assets on the second-hand market

REDEPLOY
Save time and money by putting idle assets back to work within the company

SGS

SELL
Maximise cash value recovered from surplus assets while ensuring efficient, cost-effective clearance

run an equipment reallocation tool – EquipNet. With over 2 400 offices and laboratories, SGS holds an extensive inventory of fixed assets that need to regularly be replaced and renewed. To ensure responsible and efficient operations that minimise waste, SGS works with EquipNet, a serviced web-based platform that enables our procurement managers, suppliers and customers to redeploy, sell and buy second-hand equipment across both the SGS network and externally. The tool offers premium, late-model equipment that can be sourced for up to 75% discount while saving lead times typically associated with purchasing new equipment.

Since its implementation in SGS in 2015, EquipNet has had around 1 260 users and an inventory of more than 750 pieces of equipment. During 2017, 113 pieces of equipment were redeployed in

the business and 10 sold externally, which has saved SGS more than CHF 1.9 million.

ECO-CERTIFIED PRODUCTS

SGS' suppliers have a sustainability clause in their contract that stipulates that they must ensure that their catalogues contain environmentally friendly and eco-certified products. One of those suppliers is Lyreco, a company that provides office supplies.

As part of our contract, Lyreco creates a report of all goods and services we purchased, split up by compliance and non-compliance with our sustainability criteria, and shows the percentage of total products acquired that have green characteristics. This list will then help procurement managers choose responsible products to further decrease SGS' carbon footprint.

50%

ECO-CLEANING PRODUCTS SOURCED

29%

ENVIRONMENTALLY FRIENDLY KEY PRODUCTS (E.G. PAPER) SOURCED

KEY PERFORMANCE INDICATORS AND SUSTAINABILITY AMBITIONS 2020

KPI	2015	2016	2017	2020 TARGET
Spend analysed on sustainability risks (%)	100	100	100	100
Tier 1 supplier analysed on sustainability risks (%)	100	100	100	100
Online-negotiated spend (%)	-	-	18	60
Number of assets sold or redeployed through EquipNet Programme	32	64	123	340

CUSTOMER RELATIONSHIP MANAGEMENT, DATA SECURITY AND BUSINESS CONTINUITY

SGS BUSINESS MATERIALITY MATRIX

- CRM/Customer Satisfaction
- Brand and Brand Protection
- IT Security/IT Operations
- Pricing
- Innovation
- Risk and Crisis Management
- Data Privacy and Protection
- Approach on Security of Company Assets

WHY IS THIS IMPORTANT TO SGS?

All three of these interrelated issues are important for our long-term business stability. Numerous independent studies point to the economic importance of developing customer loyalty. Data security meanwhile, is not only integral to our customer relationship management but often a contractual obligation. Business continuity planning, meanwhile, is important for ensuring business stability. Notably, it is also a legal requirement in some of our countries of operation.

FOCUS AREAS	GRI	SDG
CUSTOMER SATISFACTION	G4-PR5	–
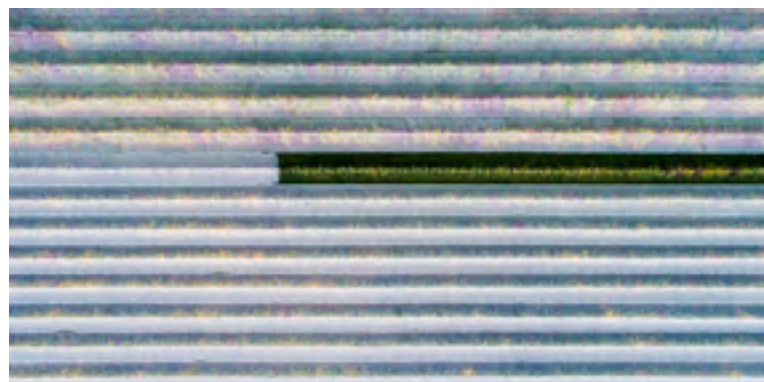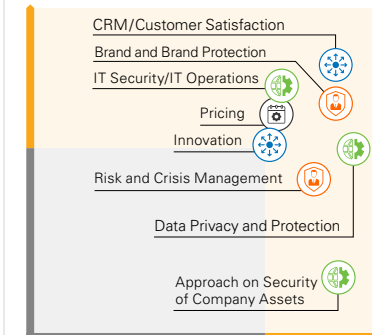
GRI	G4-DMA

Customer loyalty and retention are important aspects that affect businesses' profits. Managing our relationships with customers, including protecting their data, is key to our long-term business stability. As is ensuring our operations are robust enough to continue through any kind of unforeseen disruptions.

SGS builds trust and delivers market-leading services using state-of-the-art security software and advanced customer relationship management tools. We are also prepared for possible business disruptions and remain responsive to customer needs. It's a combination that ensures we continuously deliver sustainable and secure operations.

CUSTOMER RELATIONSHIP MANAGEMENT, DATA SECURITY AND BUSINESS CONTINUITY

| INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING |

BUILDING AND MAINTAINING **STRONG RELATIONSHIPS** WITH OUR CUSTOMERS

Strong relationships underpin customer loyalty. Customer relationship management is therefore integral to the service we provide, helping to underpin the stability of our business.

From surveys and face-to-face meetings to seminars and digital tools that provide real-time reporting on services, we have a number of methods to ensure that we are managing our customer relationships correctly.

For example, a new initiative, SGS Enable, will transform the value we bring to customers while providing significant productivity improvements through enhanced business analytics and automation. The initiative will also facilitate working process and speed up response times to improve online collaboration with our customers.

At a deeper level, a Group-wide customer relationship management (CRM) system called Sales Pipeline was deployed across the Group in 2014. It provides visibility on customer information, sales, operational activities and business opportunities.

In terms of dealing with challenging issues, our integrity hotlines allow customers to raise issues in relation with our Code of integrity that, if requiring such attention, can be directly handled by senior SGS managers, such as local Executive Vice Presidents (EVPs) and Managing Directors (MDs) alongside the Compliance team.

CASE STUDY: FRANCE

SOCIAL MEDIA INTERACTION

In France SGS is contracted to run the national driving theory examination, which is a perquisite for obtaining a French driving licence. The demographic of those taking the tests is heavily weighted towards young people, with 17–25-year olds being the largest age group targeted from a communication perspective. As may be expected with such a young customer base, social media channels play an important role in communications.

Along with the service's website (www.objectifcode.sgs.com), the Facebook and SGS France Twitter pages manage direct B2C customer enquiries. For example, people will often use the two social media channels to ask for details about their results (e.g. when they will receive them, how they will receive them etc.). Although, we are unable to look for repeat business from individual customers, by taking care of them in this simple way, we help increase the chance that we will be considered for similar contracts in the future.

CUSTOMER RELATIONSHIP MANAGEMENT, DATA SECURITY AND BUSINESS CONTINUITY

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

CUSTOMER
SATISFACTION

GRI	G4-PR5

Our customers' satisfaction is important to us. That is why we ask them to be clear and frank in their assessment of our performance so that we can improve what we deliver to them.

Independent studies show that increasing customer retention rates by 5% can increase profits by at least 25%. Conversely, acquiring new customers is estimated at being anywhere between five to 25 times more expensive than retaining one.

With this in mind, SGS regularly communicates with its customers on a number of levels and puts effort into analysing customer sentiment more broadly through our annual customer opinion survey.

'Voice of the Customer', as the survey is known, helps SGS understand and respond to customer interests, suggestions and expectations. The survey typically covers quality of service, technical capabilities, turnaround times, administration, reporting formats, satisfaction in queries being dealt with, courtesy and value for money. In 2017, we surveyed 8 941 respondents.

DESPITE THE HIGH SCORES AND HIGH LEVELS OF CUSTOMER SATISFACTION, WE ARE NEVER COMPLACENT AND CONTINUE TO PUSH STANDARDS EVER HIGHER.

Some business lines, such as our Agriculture, Food and Life business also have their own specific customer care departments that link the clients to our activities. We use a combination of face-to-face client meetings, follow-up emails/ phone calls, hard copy and online feedback questionnaires. These are constantly monitored and periodically reviewed as part of our Management Review processes.

THE VOICE OF THE CUSTOMER SURVEY RESULTS

RESULTS	2015	2016	2017
Satisfaction levels (%)*	88	86	88.1

*The survey covers approximately 50% of SGS revenue.

CUSTOMER RELATIONSHIP MANAGEMENT, DATA SECURITY AND BUSINESS CONTINUITY

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

A CLEAR AND TRANSPARENT
APPROACH TO
PRICING

AT SGS, WE ARE COMMITTED TO CONDUCTING OUR BUSINESS USING COMPETITIVE AND FAIR PRACTICES. THIS IS A SIMPLE, CLEAR AND INFLEXIBLE RULE WE APPLY TO ALL THAT WE DO.

OUR APPROACH IS CLEAR:

We do not engage in any understandings or agreements to bias or improperly influence markets

We do not discuss pricing, competitive bid processes, contractual terms, a division of territories or customer and market allocations with competitors

Our services and capabilities are never advertised deceptively or misleadingly

We also do not make disparaging or untruthful allegations regarding competitors nor do we obtain confidential information on them using illegal or unethical means

SGS' pricing and costing models are part of our intellectual property, and, according to the Code of Integrity, employees can only disclose, copy or use the information for its intended purposes

CUSTOMER RELATIONSHIP MANAGEMENT, DATA SECURITY AND BUSINESS CONTINUITY

| INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING | |

KEEPING **CUSTOMER** ## DATA ### SECURE

An integral part of our customer relationship management is protecting customer data. That's why our data security team uses state-of-the-art security software and robust management processes to ensure that customer information always remains secure.

The IT security landscape is continually evolving. In the past, there was a notion of a security perimeter around a company: there were firewalls around the perimeter and users and servers remained within the firewalls.

This is no longer the case with the advent of cloud computing and mobile devices. This means the new security perimeter is actually the user, and we have to update and improve our approaches.

Our IT Policy informs all employees of our standard IT security operating procedures. SGS employees are also required to participate in mandatory training on cyber security and risk. This includes topics from protecting customer privacy to data security. The Code of Integrity obliges all employees to maintain the confidentiality of customer data and to not disclose or discuss sensitive information even after the end of their employment.

Digitally, we have a number of new mechanisms in place. For example, we have begun implementing penetration testing and vulnerability management processes to highlight potential threats to our IT systems and ensure that appropriate remediation measures are implemented.

TECHNICAL DEVELOPMENTS

Additionally, this year, we began migrating our servers to the cloud with Microsoft Azure. As is outlined in the case study (on the next page), 80% of our servers will ultimately be run on the cloud in this way.

THIS WILL FURTHER IMPROVE CLIENT DATA SECURITY THROUGH REMOVING THE RISK OF SERVER MISMANAGEMENT (E.G. FAILING TO BACK THEM UP OR LETTING THEM OVERHEAT) AND THROUGH SIGNIFICANTLY INCREASING THE LEVEL OF SECURITY AGAINST EXTERNAL CYBER-ATTACKS.

However, around 20% of our servers will remain physical. This is often because of contractual obligations with our customers to safeguard their data. In many of these cases, the data is not allowed to leave the customer's premises, which means that our servers will remain on the customer's property, in such cases.

We have also introduced two-factor identification for remote e-mail access to better protect employee e-mails. Additionally, this year, we updated our endpoint solution, which is designed to protect our network from viruses and malware when users access it remotely.

EUROPEAN DATA PROTECTION REGULATIONS

From 25 May 2018, The EU's new General Data Protection Regulation (GDPR) will come into force. We are actively engaging with our business lines and functions in Europe to ensure compliance. The project includes an assessment of both the data itself and our data storage and handling practices to ensure that we are implementing the necessary enhanced processes. We will also update our privacy policies on or before May 2018, and a dedicated e-learning programme will be provided to employees who are working with personal data on a daily basis. A dedicated project team, supported by privacy officers and external consultants, has been established to guide this work.

SECURE

CUSTOMER RELATIONSHIP MANAGEMENT, DATA SECURITY AND BUSINESS CONTINUITY

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

ENSURING **BUSINESS CONTINUITY**

While it is inherently impossible to plan for 'black swan' and every other feasible business disruption, we have identified four core scenarios we may be forced to deal with.

A business continuity plan is a detailed response to ensure that major disruptions are handled efficiently and with minimal business impact. SGS has identified four core scenarios that will cover the majority of the

events we believe we are likely to face. These relate to people, buildings, IT and suppliers. While no two incidents will be the same, many of the initial response steps, such as establishing a crisis management team, can be similar. Thus, by preparing (for example, a contact list and emergency contact procedure for each scenario) in advance, we can begin attacking the problem more rapidly.

After studying each of these areas, SGS is now implementing a Business Continuity Management Process that is managed with Group support at a country level. This includes the creation of local crisis management teams and the development of training exercises to simulate a major incident.

IN COUNTRIES LIKE AUSTRALIA, BUSINESS CONTINUITY PLANNING IS A LEGAL REQUIREMENT, AND SGS IS USING THIS EXPERIENCE FOR THE ROLLOUT ACROSS THE NETWORK.

CASE STUDY:

IT AND BUSINESS CONTINUITY

The SGS IT transformation programme called SGS Enable includes data centre consolidation, resulting in around 80% of all workflow being run in the cloud by 2020. This cuts annual CO_2 by 4.5 million kg – the equivalent to almost 2 000 single-person round-trip flights from Geneva to New York. Added to that, it is also inherently supportive of business continuity efforts. For example, in the event of an incident, such as a fire, destroying or shutting down the local servers, users will in theory only lose a maximum of a few hours of work – depending on when the servers were last automatically backed up to the cloud.

THE FOUR CORE **SCENARIOS**

PEOPLE: includes the temporary or permanent loss of a key person at any level of the organisation.

SUPPLIERS: looks at scenarios where services or goods cannot be delivered (e.g. supplier insolvency, logistics issues, etc.).

SGS

BUILDINGS: covers the inability to enter an SGS building or facility (e.g. as a result of a severe weather-related event).

IT: envisages how to handle systems that cannot be accessed.

PEOPLE

Our employees are our most important asset. We empower them to succeed in a safe, diverse and inclusive workplace that treats everyone fairly and with respect. With more than 95 000* people working for SGS across the world, our business has a big impact on the communities in which we operate, which is why we seek to employ local talent and build individual and collective capabilities within our teams.

*Full-time equivalent.

THE IMPORTANCE OF
PEOPLE

SGS BUSINESS MATERIALITY MATRIX

Talent Acquisition and Retention

Diversity and Equal Opportunities

Employee Engagement

Fair and Equal Remuneration
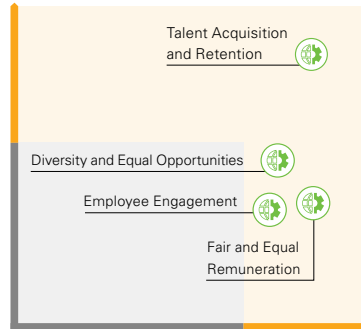
GRI	G4-DMA

WHY IS THIS IMPORTANT TO SGS?

SGS is the TIC industry leader and recognised as one of the world's most innovative companies. We rely on key personnel, from operations through to the executive level, to perform optimally. In fact, human capital is considered a material issue for the company and important to our calculation of our value to society (see page 23).

Our people give us a key competitive business advantage, so ensuring the effective continuation of leadership and expertise is therefore important to us – talent attraction and retention and good labour practices are a core part of this. By creating a supportive, inclusive and open company culture as outlined in our Business Principles, we increase employee satisfaction and engagement, which ultimately leads to better performance and a successful company culture.

Full-time equivalent.

SGS EMPLOYS MORE THAN
95 000*
PEOPLE AROUND THE WORLD.

This global footprint is our main asset as well as our key competitive advantage. To maximise the potential of our human capital, successful human resources management is key.

When a business has a workforce with the skills, motivation and ambition to succeed, it is obviously in a better position to achieve its goals. This is perhaps particularly true for SGS, where the scale of our physical footprint is a key differentiator across our strategic initiatives. Therefore, we recognise that our strength lies in the quality of our people, and we constantly aim to attract and retain the best talent. Managing employee expectations in a dynamic and volatile employment market is a challenge, which is why we give SGS employees every opportunity to reach their full potential, moving between countries, business lines and functions to enhance their skills.
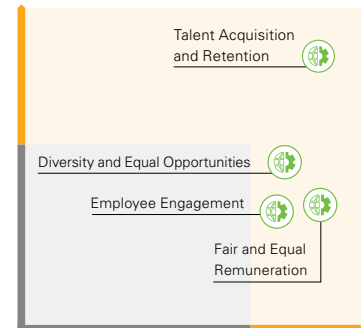
TALENT
ATTRACTION
AND RETENTION

WHY IS THIS IMPORTANT TO SGS?

In recognition for our human resources approach, SGS was named among the leading employers in China in the 2017 Employer Excellence Awards and won the 2017 Excellence in Human Resource Management Award – both prizes sponsored by 51job, Inc., a leading integrated human resources service provider in China.

FOCUS AREAS	GRI	SDG	
FINDING THE RIGHT PEOPLE	G4-LA1	5	8
NURTURING GREAT CAREERS	G4-10, G4-LA1, G4-EC5, G4-LA2, G4-51	5	8

SGS BUSINESS MATERIALITY MATRIX

Talent Acquisition and Retention

Diversity and Equal Opportunities

Employee Engagement

Fair and Equal Remuneration

GRI	G4-HR4, G4-LA2, G4-LA7, G4-LA8
SDG	3 8

OUR GLOBAL HUMAN RESOURCES OPERATIONS FOCUS ON EMPLOYEE ATTRACTION, DEVELOPMENT AND RETENTION AS A KEY ASPECT OF THEIR ROLE.

SGS has four human resources (HR) principles that underpin our approach to the way we acquire, manage, develop and engage people throughout the business. HR professionals across the network work in partnership with business managers and operations teams to deliver our HR strategies in support of SGS' business priorities. Central to this is upholding our deeply held beliefs in non-discrimination, as enshrined in SGS' Business Principles (see page 43 of the for full details).

HUMAN RESOURCES PRINCIPLES

TALENT ACQUISITION

TALENT DEVELOPMENT

REMUNERATION

ENGAGEMENT AND WELL-BEING

GRI	G4-DMA

With the global workforce becoming more diverse, our talent-sourcing strategy has increasingly begun to focus on e-recruitment, competency-based assessments and efficient onboarding of new staff, especially in relation to our values, culture and business processes.

We also use digital tools and social media platforms to foster connections with potential future employees around the world. Our retention strategy, meanwhile, is focused on attracting the right people to SGS, rewarding them appropriately and helping them to achieve their career goals once they are onboarded.

Moving forward, our strategy will be defined by the newly appointed Senior Vice President of Human Resources. This process is underway and includes a complete review of all Human Resources key performance indicators. A new global strategy will be presented in the first semester of 2018 and will be disseminated throughout the Human Resources function, with more detailed strategies and plans being defined for each area. Key programmes, such as developing management feedback processes and implementing employee engagement actions based on the 2017 Catalyst survey (see), will continue, complemented by regional and local activities.

HUMAN RESOURCES STRUCTURE

SENIOR VICE PRESIDENT
HUMAN RESOURCES

RESPONSIBLE FOR:

- *Global HR strategy*
- *Setting global HR KPIs*
- *Adherence to HR principles*

GLOBAL
HUMAN RESOURCES TEAM

RESPONSIBLE FOR:

- *Global talent acquisition and retention strategy and activities*
- *Communicating strategies and requirements to regional teams*

REGIONAL
HUMAN RESOURCES TEAMS

RESPONSIBLE FOR:

- *Regional talent acquisition and retention strategy and activities*
- *Communicating strategies and requirements to local teams*

LOCAL
HUMAN RESOURCES TEAMS

RESPONSIBLE FOR:

- *Local talent acquisition and retention strategy and activities*

FINDING THE
RIGHT
PEOPLE

GRI	G4-LA1
SDG	5 8

15

COUNTRIES DEPLOYING THE EMPLOYER BRANDING CAMPAIGN TO DATE
(AUSTRALIA, BRAZIL, CANADA, CHILE, COLOMBIA, FRANCE, INDIA, ITALY, MEXICO, PORTUGAL, ROMANIA, SOUTH AFRICA, SOUTH KOREA, SWITZERLAND AND THE UNITED STATES)

+19 000

NEW EMPLOYEES ON THE SHINE GLOBAL ONBOARDING PROGRAMME

SGS seeks talented and creative professionals and recruits them based on their skills, experience and motivation to do the job in question.

Specific programmes are in place to support our talent acquisition process. These promote SGS as a desirable employer and ensure we are visible to potential employees. They also help make sure recruits enjoy a positive introductory experience.

SGS EMPLOYER BRANDING

'Be 100% You' is SGS' global employer branding campaign: It raises awareness, communicates our employer value propositions to internal and external audiences and engages millennials while also strengthening our 2020 business plan. The campaign is featured on our website and social media channels. So far, the campaign has been deployed in a wide range of countries.

E-RECRUITMENT

E-recruitment continues to be a significant channel for attracting and acquiring talent across the SGS network. During 2017, SGS continued its strategic partnership with LinkedIn and currently has more than 364 000 followers on the career network. As well as posting information about job vacancies, we use this platform to share content and employee testimonials, inform

about upcoming events and help people learn more about our company and the SGS employer brand.

EMPLOYEE ONBOARDING

Our global onboarding programme is named SHINE, and it makes a significant, positive impact on the first six months of an employee's life at SGS. This is an important programme, as this time period has been widely acknowledged as critical in terms of capitalising on new recruits' knowledge and enthusiasm and reducing employee turnover. The programme – sponsored by top management and actively backed by managing directors, HR, line managers and peer advisors – aims to make every new hire feel that they are supported in their role. It also strives to fully engage them in the company's principles, values and business aims. Importantly, the programme isn't just designed for full-time employees but also covers the needs of affiliates employing short-term contract workers.

CASE STUDY: SOUTH AFRICA

LOCAL COMMUNITY TALENT SOURCING

In South Africa, SGS has developed and launched a number of programmes designed to make a tangible difference to the local community while bringing talent into the SGS business. One such programme that started in 2017 offers unemployed young people the chance to work at SGS and gain a national education certificate. Of the initial intake of 53 young people, 72% completed the course. Of this total, 98% were offered contracts at SGS. In terms of gender, 64% of the young people that passed the course were female, giving these women the opportunity to enter a currently male-dominated industry.

CASE STUDY: CHINA

COOPERATION WITH VOCATIONAL SCHOOL

SGS took a new approach to attracting suitably qualified people in China, where we initiated an SGS diploma programme at the Changzhou Vocational Institute of Engineering. The three-year programme combines classes with a year-long internship at an SGS site. Currently, there are about 160 students enrolled in the programme, and the first students will graduate in June 2018.

CASE STUDY: PERU

BEST PERFORMANCE MANAGEMENT PROGRAMME AWARD

Inspectors make up almost 50% of our workforce in Peru. Setting them specific goals is an important part of ensuring engagement, reducing turnover and maintaining a high level of customer satisfaction. SGS Peru developed a programme to recognise performance excellence according to five key indicators, with a bonus for exemplary customer survey results. The programme has resulted in 273 inspectors being rewarded for their achievements and has led to external recognition for SGS in the form of an American Chamber of Commerce award.

TALENT ATTRACTION AND RETENTION

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

NURTURING
GREAT CAREERS

GRI	G4-10, G4-EC5, G4-LA1, G4-LA2
SDG	5 8

Once we have found the right people through our talent attraction programmes (see page 62), we need to turn our attention to talent retention. Specific approaches are used to encourage employees to stay with SGS.
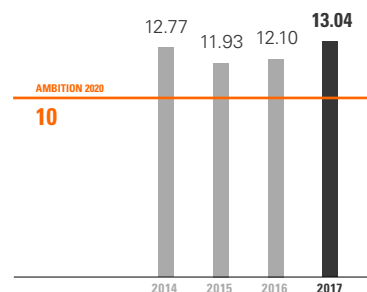
MANAGING NATURAL TURNOVER

SGS has kept a strong focus on performance management by collaborating with leaders to develop and engage employees.

Our natural turnover has increased slightly this year to 13.04% from 12.10% last year, though this is still considered a healthy rate for our industry. This increase is probably largely due to the move into more tier 3 cities in certain regions and the development of Shared Service Centres to more efficiently manage our back-end operations.

13.04%

PEOPLE LEAVING BY THEIR OWN WILL

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

AMBITION 2020
10

12.77 | 11.93 | 12.10 | **13.04**
2014 | 2015 | 2016 | **2017**

NATURAL TURNOVER[1]

EMPLOYEE ENGAGEMENT AND WELL-BEING

Ensuring employees are fully engaged in their roles is an essential part of talent retention and managing our natural turnover across the Group. Being so broadly spread around the globe, it is important SGS considers engagement both globally and locally. With this in mind, we monitor worldwide employee engagement and occupational health and safety, run a global health initiative, bring our employees together through internal social media and provide well-being programmes tailored to local needs.

+5 000

MORE SGS EMPLOYEES IN 2017 THAN IN 2016

+5.6%

INCREASE IN EMPLOYEES YEAR-ON-YEAR

A CATALYST FOR IMPROVEMENT

Catalyst, our employee survey, supports our talent retention strategy by investigating how engaged and enabled employees feel at SGS. To encourage participation in the survey, we ran an internal communication campaign featuring employees.

WE ARE THE CATALYST FOR IMPROVEMENT.

The redesigned survey was completed in September 2017 across all geographies. In total, 39 countries participated across three global teams. The updated Catalyst survey now includes new topics of interest, such as agility, while keeping a stable base of questions to follow year-on-year trends.

All participating employees can also access individual reports that provide specific actions, based on their results, to improve their work experience. Building on the outcomes, managers and employees work together with Catalyst facilitators to improve performance by implementing qualitative action plans. Ambassadors and the human resources function are trained to act as facilitators, providing support through the action planning phase and following up on progress.

The results of Catalyst were released to managers in October 2017, and they, in turn, invited their teams for individual feedback sessions to work together to improve performance by implementing qualitative action plans. This will be an important part of our 2018 HR activities.

CATALYST SURVEY RESULTS 2017

68%

ENGAGEMENT INDEX

70%

ENABLEMENT INDEX

SGS WELL-BEING PROGRAMMES

SGS provides well-being initiatives tailored to the needs and resources of local affiliates:

THESE PROJECTS RANGE FROM HEALTH AND SAFETY TRAINING PROGRAMMES TO FLEXIBLE WORKING HOURS AND PARTIAL RETIREMENT PLANS.

As local affiliates are allowed to lead these initiatives in a decentralised approach designed to suit local customs, available resources and facilities (along, of course, with meeting any country-specific regulations), our well-being programmes inherently vary from place to place. In certain locations, they include fitness facilities or contributions to external fitness programmes (e.g. reduced gym-membership fees), health and nutrition provisions, stress-management training as well as breast feeding rooms and childcare facilities or contributions.

In some instances, the programmes are outcome-based health promotions, while in others, they are campaigns to encourage positive behaviour change (e.g. cycle-to-work schemes). In some locations, they take the shape of employee benefits. For instance, extended paternity leave is given at SGS head office in Switzerland (where there is no law granting it).

Where possible, remote IT connections, together with teleconferencing facilities, also enable employees to work from home and save them having to travel to and from meetings.

SGS also promotes healthy, safe and ergonomic workplaces, and we monitor the lighting intensity, noise levels, indoor air quality, humidity and temperature levels in our buildings. Training, workshops and occupational health care assessments guide our employees on maintaining a healthy and safe work environment.

Below are some examples taken from 2017 well-being programmes around the network.

EXAMPLE:

GLOBAL CORPORATE CHALLENGE

Continuing our support of the Global Corporate Challenge (GCC) – now known as the 'Virgin Pulse Global Challenge' – 1 778 employees participated in this health and performance initiative during 2017. Employees from 18 countries, who formed themselves into 254 teams, ran, walked and cycled to reach new levels of fitness. The results of a Global Challenge survey for SGS participants were impressive, with 74% of participants who responded to the survey covering more than 1 371 103km, taking more than 10 000 steps per day (compared to just 21% of participants reaching this goal before the Challenge) and boosting their average daily steps to 13 318. Moreover, 28% of survey respondents now meet daily nutritional guidelines (compared to 16% of participants before the Challenge), 71% of participants are achieving the recommended seven or more hours of sleep per night (compared to 59% of participants before the Challenge). Furthermore, 67% of survey respondents reported feeling less stressed and 52% felt that they were better able to concentrate and were more productive.

GRI	G4-51, G4-EC5, G4-LA2
SDG	8

REMUNERATION, REWARD AND INCENTIVES

Reward plays a key role in attracting, motivating and retaining talent at SGS. Our remuneration framework compensates our employees for their performance, competencies and experience, based on local competitive conditions. It also encourages profit-sharing through appropriate variable compensation plans, both long-term and short-term.

We offer benefits, such as pension and health care plans, in accordance with local market practices. We regularly benchmark our compensation packages to confirm they are competitive in all locations around the world.

EQUAL REMUNERATION

As is enshrined in our Business Principles, SGS does not tolerate discrimination of any kind. This, by extension, means that we offer equal remuneration and do not discriminate based on gender or any other characteristic.

SGS observes local legislation in regard to minimum wage requirements. After that, salary increases are influenced by various factors, including career progression, relevant experience and performance, local labour market practices, local labour laws and regulations as well as collective agreements where applicable.

To benchmark our compensation practices against the external market in different geographies, as well as internally within the SGS Group, we use job architecture to classify positions as 'generic jobs' and 'job grades'.

The generic jobs (around 120) contained in the SGS Job Catalogue are organised into 23 job families across five categories. Each captures the basic nature of the job performed and the typical skills and competencies needed. A job grade represents the relative weight of a job within the organisation. This is determined using a standard and globally recognised external methodology (the Willis Towers Watson Global Grading), which calculates the grade of a job based on different factors, such as management responsibility, knowledge required and impact on financial results.

SHORT-TERM INCENTIVES

Short-term incentives are targeted and rewarded annually, based on collective and individual performance.

WITHIN THE SGS GROUP, THE TOP 1 500 EMPLOYEES ARE INCENTIVISED AND MONITORED THROUGH THE SAME GLOBAL SCHEME.

LONG-TERM INCENTIVES

SGS has two long-term incentive plans that are based on equity trends:

PERFORMANCE SHARE UNITS

After a three-year vesting period, units mature and give the holder the right to claim SGS shares free of charge, subject to performance conditions being met. Each unit can be exchanged for up to 1.5 shares, determined by the SGS Group performance outcomes.

RESTRICTED SHARE UNITS

Granted to employees with outstanding performance contributions, these rewards can be exchanged for shares on a one-to-one basis after a three-year vesting period. The scheme is designed to encourage talent retention and foster exceptional performers, as the shares are only granted if, after three years, the individual is still employed by SGS.

INCENTIVISING SUSTAINABILITY PERFORMANCE

Certain functional roles (for example in Environment, Health and Safety Services; Certification and Business Enhancement Services; Agriculture, Food and Life Services; Minerals Services and Consumer and Retail Services) are financially rewarded when generating business related to climate change (for example: environmental and social impact assessment, emission trading verification, wind turbine blade testing, carbon footprint and life-cycle assessment). Targets against which performance is assessed are set annually as part of the SGS performance management process.

MINERALS

EMISSION TRADING VERIFICATION

ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT

HUMAN CAPITAL
DEVELOPMENT
AND LABOUR PRACTICES

SGS BUSINESS MATERIALITY MATRIX

Diversity and Equal Opportunities

Talent Development and Recognition

FOCUS AREAS	GRI	SDG	
DIVERSITY AND EQUAL OPPORTUNITIES	G4-10, G4-LA12	5	8
EMPLOYEE REPRESENTATION AND CONSULTATION	G4-11, G4-LA5, G4-LA8	8	
TRAINING AND TALENT DEVELOPMENT	G4-LA10, G4-LA11	5	8

GRI	G4-LA4
SDG	8

AMBITIONS 2020

30% OF LEADERSHIP POSITIONS WILL BE HELD BY WOMEN

PERFORMANCE

26.16 %

AMBITION 2020
30

25.63 — 2015
26.31 — 2016
26.16 — **2017**

% WOMEN IN LEADERSHIP POSITIONS (CEO -3)

LABOUR PRACTICES COVER A VARIETY OF ISSUES INCLUDING SUPPORTING DIVERSITY AND EQUAL OPPORTUNITIES, OPTIMISING NATURAL TURNOVER AND PERMITTING COLLECTIVE BARGAINING AGREEMENTS.

SGS is a diverse and inclusive Group that supports all employees in realising their potential. We strive to treat everyone fairly and without discrimination while providing employees with career development training that enables them to meet customer requirements and our own standards.

SGS employees, sub-contractors, business partners and suppliers are entitled to work in an environment and under conditions that respect their rights and their dignity. We respect freedom of association, and we cooperate in good faith with trade unions or work councils that our employees collectively choose to represent them within the appropriate national legal frameworks.

DIVERSITY
AND EQUAL
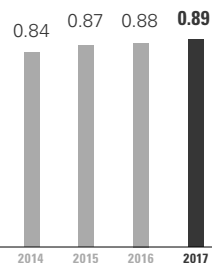OPPORTUNITIES

GRI	G4-LA12, G4-10
SDG	5 8

As a global business with approximately 95 000 employees (FTEs) worldwide, SGS is inherently a business with a diverse workforce. Our employees span nationalities, cultures and religions, generations and genders, and we recognise the contribution that diversity brings to our business success.

16
NATIONALITIES REPRESENTED ACROSS SGS MANAGEMENT BOARD AND OPERATIONS COUNCIL

26.16%
WOMEN IN LEADERSHIP POSITIONS (CEO -3)

0.89
(FEMALE MANAGERS/FEMALE EMPLOYEES)/(MALE MANAGERS/MALE EMPLOYEES)

0.84 (2014) 0.87 (2015) 0.88 (2016) **0.89 (2017)**

EQUAL OPPORTUNITY RATIO

Our approach to diversity is grounded in our Business Principles where respect is defined as 'making sure we treat all people fairly' (see page 43 of the SGS Annual Report 2017 for more details).

In 2017, SGS had 67% males and 33% females in the global workforce, showing a stable year-on-year equal opportunity ratio of 0.89. The number of women in leadership roles, which is categorised as all positions up to three levels below the CEO (CEO -3), was 316, representing 26.16% of all CEO -3 management positions occupied. SGS also has a broad range of nationalities in senior leadership roles: across the SGS Management Board and Operations Council, there are 16 nationalities represented.

Total CEO -3 — 1 208
26.16% (316)   73.84% (892)

Total managers — 8 046
30.38% (2 444)   69.62% (5 602)

Total employees — 99 091
33.03% (32 726)   66.97% (66 365)

HUMAN CAPITAL DEVELOPMENT AND LABOUR PRACTICES

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

EMPLOYEE
REPRESENTATION
AND CONSULTATION

GRI	G4-LA5, G4-LA8, G4-11
SDG	**8**

Collective bargaining agreements exist in certain countries where we operate. We also strictly adhere to tariff structures and arrangements negotiated with trade unions.

We respect the right for employees to enter into collective bargaining agreements where this is accepted in local law, and where there are collective representation and bargaining systems in place.

We also inform and consult employees on relevant business activities: for example, we respect statutory minimum notice periods and give reasonable notice of any significant operational changes in line with local practices and labour markets.

40%

OF SGS EMPLOYEES WERE COVERED BY COLLECTIVE BARGAINING AGREEMENTS

Our affiliates' communication and consultation processes are tailored to local needs. Within the European Union for example, the SGS European Works Council (otherwise known as the Euroforum) ensures constructive dialogue with elected employee representatives on relevant transnational issues. Chaired by the Chief Operating Officer, Northern and Central Europe, the Euroforum held a meeting in October 2017, attended by the CEO and the Group Vice President Corporate Sustainability. The latter presented this year's sustainability topics, the SGS Vehicle Emissions Policy and the Human Rights for discussion.

HUMAN CAPITAL DEVELOPMENT AND LABOUR PRACTICES

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

TRAINING AND
TALENT
DEVELOPMENT

GRI	G4-LA10, G4-LA12
SDG	5 8

The majority of SGS talent development programmes are created and managed at the local level, based on the needs in the region or country. However, the topline strategy remains the same, encompassing performance management, functional business partnerships, leadership and individual development plans.

Each affiliate manages its own training programmes locally, based on the precise needs of the SGS business, employees and community in that specific location.

The programmes range from initiatives designed to give high-performing employees the opportunity to develop into management roles to health and safety and technical skills training. These programmes help keep employees at the top of their fields.

In 2017, SGS employees around the world attended 2.7 million hours of training.

SGS' training hours have increased 5.6% in 2017; however, the training ratio (training cost – including hours – as a percentage of employment cost) has decreased in 2017 from 2.09 to 1.97. These results are mainly due to the increase in training given through e-learnings, resulting in a cost reduction.

By using vocational, technical and compliance training, we ensure that our employees retain the necessary certifications and qualifications for continuing professional growth. For example, we run specific training for managers, offer young talent development programmes and offer sales and technical training courses in addition to our mandatory Annual Integrity Training.

TRAINING AND DEVELOPMENT PROGRAMMES

MANAGERS

Employees	5 935
Training Hours	122 735

SALES AND TECHNICAL

Employees	14 837
Training Hours	255 610

28.74

31.80 31.37 28.41 **28.74**

2014 2015 2016 **2017**
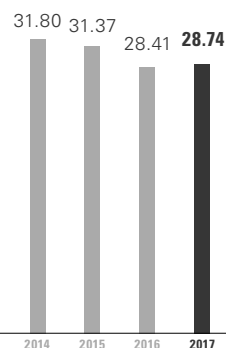
TRAINING HOURS PER FTE

CASE STUDY: TUNISIA

"THE TIME WE SPEND AT WORK IS OBVIOUSLY A LARGE PART OF OUR LIVES. AT SGS I FEEL AT HOME."

MOUNA OUEJHANI, SGS BUSINESS MANAGER, ENVIRONMENT, HEALTH AND SAFETY (EHS), TUNISIA

I studied industrial chemical engineering at university, and I went on to get a research-based master's degree. After a year of work experience, I joined SGS as an Oil and Gas Laboratory Manager in 2008, so I'm coming up on ten years in the company now.

In 2010, SGS promoted me, giving me responsibility for running the multi-laboratories in Tunisia. The position also meant that I directly ran a team of about 35 people, which was a great opportunity for me to grow as a manager. I was given a lot of support by the company and attended training courses in places like South Africa, Belgium and Turkey. In a professional capacity, I've had the chance to work in Morocco and Italy, which was also very rewarding.

At the end of 2017, I was given the chance to change direction and I became a Business Manager for our Environment, Health and Safety (EHS) business line. It's an interesting change for me. On a personal level, I've always worked in a lab before, so this is allowing me to learn new skills and meet people from different walks of life. It's also a different kind of challenge professionally. EHS is a relatively new presence here in Tunisia, and I have a smaller team of direct reports (six people).

Our job is really to grow the EHS business here – which I'm finding very exciting. I appreciate the fact that I am able to make this kind of change within the company because I enjoy working here. I like the consideration and recognition I get from my managers and the value they put on my work. Life at SGS is very diverse. Every day is enriching and helps me to develop as a professional and as an individual.

HUMAN CAPITAL DEVELOPMENT AND LABOUR PRACTICES

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

GRI	G4-LA11
SDG	5 8

PERFORMANCE APPRAISALS

Managing and reviewing employee performance and fostering appropriate staff development and training are critical to achieving SGS business goals and overall success. Managing performance is recognised within the company to be a joint responsibility between an employee and their manager (see box for details).

This being the case, our performance management process, which is detailed in our Performance Management policy, provides the opportunity for employees and managers to work together in a structured way. It encourages managers and employees to openly share meaningful feedback and develop ongoing coaching relationships. This creates opportunities to review performance, recognise achievements as well as identify learning and development needs among other things.

A single Performance Management tool (TalentForce) is used globally across all country affiliates to structure this process for most job levels, with the global Individual Performance, or global Team Performance processes being used for level-one and level-two jobs.

The process is divided into five phases: Goal Setting, Feedback, Validation, Training and Evaluation.

MANAGING PERFORMANCE ENABLES EMPLOYEES AND THEIR MANAGERS TO:

☑ *Provide regular two-way feedback*

☑ *Review performance against previously set goals*

☑ *Identify development and training needs*

☑ *Acknowledge excellence in performance*

☑ *Identify and manage potential barriers to satisfactory performance*

☑ *Ensure transparency and fairness in dealing with unsatisfactory performance*

Each phase is conducted on a standardised calendar across the company, for example all goals must have been validated by 31 March every year at the latest. The evaluation phase meanwhile begins on 1 November.

A structured approach to evaluation, with follow-up activities to support managers in their completion of these ongoing evaluations, helps ensure that issues, such as supporting individual employee needs or addressing underperformance, are dealt with correctly.

In 2017, to drive a culture of ongoing performance feedback in SGS, five certified SGS coaches delivered 90-minute training sessions to 200 employees and managers on giving and receiving feedback. This programme will be expanded in 2018.

PERFORMANCE APPRAISAL RESPONSIBILITIES

In addition to the role played by regional and corporate Human Resources teams, the responsibilities of employees and managers include the following.

THE EMPLOYEE'S RESPONSIBILITIES ARE TO:

a) Consult with their manager, seek advice and provide feedback

b) Proactively draft the performance goals and seek validation from their manager

c) Self-evaluate achievements against approved goals

d) Seek opportunities and take responsibility for ensuring learning and development needs are met

e) Complete a Performance Evaluation plan annually, and participate in an annual Performance Evaluation discussion with their manager

THE MANAGER'S RESPONSIBILITIES ARE TO:

a) Initiate and ensure the Performance Management process is completed annually for each employee. SGS requires 100% completion rate for all employees in scope

b) Provide the employee with a clear understanding of work expectations and deliverables aligned with their job assignments, including setting performance goals with reasonable timeframes for achievement

c) Discuss work performance on an ongoing basis, by recognising achievements as well as identifying and clarifying underperformance issues

d) Provide honest, transparent and timely feedback on performance and/or areas requiring improvement

e) Facilitate and support agreed learning and development initiatives to enhance performance and/or career management

LEADERSHIP

INDIVIDUAL DEVELOPMENT PLANS

Individual development plans (IDPs) record up to three developmental goals that are jointly agreed on and monitored by employees and their manager. The goals are aligned with business objectives, consider career aspirations, mention the requirements to succeed in the role and include functional and technical training skills. The development methods used for IDPs are based on the 70:20:10 model, which we have adopted across our organisational learning strategy.

THE GLOBAL HR CURRICULUM AIMS:

☑ Align HR capabilities to business growth plans and objectives

☑ Enhance HR understanding of SGS' business needs and expectations

☑ Develop HR team members' individual technical, behavioural and leadership skills

☑ Drive consistency in our HR practices, policies and processes

☑ Grow a robust HR talent pipeline

GLOBAL HR CURRICULUM

The Global HR Curriculum is a one-year programme to enhance and develop HR manager competencies. Designed for Country HR Managers and their identified successors, the online assessment enables identification of proficiency levels, using 14 HR competencies across three learning tracks: HR Organisational Architect, HR Systems and Processes and HR Credible Activist.

CASE STUDY: PHILIPPINES

MENTORING PROGRAMME FOR NEW LEADERS

In 2017, SGS Philippines launched a mentoring programme to fast-track the development of new leaders. Beginning with a three-month pilot, senior business leaders, including the country Managing Director, were partnered with mentees to exchange ideas and share insights. After initial meetings together with HR, where expectations were clarified and ice breaker exercises were conducted, the mentor and the mentee were left to meet regularly. The local HR team met with each pair on a monthly basis to follow progress. At the end of the pilot, it was concluded that three months is insufficient, as it takes time to build the trust needed and the support that is required on an ongoing basis. As such, the mentor-mentee relationships continued past the end of the pilot with no specific end date.

CASE STUDY: CASPIAN REGION

DEVELOPMENT OF HIGH-POTENTIAL EMPLOYEES

The Caspian region SGS HR team identified 19 high-potential employees that would benefit from sales and business development training. A two-day course was then delivered in September 2017 by an external provider. It included modules on sales, negotiation and client attraction. While the group of SGS employees varied considerably in terms of experience, the course provided something for everyone. Less experienced employees developed new skills to integrate into their daily practices while those with more experience were still able to gain knowledge from the expert trainer in specific areas. All attendees were awarded a certificate at the end of the course.

OPERATIONAL **INTEGRITY**

FOCUS AREAS	GRI	SDG	
OUR SEVEN OI PILLARS	G4-LA6	3	8
INDUSTRIAL HYGIENE AND OCCUPATIONAL HEALTH	G4-LA7	3	8
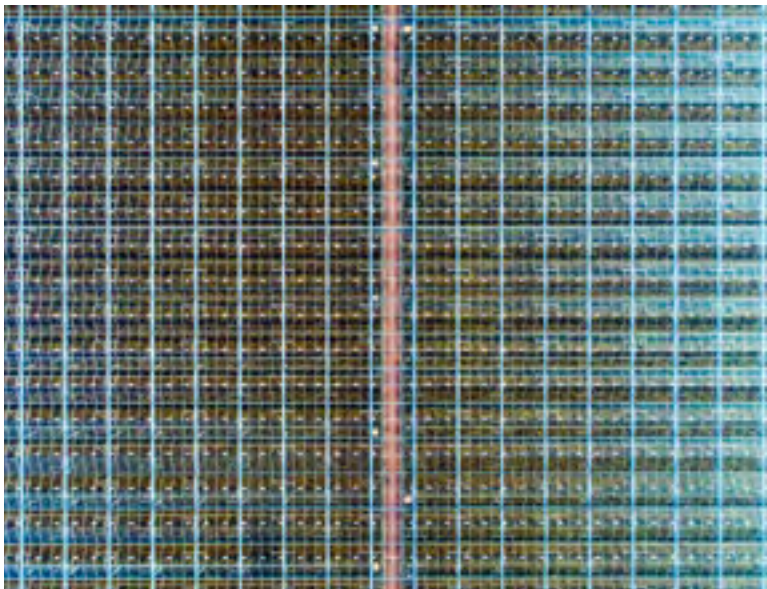
*Against a 2014 baseline.

SGS BUSINESS MATERIALITY MATRIX

Operational Integrity

GRI	G4-DMA

AMBITIONS 2020

REDUCE OUR TRIR AND LTIR BY 50%*

WHY IS THIS IMPORTANT TO SGS?

Our Business Risk overview indicates that businesses that do not prioritise employee health and safety, along with environmental protection, put themselves at risk of reputational damage, elimination as a supplier and high employee turnover. Culturally, our Business Principles explain that protecting employees and the environment from harm is a fundamental behaviour at SGS.

PERFORMANCE

0.23

0.60 (2014)
0.38 (2015)
0.27 (2016)
0.23 (2017)

AMBITION 2020 **0.30**

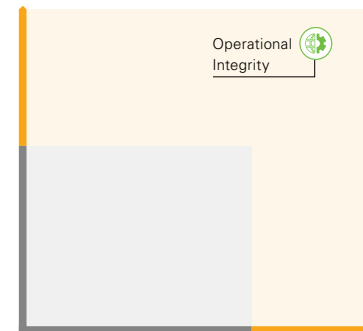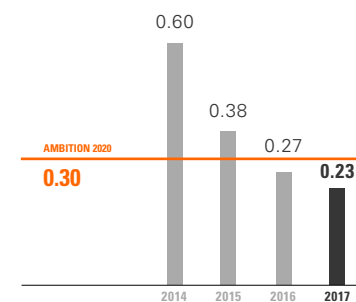**LOST TIME INCIDENT RATE (LTIR) (200 000 HOURS)**

0.40

1.11 (2014)
0.65 (2015)
0.53 (2016)
0.40 (2017)

AMBITION 2020 **0.55**
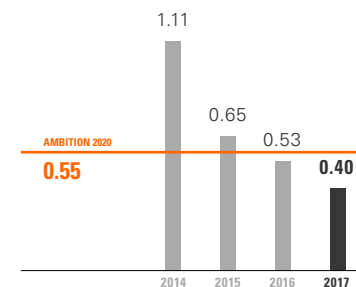
TOTAL RECORDABLE INCIDENT RATE (TRIR) (200 000 HOURS)

We believe that operating safely is synonymous with business success. SGS encourages a company culture that emphasises and prioritises employee health and safety, alongside environmental protection.

We promote a 'no harm' approach towards our employees and the environment. By creating a working environment that is safe and healthy, we add value to the communities in which we operate. Operational Integrity (OI) is the term we use to describe our health, safety and environmental management approach. At SGS, we have a clear strategic ambition to lead our industry in this area.

"While there are obviously business and regulatory aspects to this, our ambitions in OI are largely driven by our culture. I very much believe that part of my role is to make sure that we are creating work environments that allow people to go home safely again at the end of the day.

Frankie Ng
Chief Executive Officer

OPERATIONAL INTEGRITY

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

OUR GOAL IS TO BE BEST IN CLASS IN OI, WITH ZERO INCIDENTS.
THIS MEANS THAT EVERY EMPLOYEE MUST STRIVE TO HAVE ZERO HEALTH, SAFETY OR ENVIRONMENTAL ISSUES.

THE OPERATIONAL INTEGRITY GLOBAL MISSION

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

- ☑ Accelerate our cultural change and journey towards Health, Safety and Environment (HSE) excellence

- ☑ Leverage HSE ownership, leadership and stakeholder involvement

- ☑ Improve SGS' performance by providing HSE expertise and guidance through the deployment of OI strategies, programmes and tools

- ☑ Support full compliance with legal, regulatory, customer and Group HSE requirements with unsatisfactory performance

STRUCTURE AND STRATEGY

We have an established set of OI objectives that collectively form our Global Mission.

To achieve this, we promote a global safety culture that prioritises employee health and safety. This ambition is championed by our leadership team and is enshrined in the SGS Code of Integrity, the SGS Business Principles and the SGS Health, Safety and Environment Policy Statement.

Each year, global strategic input is gathered and annual OI objectives are set, which clearly define the OI vision for the following 12 months while ensuring the visibility of results.

The OI team reports directly to the CEO and deploys its strategy and objectives through a Top-Page process, based on the European Foundation for Quality Management Model.

This structure is designed to allow SGS to focus on key programmes. These include incident investigations, risk assessments, leadership visits and best practices.

On a day-to-day basis, indicator targets and our Behavioural-Based Safety (BBS) peer-to-peer observation programme are all helping to integrate safety, health and well-being across the organisation. Operational Integrity objectives, which are incentivised down to one level below Managing Directors, are becoming part of everyday processes and are often being extended to include two levels below Managing Directors.

SGS OPERATIONAL INTEGRITY RESPONSIBILITIES

SENIOR VICE PRESIDENT AND GLOBAL HEAD OF OPERATIONAL INTEGRITY (SVP OI)

RESPONSIBLE FOR:
- OI strategy
- Setting OI objectives
- Overseeing core OI programmes

EXECUTIVE OI STEERING COMMITTEE

RESPONSIBLE FOR:
- Quarterly reviews of OI strategy and performance (meetings)

COMPRISES:
- Chaired by CEO and SVP OI
- Six COOs
- Two Executive Vice Presidents
- Vice President, Human Resources

GLOBAL OI MANAGERS

RESPONSIBLE FOR:
- OI programmes examples
- Industrial Hygiene, Health and Chemicals programmes
- Safety programmes
- HSE Management Systems and Certifications
- HSE Auditing Processes and Programmes
- HSE Learning, Resources and Behaviour-Based Safety
- Communications

CHIEF EXECUTIVE OFFICER (CEO)

RESPONSIBLE FOR:
- Operational Integrity (OI) across the SGS Group

EXTENDED OI STEERING COMMITTEE

RESPONSIBLE FOR:
- Supporting Executives and OI Steering Committee
- Ensuring collaboration on OI across the SGS network

COMPRISES:
- OI Managers
- Regional OI Managers
- Business OI Representatives

GLOBAL OI INDUSTRIAL HYGIENE (IH) AND OCCUPATIONAL HEALTH (OH)

RESPONSIBLE FOR:
- Industrial Hygiene, Health and Chemicals programmes
- Supporting national and local OI managers in IH, OH and medical surveillance

COMPRISES:
- Regional IH experts

OUR SEVEN **OPERATIONAL INTEGRITY PILLARS**

GRI	G4-LA6
SDG	3 8

TO ACHIEVE OUR GOAL OF ZERO INCIDENTS, WE HAVE A CLEAR OI STRATEGY THAT IS BASED ON SEVEN FUNDAMENTAL PILLARS.

A Group-wide Operational Integrity Management System (OIMS), which is aligned to internationally recognised standards on health, safety and the environment, underpins our OI goal.

We also deploy core programmes and evaluations linked to industrial hygiene, hazard identification and risk assessments. Our risk assessment process continues to be improved through the adoption of learnings from our assessment of our standard operating procedures (SOP). In 2017, these covered the top risk operations identified for each of our main lines of business.

The aim of all our strategies is to deliver better and better results against our Sustainability Ambitions 2020. That is to halve our Lost Time Incident Rate (LTIR) and Total Recordable Incident Rate (TRIR), against a 2014 baseline.

We achieved this in 2016, and in 2017 we saw further improvements in this area, as both rates continued to fall. They now stand at 62% and 64% below the baseline respectively.

1. LEADERSHIP

2. COMMUNICATION

3. TRAINING AND AWARENESS

4. RESOURCES AND SKILLS

5. KEY PERFORMANCE INDICATORS

6. AUDITS AND COMPLIANCE

7. HEALTH, SAFETY AND ENVIRONMENT SELF-ASSESSMENTS

OPERATIONAL INTEGRITY

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

1.
LEADERSHIP

21
LEADERSHIP VISITS CONDUCTED PER 100 EMPLOYEES

7
AVERAGE NUMBER OF LEADERSHIP VISITS TO SITES CONDUCTED PER LEADER

ALL SGS LEADERS AND MANAGERS RECEIVE SPECIFIC TRAINING TO REVIEW OI PERFORMANCE AT BOTH THE BUSINESS LINE AND SITE LEVELS. AS A MEASURE OF THE IMPORTANCE WE ATTACH TO THIS, ALL LEADERS CONDUCT A MINIMUM OF SIX LEADERSHIP VISITS PER YEAR.

The CEO chairs SGS' Executive Operational Steering Committee, which reviews our Operational Integrity (OI) strategy and performance on a quarterly basis. OI management across the whole network is guided by the Extended OI Steering Committee. This is made up from OI, business and regional managers.

An app, called OI Lead Adviser, supports the training leaders have received and guides them through site visits. It was made available across the whole business in 2017 and is now synchronised to the SGS Crystal management tool (see page 81) for more details. The app automatically generates quarterly reports that support locations and businesses in improving their OI measures.

These leadership visits will continue in 2018, where the app will help leaders not only demonstrate their commitment to OI but also improve their reviewing performance.

Performance results will be further enhanced through the deployment of a new SGS OI Culture Index that measures safety culture development across the company.

To further strengthen SGS' OI culture, all Managing Directors and OI Managers are required to deliver safety and health objectives as part of their bonus scorecards. This means that our Sustainability Ambition 2020 to link management incentive plans to sustainability has already begun to be implemented.

OPERATIONAL INTEGRITY

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | **PEOPLE** | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

2.

COMMUNICATION

A CONSTANT AND COHERENT DIALOGUE IS CENTRAL TO CREATING AND MAINTAINING AWARENESS OF THE VITAL NATURE OF SAFETY.

YOUR BEHAVIOUR KEEPS YOU SAFE

Theme for the September 2017 Safety Month – during which guidance and tools on this topic were communicated.

LEARN IT. OWN IT. BE IT.

Motivational message delivered in the global behaviour-change campaign rolled out in 2017.

Communication is recognised as being a pivotal aspect of an effective health and safety management approach. It should be encouraged up, down and across an organisation.

We raise employee awareness of OI issues in a variety of ways. For example, our Rules for Life are 15 non-negotiable, life-saving principles that apply to all employees, contractors and others working on behalf of SGS. They are now available in 14 languages. In February 2017, our OI team also launched a Behavioural-Based Safety (BBS) scheme. The scheme, which we will continue to deploy across the network in 2018, is designed to encourage positive behavioural change among employees, using a suite of emotional motivational messages.

This complemented our quarterly OI communications on specific topics. This includes an annual Safety Month, held in September. In 2017, in support of the BBS campaign, the theme of the Safety Month was 'Your behaviour keeps you safe'. New quarterly campaigns are also held. These started in 2017 on the topic of Fire Safety. To ensure that our OI programmes are constantly adapted and improved, the outcomes of both the 15 Rules of Life and Safety Month are systematically tracked.

67 153

2014	2015	2016	2017
50 005	54 963	55 342	67 153
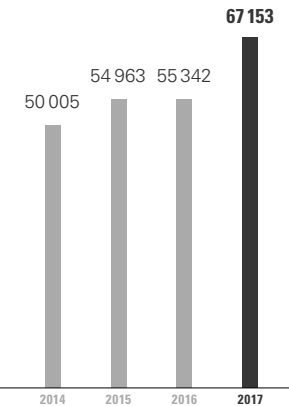
PARTICIPANTS IN THE SAFETY MONTH INITIATIVE

72%

EMPLOYEES PARTICIPATED IN THE 2017 SAFETY MONTH

SGS RULES FOR LIFE ARE AVAILABLE IN 14 LANGUAGES

OPERATIONAL INTEGRITY

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

3.
TRAINING AND
AWARENESS

SGS PROVIDES TRAINING ON OI PROCEDURES FOR ALL EMPLOYEE LEVELS, ACROSS ALL FUNCTIONAL OPERATIONS AND CORPORATE SITES.

We have a comprehensive training component to OI. Chief Operating Officers and Executive Vice Presidents attend dedicated OI training days and are briefed for leadership visits, while all business and site managers (i.e. employees in roles that are two levels below the MD, or 'MDs -2') participate in a 12-module OI Awareness e-learning.

To ensure we cover the wider employee base, regular training sessions on Operational Integrity Management Systems and

Procedures are provided. These are held in addition to our Rules for Life training and are delivered as face-to-face courses as well as in an e-learning format. For 2017, 21 was the average training hours per employee, exceeding our target of 15 hours per employee.

Another area where we provide regular training is on road safety. This is a critical risk in many of the countries where SGS operates and is affected by local driving cultures. We prioritise high-risk countries for In-Vehicle Monitoring Systems (IVMS) installations by measuring kilometres driven by company vehicles. We review the effectiveness of these installations on a six month basis and share the results with our regions.

TYPES OF OI TRAINING USED AT SGS

- ☑ *Face-to-face (classic) training courses*
- ☑ *Manager-led toolbox meetings*
- ☑ *Safety Talks (best practices on key topics)*
- ☑ *E-learning modules (several are available in multiple languages)*

+80 000
EMPLOYEES COMPLETED THE RULES FOR LIFE E-LEARNING MODULE SINCE ITS LAUNCH IN 2015

2 500
EMPLOYEES COMPLETED OUR E-LEARNING AWARENESS TRAINING FOR MANAGERS SINCE Q4 2016, WITH A FURTHER 1 400 WORKING THROUGH THE MODULES

1 961 459
HOURS INVESTED IN OI TRAINING FOR SGS EMPLOYEES

3 500
SGS FLEET CARS ARE NOW EQUIPPED WITH IN-VEHICLE MONITORING SYSTEMS (IVMS)

20.96

2014	2015	2016	2017
12.62	12.47	18.21	20.96
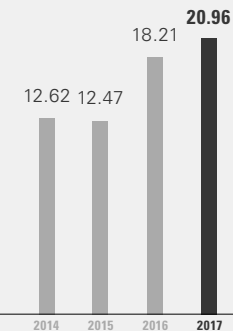
OPERATIONAL INTEGRITY TRAINING HOURS (PER EMPLOYEE)

9%
REDUCTION IN MOTOR VEHICLE INCIDENTS IN 2017 VERSUS 2016

CASE STUDY: MEXICO

APPLYING OI SAFETY TRAINING IN REAL LIFE

The value of conducting regular OI training has perhaps never been more clearly demonstrated than by our OI team in Mexico City. On 19 September 2017, within an hour of SGS completing its annual earthquake evacuation drill, Mexico City was hit by an earthquake with a magnitude of 7.1. on the Richter Scale. SGS immediately put the training into practice, safely evacuating all employees, who were then sent home to check on their families. With all families thankfully accounted for, our employees then began to regroup at the office, before leaving en masse to support communities in areas that were harder hit, applying their safety knowledge, and first aid and PPE skills in the rescue efforts.

4.

RESOURCES
AND SKILLS

THROUGH 2018, WE WILL CONTINUE TO STRENGTHEN OUR RESOURCES AND SKILLS COMPANY-WIDE.

To achieve our objectives, it is crucial to have enough OI professionals with the appropriate skillsets across the whole of the SGS Group. In 2017, we increased the number of OI professionals and began the process of reviewing the skillset of those currently employed to develop a competency framework. We also developed and launched Incident Compliance Scores that are now used to analyse all incidents reported across the Group. These scores help us identify countries where OI resources need to be improved. Once identified, improvements are made by training Root Cause Analysis Experts to conduct both incident and health and safety investigations.

72

ROOT CAUSE ANALYSIS EXPERTS NOMINATED AND TRAINED IN 23 COUNTRIES

OPERATIONAL INTEGRITY

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

5.

KEY PERFORMANCE
INDICATORS

41 883

HAZARDS RECORDED IN 2017, UP 3.7% FROM 2016

14.5%

DROP IN LOST TIME INCIDENT RATE (LTIR) YEAR-ON-YEAR

24.8%

DROP IN TOTAL RECORDABLE INCIDENT RATE (TRIR) YEAR-ON-YEAR

42 283

NEW SAFETY DATA SHEETS ADDED

Constant monitoring leads to continuous improvement. That's why OI employees around the world are required to input local indicator data on a monthly basis.

To capture all incidents and risks, we use Crystal, our data-driven, multilingual interface that delivers regulatory and client-mandated reports and identifies trends.

Crystal collects operational integrity data related to hazard and non-hazard investigations. The data is collected from SGS employees, sub-contractors and clients and is measured by location and by business line. Crystal also captures data from leader visits through the 'OI Lead Adviser' app (see page 77 for details).

The system brings together the information gathered in a consistent manner and provides regions, countries and affiliates with relevant Key Performance Indicator data and analyses on a quarterly basis.

In 2017, we focused on developing Crystal to include a broader range of non-conformity data. In addition to non-conformities relating to health, safety and environment, teams have been trained to also input their quality-based non-conformities. As a result of the analyses Crystal delivers, each hazard or potential hazard is thoroughly investigated by relevant parties. All investigation information is input into Crystal throughout the process to deliver end-to-end evaluations and subsequent process improvements.

In addition to Crystal, the SGS Safety Data Sheet Management System prepares up-to-date reports on chemical hazards in laboratories and provides information on how the hazards should be managed.

6.

AUDITS AND
COMPLIANCE

All SGS laboratories, offices and facilities are audited for health and safety risks as well as environmental and chemical impacts.

There are currently 38 auditors working across the SGS network. In 2018, to improve the audits and compliance process as well as increasing the number of internal audits conducted, SGS aims to train a further 40 auditors. The ongoing deployment of Behavioural-Based Safety (BBS) processes across the network will also complement these audits.

44

AUDITS CARRIED OUT BY 38 INTERNALLY CERTIFIED HEALTH, SAFETY AND ENVIRONMENT AUDITORS

OPERATIONAL INTEGRITY

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

7.

HEALTH,
SAFETY AND ENVIRONMENT
SELF-ASSESSMENTS

OUR HEALTH, SAFETY AND ENVIRONMENT (HSE) SELF-ASSESSMENTS PROVIDE AN OVERVIEW OF POTENTIAL RISKS FOR EACH SITE AND THE CONTROLS IN PLACE FOR MANAGING THEM.

SGS sites use Stellar, our online self-assessment tool that includes 400 questions, broken down into 15 categories, which enables us to classify sites as low, medium or high risk. In 2017, we collated feedback on Stellar itself, to develop an updated version to roll out in 2018. As a result, the new version of Stellar will feature a more consistent set of questions that are better aligned to our latest OI processes, procedures and management requirements.

Since 2016, as part of our obligations as a signatory to the Water, Sanitation and Hygiene (WASH) Pledge, we have also been gathering information on access to safe water, sanitation and hygiene for SGS employees in company-owned or controlled premises.

See Water and Waste Management section for the 2017 WASH pledge reporting.

590

SITES COMPLETED OR UPDATED THE SELF-ASSESSMENT AND WERE BENCHMARKED GLOBALLY

OPERATIONAL INTEGRITY

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | **PEOPLE** | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

INDUSTRIAL HYGIENE AND **OCCUPATIONAL HEALTH**

GRI	G4-LA7
SDG	3 8

Our standardised approach to managing Industrial Hygiene (IH) is aimed at protecting the health and well-being of our people. We do this through disease and fatality prevention, promoting health and safety and increasing the quality of life.

As previously stated, we want all SGS employees to end each day having suffered zero health, safety or environmental issues. Our OI mission, SGS' IH and Occupational Health (OH) is focused on implementing a comprehensive scope of work to ensure these goals are upheld.

To facilitate compliance, improve IH and OH data management and provide the OI team with a detailed overview of performance across the Group, 'Process Map' software is being introduced. This new software solution, accessible in 12 languages, facilitates IH and OH data storage and privacy related to employee data. SGS also continues to standardise Personal Protective Equipment (PPE) that is used across all locations. This programme works with local procurement to acquire equipment that is aligned with the global OIMS requirements and local regulations.

CASE STUDY: AUSTRALIA

BREATHING EASY IN OUR AUSTRALIAN MINERALS OPERATION

Powered Air Purifying Respirators (PAPRs) are a type of personal protective equipment (PPE) that protect employees from air-borne contaminations. To ensure people working in the Australian mine sector have minimal exposure to lead, our OI and Minerals teams decided that PAPRs would be the best prevention equipment to use.

SGS chose PAPRs because they filter contaminants from the air so that the wearer can breathe it in normally. Beyond that, PAPRs out-perform other equipment that requires that the wearer be clean-shaven to be effective, which, in reality, is often hard to enforce. In addition, when someone leaves the business, their PAPR can be cleaned, parts can be replaced and it can be passed on to a new employee.

Early results indicate that use of the PAPRs is reducing exposure to lead, measured by looking at the diminishing lead levels in the employee's blood.
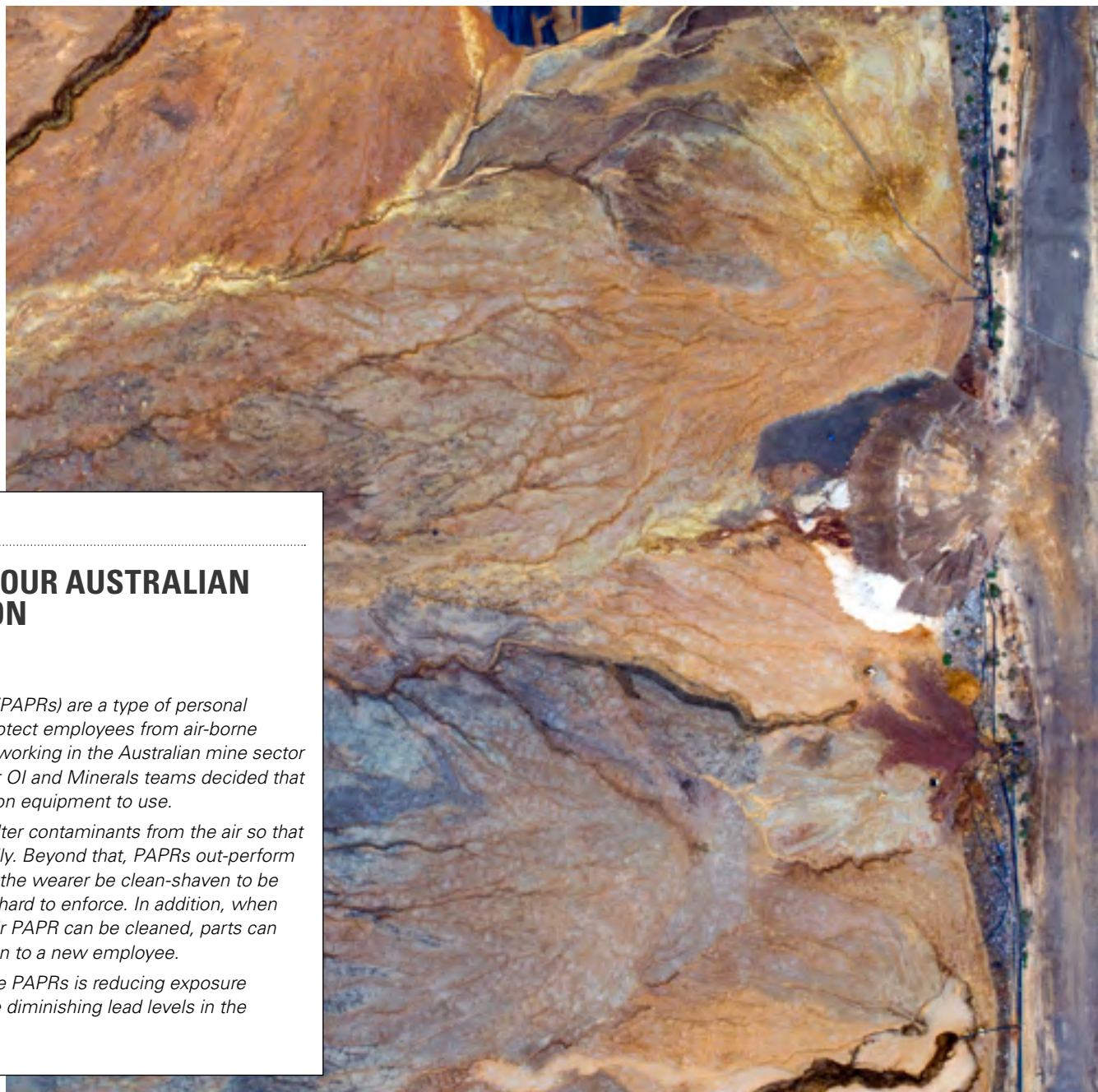
ENVIRONMENT

To protect our planet for future generations, it is essential that businesses reduce their environmental impact. SGS does this by following a carbon neutrality strategy, seeking to use resources efficiently and continually working to deliver sustainable value for society.

CLIMATE CHANGE

WHY IS THIS IMPORTANT TO SGS?

Climate change has been identified as a risk area for SGS in our Business Materiality Overview (see page 36 of the 2017 Annual Report). Mismanaged energy consumption and greenhouse gas emissions could lead to increased costs, regulatory fines and business disruption among other things. Our Business Principles also highlight that culturally, we are determined to help enable a more sustainable future for the world, and our progress towards our Sustainability Ambitions 2020 of reducing our CO_2 emissions demonstrates our commitment to doing so.

FOCUS AREAS	GRI	SDG
ENERGY MANAGEMENT	G4-15, G4-16, G4-EN3, G4-EN4	7 8 12 13
TRANSPORT FUELS MANAGEMENT APPROACH	G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19	3 12 13 14 15
CARBON NEUTRALITY APPROACH	G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN31	3 7 9 12 13 14 15 17
EXTERNAL PARTNERSHIPS AND INITIATIVES	G4-15, G4-16	–

SGS BUSINESS MATERIALITY MATRIX

Energy and Climate Change

GRI	G4-DMA, G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19

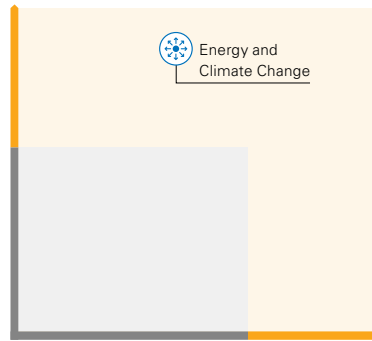## AMBITIONS 2020

REDUCE OUR ANNUAL CO₂ EMISSIONS (PER FTE) BY 20%*

REDUCE OUR ANNUAL CO₂ EMISSIONS (PER REVENUE) BY 20%*

*Against 2014 baseline.

Climate change has widespread economic, political and social consequences. As a global company, we are concerned with both the potential impact on the communities we operate in and the effect on our clients' businesses.

Our industry is not a major source of greenhouse gases and we are not an energy-intensive company. However, our employees, customers and our stakeholders expect us to show leadership on climate change. In 2017, a number of tropical cyclones hit North and Central America and the Caribbean, and South East Asia suffered severe flooding. While weather patterns such as these are not uncommon, their change in intensity is believed to be linked to climate change. It is difficult to know how dramatic the effects of climate change will be. Consequently, it's hard to predict just how much it will affect various industries and geographies – especially since a disruption in one place could have unforeseeable consequences elsewhere in the connected supply chains of globalised industries.

SGS stands to potentially be both positively and negatively impacted by climate change. While we may be adversely affected by extreme weather events, many of our services might inadvertently see increased demand as companies prepare themselves for climate change. Additionally, specific services, such as testing water contamination after a flood or measuring air quality after fires, may increase. With all this in mind, we are conscious of our role in contributing to efforts to mitigate adverse effects, both by reducing our carbon emissions and helping other businesses to do the same.

Targeting energy consumption is one of the best ways we can contribute to tackling climate change.

PERFORMANCE

27.70

1. On a constant currency basis.

AMBITION 2020: 31.10

2014	2015	2016	2017
38.88	35.78	31.01	27.70
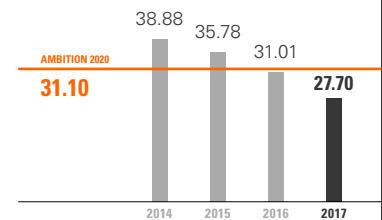
CARBON INTENSITY BY REVENUE[1] (TONNES CO₂e/MILLION CHF)

1.88

AMBITION 2020: 2.06

2014	2015	2016	2017
2.57	2.36	2.08	1.88

CARBON INTENSITY BY EMPLOYEE (TONNES CO₂e/FTE)

CLIMATE CHANGE

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING
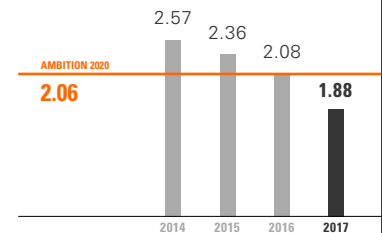
ENERGY
MANAGEMENT

GRI	G4-EN3, G4-EN4
SDG	7 8 12 13

With over 95 000** employees working in more than 2 400 offices and laboratories, targeting energy consumption is the most direct and effective way we can contribute to tackling climate change. Specifically, our aim is to reduce our annual CO_2 emissions (per FTE) by 20% and our annual CO_2 emissions (by revenue) by 20%.*

Since 2014, SGS has been aiming to reduce CO_2 emissions at source with its Energy Efficient Buildings (EEB) programme and offsetting any remaining or unavoidable emissions. This carbon neutral strategy bridges the gap between the current reality and a more sustainable future.

HOLDING OURSELVES TO A HIGHER STANDARD.

OUR STRATEGIC APPROACH TO REDUCING CO₂ EMISSIONS

SGS employs a dual mechanism to help tackle climate change: Firstly, we reduce our energy consumption at source, and secondly, we offset our remaining carbon emissions. This allows us to maintain our status as a carbon neutral company.

Our strategic approach to targeted CO_2 reductions begins by reducing energy consumption. The main sources of SGS' emissions are electricity (19% of total emissions) transport fuels (67% of total emissions) and non-transport fuels (14% of total emissions). Any energy that we still consume after the reductions is then mitigated through our offsetting strategy (see page 93).

Looking ahead, we will continue to target improving our energy efficiency by switching to renewable energy sources, deploying low-emission fleet cars and making sure new and existing buildings meet the high standards outlined in the Green Building Guidelines. These measures are outlined in detail in the following sections and are steps towards our Sustainability Ambitions 2020.

*Against 2014 baseline.
**Full-time equivalent.

902

○ RENEWABLE ENERGY

	809	846	886	**902**
	2014	2015	2016	**2017**

TOTAL ENERGY (GWH)

SGS ENERGY RESPONSIBILITIES

VICE PRESIDENT, CORPORATE SUSTAINABILITY TEAM

RESPONSIBLE FOR:
- *Setting strategy for EEB*
- *Leading the Spot the Orange Dot behaviour-change campaign*
- *Establishing and communicating the SGS Vehicle Emissions Policy*
- *Ensuring all affiliates deliver on their energy targets and responsibilities*

MANAGER OF ENERGY EFFICIENCY IN BUILDINGS

RESPONSIBLE FOR:
- *Overseeing day-to-day management of the EEB strategy*
- *Working across our affiliates to implement our Green Building guidelines globally*
- *Supporting local programmes through energy audits, technical notes, best-practice sharing workshops*

FACILITY MANAGER NETWORK IN AFFILIATES

RESPONSIBLE FOR:
- *Information sharing and advice on common themes linked to EEB*
- *Managing energy efficiency at local level*
- *Carrying out specific actions to contribute the achievement of the affiliate objectives*

GRI	G4-15, G4-16, G4-EN3, G4-EN4
SDG	7 8 12 13

ELECTRICITY AND NON-TRANSPORT FUELS MANAGEMENT APPROACH

ENERGY EFFICIENCY IN BUILDINGS PROGRAM

With electricity use in buildings playing a major part of our overall energy consumption, an effective method of improving efficiency in this area contributes to our reduction strategy.

The SGS Energy Efficiency in Buildings (EEB) programme evaluates and improves the energy efficiency of SGS buildings. It is a two-part approach:

- Review and development of an energy-efficiency action plan for existing SGS premises
- Environmental assessment applied to the design, construction and/or refurbishment of SGS buildings

After being redefined in 2017, EEB is now limited to a group of almost 400 buildings across the SGS network. From this, a pilot group of 100 buildings was identified and assessed in terms of energy consumption and performance. Data was gathered on all 100, with further Energy Audits being performed on 46 buildings. Once the 100-building pilot phase is concluded, we will extend the EEB programme to all of the 400 or so buildings in the group.

Our Green Building Guidelines are standards developed to provide a rating tool against which buildings can be assessed. The Guidelines have an expanded range of KPIs covering energy, waste and water and define the minimum requirements in areas such as lighting-system energy performance and water consumption.

These programmes have led to energy improvements in buildings around the world. In Madrid, Spain, adding reflective films to windows reduced solar heat-gain and so the energy consumed in building cooling was decreased. In India, we increased the HVAC energy efficiency in several locations. Our office in Chile is investigating increasing the use of renewable energy options. Our China locations continue to improve electricity usage by switching to LED bulbs, while a Green Building Certification for existing buildings in emerging countries (EDGE certificate) is currently being piloted in Accra, Ghana. In Indonesia and South Korea, buildings were assessed and designed according to the SGS Green Building Guidelines.

We track our progress against our energy efficiency in buildings targets using the SGS Energy Rating Tool for Offices and Laboratories.

+2 400

SGS OFFICES AND LABORATORIES WORLDWIDE

46

ENERGY AUDITS CONDUCTED ON KEY BUILDINGS

544

○ RENEWABLE ENERGY

477 — 2014
492 — 2015
526 — 2016
544 — **2017**
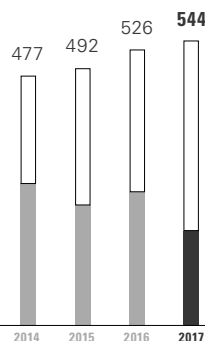
ELECTRICITY AND NON-TRANSPORT FUELS (GWH)

CASE STUDY: NORTH AMERICA

IMPROVING ENERGY EFFICIENCY

Over the course of 2017, the SGS Energy Efficiency Building (EEB) programme launched its first on-site assessments in North America at six SGS locations representing several different business lines. The objective was to look at opportunities for improving energy consumption. More collaborative than prescriptive, our approach was to work with business managers at each site to define what success would look like in terms of improved energy efficiency. We explored quick wins, like adjusting the chiller temperature in a laboratory, to broader projects like the potential replacement of lighting and fixtures to LED where appropriate.

We also began building consumption data and addressing consumption cycles, however, it is only a beginning. We have used the Spot the Orange Dot campaign in some locations to help transform behaviours. Locations have embraced EEB's objectives and sites are reporting back with stories of employees doing their small part to make a difference.

Following this positive reception and feedback, we are expanding the programme to more North American facilities in 2018.

SGS ENERGY EFFICIENCY IN BUILDINGS (EEB) PROGRAMME (REDEFINED IN 2017)

☑ *Focus group of around 400 buildings*

☑ *Across the top 50 countries*

☑ *Only including buildings of 1 000m² or more*

SGS ENERGY EFFICIENCY IN BUILDINGS (EEB) 2017 PILOT

☑ *Pilot group of 100 buildings from the focus group*

☑ *Across 30 countries*

☑ *Only including buildings of 3 000m² or more*

CLIMATE CHANGE

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

AN ORANGE DOT THAT CHANGES BEHAVIOUR

The key to changing behaviour is to change attitudes. That's why Spot the Orange Dot is designed to make people think differently about how they can be part of the change we all want to see.
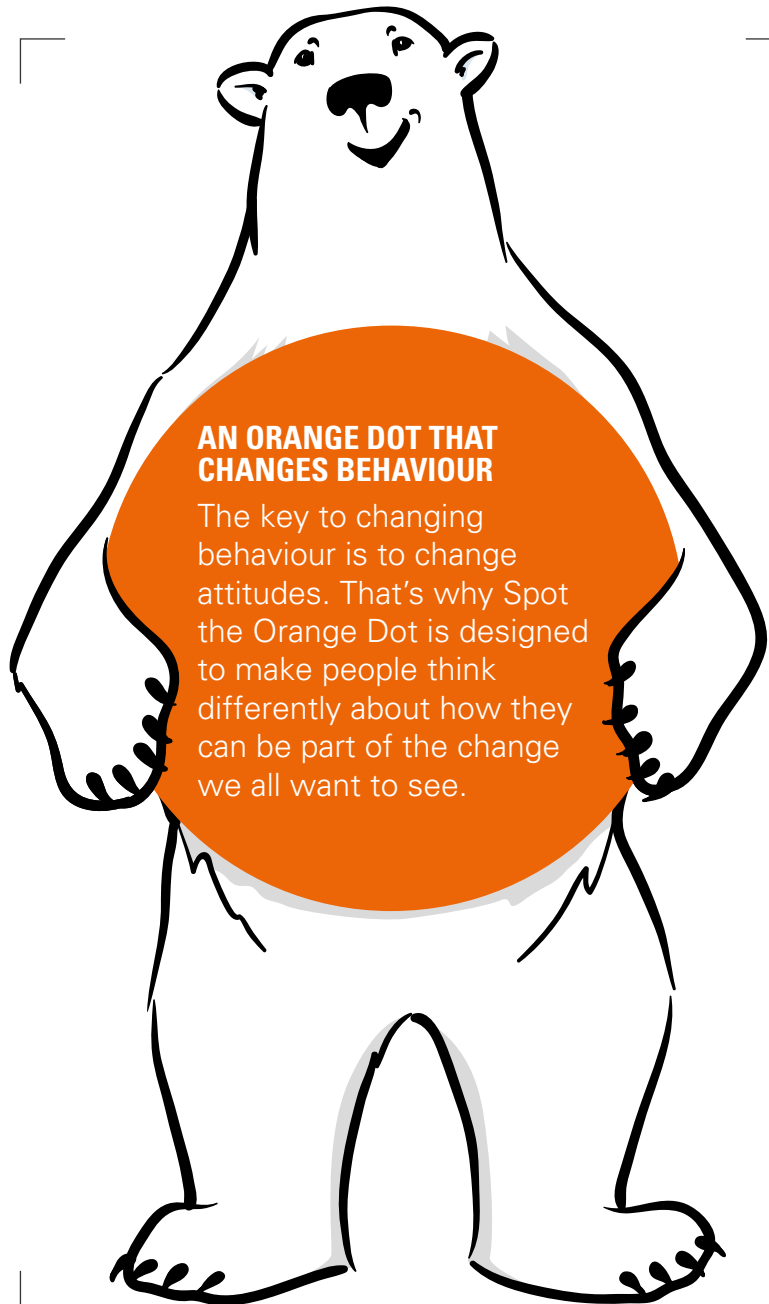
Encouraging environmentally friendly behaviour in the workplace is an essential part of our energy management. Spot the Orange Dot encourages people to act in an environmentally friendly way. Strategically positioned orange stickers are a constant reminder to employees to take personal responsibility to improve energy efficiency.

THE CAMPAIGN MASCOT IS LËSS THE POLAR BEAR, WHO REMINDS EMPLOYEES ABOUT THE IMPORTANCE OF 'DOING MORE WITH LËSS'.

The Spot the Orange Dot initiative is linked directly to our Sustainability Ambitions 2020. Since the campaign began in 2013, over 40 500 employees in 23 SGS businesses around the world have improved their energy efficiency, their approach to waste management and water usage.

SGS businesses in the United States, Canada and Argentina took the first steps to roll out the 'Spot the Orange Dot' in 2017. As a result, employees at five more sites are embracing the initiative both at work and at home.

In 2018, we will roll out the Spot the Orange Dot campaign in three to five more countries. This is in addition to other activities run globally to augment the energy-efficient culture of the Group.

CASE STUDY:

SGS ENERGY CHALLENGE

The SGS Energy Challenge was a picture contest that was launched across our global network in December 2017 to encourage employees to upload images of themselves engaged in actions that address climate change and other sustainability issues in the workplace. The images were then uploaded onto the Corporate Sustainability Yammer group. At the end of December, four images were selected based on the number of 'likes' they received, and the employees were awarded with sustainable apparel. A special prize was awarded to the participant with the most creative and sustainable picture.

40 500

EMPLOYEES INVOLVED IN THE SGS SPOT THE ORANGE DOT CAMPAIGN SINCE ITS LAUNCH IN 2013

23

COUNTRIES THAT HAVE ROLLED OUT THE SPOT THE ORANGE DOT CAMPAIGN TO DATE

CLIMATE CHANGE

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

MAKING IT WORK FOR THE ENVIRONMENT

The amount of energy consumed by the world's IT needs will treble in the next decade, putting a strain on energy supplies and affecting efforts to control climate change. That's why we have made our IT central to our energy reduction programme.

Information Technology (IT) energy consumption is our third area of focus to reduce our electricity.

Rationalising the number of our data centres has made a significant impact on our CO_2 reductions. We currently have 180 data centres representing 3 500 servers, of these, 80% will be moved to the cloud by 2019.

We are also creating Centres of Excellence to promote shared services and consolidate IT management. Added to that, a customer portal will enhance customer data and analytics and improve the deployment of a single, digitalised laboratory system.

We are also using virtualisation and centralisation to reduce energy consumption in some of our data centres. As an example, instead of air conditioning entire rooms for the purpose of operating temperature-sensitive equipment, we are using dedicated cold aisles. In Geneva, we are using the excess heat from cold aisles to warm our offices. In cases where our data centres are rented, we are exploring a number of energy-efficient options, including virtualisation and renewable power. For example, our data centre in Geneva is completely powered by hydroelectric energy.

OUR DATA CENTRE IN GENEVA IS COMPLETELY POWERED BY HYDROELECTRIC ENERGY.

Our data centre rationalisation project was successfully piloted in Chile, Thailand and the Benelux countries in 2017. All the servers in these locations are being moved to the cloud, and we are now in the process of moving all remaining data centres to the cloud and so further reduce our carbon footprint.

In summary, our Green IT Policy ensures we procure equipment responsibly, use IT to enable our operations to be greener, optimise data-centre energy efficiency and implement responsible disposal practices.

4 500

TONNES OF CO_2 EMISSIONS THE DATA CENTRE RATIONALISATION PROJECT AIMS TO REMOVE FROM SGS OPERATIONS OVER THE NEXT TWO YEARS

RENEWABLE ENERGY

SGS is committed to using renewable energy to the greatest extent possible and to supporting the growth of renewable energy projects in the communities where we operate.

Consequently, we purchase renewable electricity at both the local and global level. Our commitment is not limited to simply purchasing renewable electricity, but in some locations, we have even begun producing it ourselves in small quantities. Some countries, such as Chile, have started to explore the feasibility of supplying parts of their electricity consumption from renewable sources, while others are already taking advantage of on-site renewable-energy installations. For example, SGS Netherlands used 30 779 kWh of renewable energy that was produced in three of their facilities through a combination of a PV solar system located on the roof, as well as an innovative wind installation.

CHILE, THAILAND AND BENELUX

SUCCESSFULLY PILOTED THE DATA CENTRE RATIONALISATION PROJECT

CASE STUDY:

BRINGING MORE RENEWABLE ENERGY ONTO THE GRID

SGS supports building new renewable energy production plants by investing in an innovative product, called GO2, which is provided by our partner ECOHZ. GO2 combines the traditional European Guarantees of Origin with top-financing to develop new renewable energy projects. Through supporting these projects, SGS contributes to bringing more renewable energy to the grid. In the last two years, SGS has contributed approximately CHF 135 000 to the development of a wind power plant in Vetteberget (Sweden). The power station has a total capacity of 4MW and is expected to be commissioned in May 2018.

363

Year	Renewable Energy (GWh)
2014	219
2015	266
2016	333
2017	363
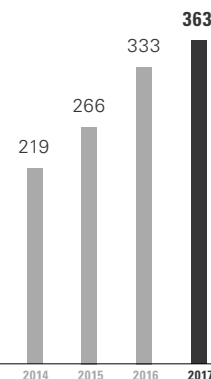
RENEWABLE ENERGY (GWH)

AS A SIGNATORY OF THE RE100 INITIATIVE, WE ARE COMMITTED TO 100% RENEWABLE ELECTRICITY USE IN ALL FACILITIES BY 2020

RE 100

CLIMATE CHANGE

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | **ENVIRONMENT** | COMMUNITY | OUR APPROACH TO REPORTING

INVESTMENT IN RENEWABLE ENERGY INITIATIVES
(TO MITIGATE OUR 2016 CO_2 EMISSIONS)

EUROPE
75.00 GWH
Guarantees-of-Origin certificates

NORTH AMERICA
80.60 GWH
US I-RECs

CHINA AND HONG KONG
73.80 GWH
Chinese I-RECs

TAIWAN
34.30 GWH
Taiwanese I-RECs

MEXICO AND COSTA RICA
1.70 GWH
I-RECs from solar PV in Honduras

BRAZIL
3.30 GWH
I-RECs from Brazilian Hydro

TURKEY
5.80 GWH
I-RECs from Turkish hydropower

VIETNAM, THAILAND AND CAMBODIA
9.40 GWH
from Vietnamese and Malaysian I-RECs

ARGENTINA AND CHILE
13.60 GWH
I-RECS from Chile Biomass

INDIA AND BANGLADESH
18.00 GWH
I-RECS from Indian Hydro

MALAYSIA AND SINGAPORE
7.50 GWH
I-RECs from Malaysia Hydro

FOR MORE INFORMATION ON OUR PERFORMANCE GO TO OUR ONLINE DATABANK

I-RECs: International Renewable Energy Certificates.

TRANSPORT
FUELS
MANAGEMENT
APPROACH

GRI	G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19
SDG	3 12 13 14 15

Cleaner vehicles will cut an estimated 3 700 tonnes of CO_2 from our operations.

WE HAVE A GLOBAL FLEET OF AROUND 11 000 CARS AND OPERATE GREEN CAR INITIATIVES COVERING THE PURCHASE OF MORE FUEL-EFFICIENT VEHICLES, VEHICLE MAINTENANCE AND GUIDANCE ON ECO-DRIVING BEHAVIOUR.

Our Vehicle Emissions Policy, introduced in 2016, mandates the use of low-emission fleet cars that achieve maximum fuel efficiency. As part of the policy, we are committed to reducing our vehicle fleet CO_2 emissions every year until 2020. By the end of this period, the goal is for our global fleet to emit on average of less than 95 grammes of CO_2 per kilometre.

By the beginning of 2017, 62.5% of our fleet cars already met our Vehicle Emissions Policy, including cars acquired before the policy implementation.

Of the new vehicles purchased, 84% were acquired in compliance with the policy. We now have more than 6 700 (representing 62.5% of the) cars in our fleet that meet our policy requirements.

Furthermore, we placed more than 200 000 conference and video calls in 2017. This led to us saving over 10 000 flights. We are also working to introduce greener business travel practices in our supply chain.

SGS VEHICLE EMISSIONS POLICY

- ☑ *Seeks the use of low-emissions fleet cars*
- ☑ *Commits SGS to reducing vehicle fleet CO_2 emissions each year through to 2020*
- ☑ *Aims for global fleet to emit less than 95 grams of CO_2 per km by 2020*

10 000

FLIGHTS SAVED WITH THE HELP OF VIDEO CONFERENCING TECHNOLOGY

10 726

CARS IN SGS GLOBAL FLEET

63%

CARS IN SGS GLOBAL FLEET MEET THE SGS VEHICLE EMISSIONS POLICY

84%

OF NEW CARS MEET THE SGS VEHICLE EMISSIONS POLICY

CLIMATE CHANGE

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

CARBON NEUTRALITY APPROACH

GRI	G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN31
SDG	3 7 9 12 13 14 15 17

CARBON NEUTRALITY IS AN IMPORTANT PART OF SGS' ENVIRONMENTAL EFFORTS.

1.88

2.57 — 2014
2.36 — 2015
2.08 — 2016
1.88 — 2017

CARBON INTENSITY BY EMPLOYEE (TONNES CO_2e/FTE)

IT BRIDGES THE GAP BETWEEN THE CURRENT REALITY AND A MORE SUSTAINABLE FUTURE.

Whilst we focus on trying to reduce our CO_2 consumption through creating efficiencies, any energy that we still consume after these reductions is then compensated by our offsetting strategy.
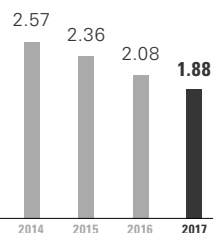
Pursuing carbon neutrality allows us to assign a clear cost to the carbon we generate. This ensures each SGS affiliate takes responsibility for their CO_2 emissions and the cost of offsetting them.

We look for Clean Development Mechanism (CDM) approved carbon-offsetting projects that directly benefit communities where we have an impact. This also supports our community investment strategy, allowing us to bring positive benefits to local communities around the world. At the same time, we are able to support sustainable economic growth, supply clean energy at a local level and protect the environment by reducing reliance on fossil fuels.

CARBON OFFSETTING PROJECTS

Our carbon neutrality programme is being successfully rolled-out and our investment in renewable-energy projects, energy-efficiency measures and green electricity supply continued in 2017.

In addition to the renewable energy and carbon credits that we purchased, SGS also invested in five voluntary carbon offset schemes in China, India and Zimbabwe, purchasing 187 000 credits in 2017.

In China, we earned 50 000 credits through our support of hydroelectric power projects in the Chongqing, Yunnan, Sichuan and Guizhou provinces. These projects contribute to mitigating CO_2 emissions by supplying clean energy across rural south-western China. Our investment in the Nueva Aldea Biomass Power Plant in Chile gained us a further 42 000 credits while we also purchased 5 000 credits in the Danjiang River Solar Cookers project. This project is having far-reaching benefits, improving the indoor air quality and living conditions in 100 000 rural Chinese homes.

In China, SGS invested 89 000 credits by supporting a Biomass Cogeneration Project in Hubei Province while in Zimbabwe, 1 000 credits were purchased through the Kariba REDD+ Project.

CASE STUDY:

GUIDING CUSTOMERS IN REDUCING CARBON EMISSIONS

We are reviewing our role in helping our customers to reduce their CO_2 emissions. Our research is currently focused on our Agricultural and Industrial businesses. We are assessing our customers' CO_2 emissions and the reductions they are achieving, then calculating the extent to which we are contributing to the reduction. SGS Precision Farming Services (Agricultural) and SGS Pipeline Integrity Services (Industrial) are both making significant contributions, reporting reductions of 1 098 514 tonnes and 125 585 tonnes of CO_2 emissions in 2017. In addition, by providing ISO 50001 energy management certification, we are helping our customers establish management systems that improve their energy efficiency. In 2017, this contributed to saving estimations of around 7 850 000 tonnes in CO_2 emissions.

CLIMATE CHANGE

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

EXTERNAL
PARTNERSHIPS AND INITIATIVES

| GRI | G4-15, G4-16 |

SGS IS COMMITTED TO SCIENCE-BASED TARGET INITIATIVE BY REDUCING OUR CO₂ EMISSIONS PER UNIT OF REVENUE 45% BY 2025*

WBCSD MANIFESTO FOR ENERGY EFFICIENCY IN BUILDINGS SGS IS COMMITTED TO A 20% REDUCTION IN CO₂ EMISSIONS BY 2020

RE100 INITIATIVE SGS IS COMMITTED TO 100% RENEWABLE POWER BY 2020

EXTERNAL PARTNERSHIPS AND INITIATIVES ARE FUELLING OUR DRIVE TO CO₂ REDUCTION. WE ARE WORKING CLOSELY WITH THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT, THE RE100 INITIATIVE AND THE CARBON DISCLOSURE PROJECT.

SCIENCE-BASED TARGETS INITIATIVE

Science-based targets provide companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly they need to reduce their greenhouse gas emissions.

The Paris agreement in 2015 saw 195 of the world's governments commit to prevent dangerous climate change by limiting

global warming to well below two degrees celsius.

Targets adopted by companies to reduce greenhouse gas (GHG) emissions are considered science-based if they are in line with the level of decarbonisation required to keep the global temperature increase below two degrees Celsius compared to pre-industrial temperatures. For more information see: http://www.sciencebasedtargets.org/.

SGS commits to the Science Based Target Initiative and its targets have been approved recently by the organisation. SGS commits to reducing scope 1, scope 2 and scope 3 (business travel) emissions per unit of revenue: 45% by 2025 and 55% by 2030, from a 2014 base year. SGS also commits to reducing other scope 3 emissions per unit of revenue: 50% by 2030, from a 2014 base year.

*Against 2014 baseline.

WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

As a founding member of the World Business Council for Sustainable Development (WBCSD), we actively support and participate in furthering the Council's aims to generate business-led solutions to sustainability challenges. This includes the promotion of energy efficiency in buildings and ensuring access to water through the Access to Safe Water, Sanitation and Hygiene (WASH) Pledge.

We are also a signatory to the WBCSD Manifesto for Energy Efficiency in Buildings. As a result, we developed a strategy that allows us to reach our commitment towards Energy Efficiency in Buildings.
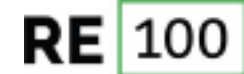
RE100

Led by The Climate Group and in partnership with the Carbon Disclosure Project, RE100 is collaborating with the International Renewable Energy Agency and other bodies to get 100 of the world's largest companies to commit to using only renewable power by 2020. SGS was one of the first companies to sign up for the initiative.

The RE100 campaign highlights the business and reputational benefits available to companies that make the commitment. It also helps companies to switch to renewables by offering guidance on selecting and implementing the best approach to renewable power; providing information on the financial implications and risks and showing the rewards of the different options.

WATER AND WASTE MANAGEMENT

SGS BUSINESS MATERIALITY MATRIX

Water and Waste Management

GRI	G4-DMA

WHY IS THIS IMPORTANT TO SGS?

Water and waste management are not considered to be highly material issues for SGS (see Materiality Matrix on). However, we recognise that these issues are increasingly important in a wider sustainability context, as the potential impacts of climate change and other factors on water supplies and waste streams become more apparent.

FOCUS AREAS	GRI	SDG
WATER MANAGEMENT PROGRAMMES	G4-EN8	6
WASTE MANAGEMENT PROGRAMMES	G4-EN23, G4-EN24, G4-EN31	3 6 7 9 12 13 14 15 17
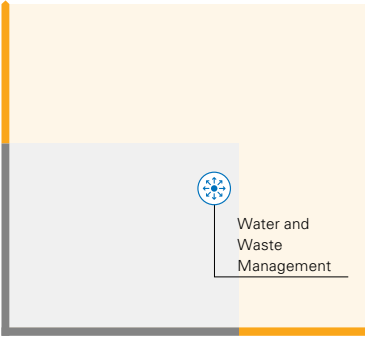
PROTECTING OUR WATER RESOURCES AND MANAGING OUR WASTE ARE BOTH IMPORTANT TO THE LONG-TERM HEALTH AND WELL-BEING OF OUR EMPLOYEES AND THE COMMUNITIES WHERE SGS OPERATES.

Through our services, SGS handles quantities of hazardous and non-hazardous waste, which need to be disposed of responsibly, without risk to our workers and wider society. Whilst globally, our water consumption is relatively low, managing water resources is a critical issue in some localities where SGS operates.

That is why we are committed to managing finite resources more effectively and to developing ways to reuse, recycle and prevent waste.

WATER MANAGEMENT PROGRAMMES

GRI	G4-EN8
SDG	6

AS A SIGNATORY OF THE WBCSD PLEDGE FOR ACCESS TO SAFE WATER, SANITATION AND HYGIENE (WASH), WE ARE COMMITTED TO ENSURING ALL EMPLOYEES ENJOY ACCESS TO CLEAN WATER.

SGS has comparatively low water consumption, with usage concentrated in our laboratories, plus drinking, food preparation, cleaning and sanitation. Our global water usage data is tracked through SGS Solaris, our sustainability reporting system.

The SGS Energy Efficiency in Buildings programme manages water efficiency and improvements. Our customers also rely on SGS to guide them through water-management issues. We provide water-quality assurance through our on-site sampling and analysis services and help our customers to understand and to comply with their industry regulations as well as global best practice.

SGS will continue with the same water management and monitoring procedures going forward. Further water efficiency projects will also be implemented in our affiliates, particularly in the regions and countries where there are water shortages and where providing access and conservation are of paramount importance.

WASH PLEDGE REPORTING 2017

A survey of almost 3 000 business-line locations across all SGS regions showed:

98% OF SGS EMPLOYEES HAD SUFFICIENT, SAFE AND PHYSICALLY ACCESSIBLE DRINKING WATER

98% OF OUR EMPLOYEES HAD ACCESS TO SUFFICIENT SANITARY FACILITIES WITH PROPER DRAINING SYSTEM

97% OF SGS EMPLOYEES HAD ACCESS TO SANITARY INSTALLATIONS AND WASHROOMS CLEANED ON A DAILY BASIS

98% OF SGS EMPLOYEES HAD ACCESS FOR WASHING AND PERSONAL HYGIENE

All results are within a 2% interval at 95% confidence level.

CASE STUDY: INDIA

CLEAN AND SAFE DRINKING WATER FOR A VILLAGE

SGS is committed to protecting local water sources with innovative solutions for the communities that need it most. This was demonstrated in Yeoti Village, India, where we sponsored the installation of a water filtration plant for 3 000 villagers previously exposed to many chronic waterborne diseases. Through collaboration with Piramal Sarvaja – a social enterprise deploying remotely tracked drinking-water purification systems – the community now has access to safe purified water from automated water-dispensing units.

WATER AND WASTE MANAGEMENT

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING
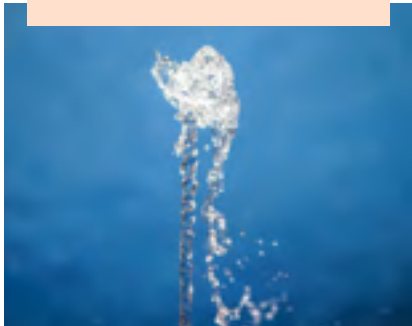
WASTE
MANAGEMENT
PROGRAMMES

GRI	G4-EN23, G4-EN24, G4-EN31
SDG	3 6 7 9 12 13 14 15 17

REDUCING WASTE AND REUSING RESOURCES ARE THE TWO ALLIED APPROACHES THAT UNDERLINE OUR APPROACH TO WASTE MANAGEMENT.

We produce relatively small amounts of hazardous and non-hazardous waste. These can be chemicals, test samples, paper, plastic and organic waste from our offices and laboratories. They are produced in varying proportions, determined by the industry or industries each site is serving.

Our Do More with Lëss campaign encourages efficiency in our offices and laboratories by minimising printing and optimising consumables. We promote recycling of office waste through effective separation, and we draw on external resources to help us reuse and recycle materials.

6.06%

DECREASE IN THE GENERATION OF HAZARDOUS WASTE FROM OUR OPERATIONS IN 2017 VERSUS 2016

1.5%

DECREASE IN THE GENERATION OF NON-HAZARDOUS WASTE FROM OUR OPERATIONS IN 2017 VERSUS 2016

REUSING RESOURCES

We encourage the exchange of surplus laboratory equipment across our network through the EquipNet platform (see page 53). We also donate hygienic waste samples from our laboratories for charitable purposes. For example, waste cloth from our textile testing laboratories is donated to the Goonj project in India to be made into sanitary products.

FOR MORE INFORMATION ON OUR PERFORMANCE GO TO OUR ONLINE DATABANK
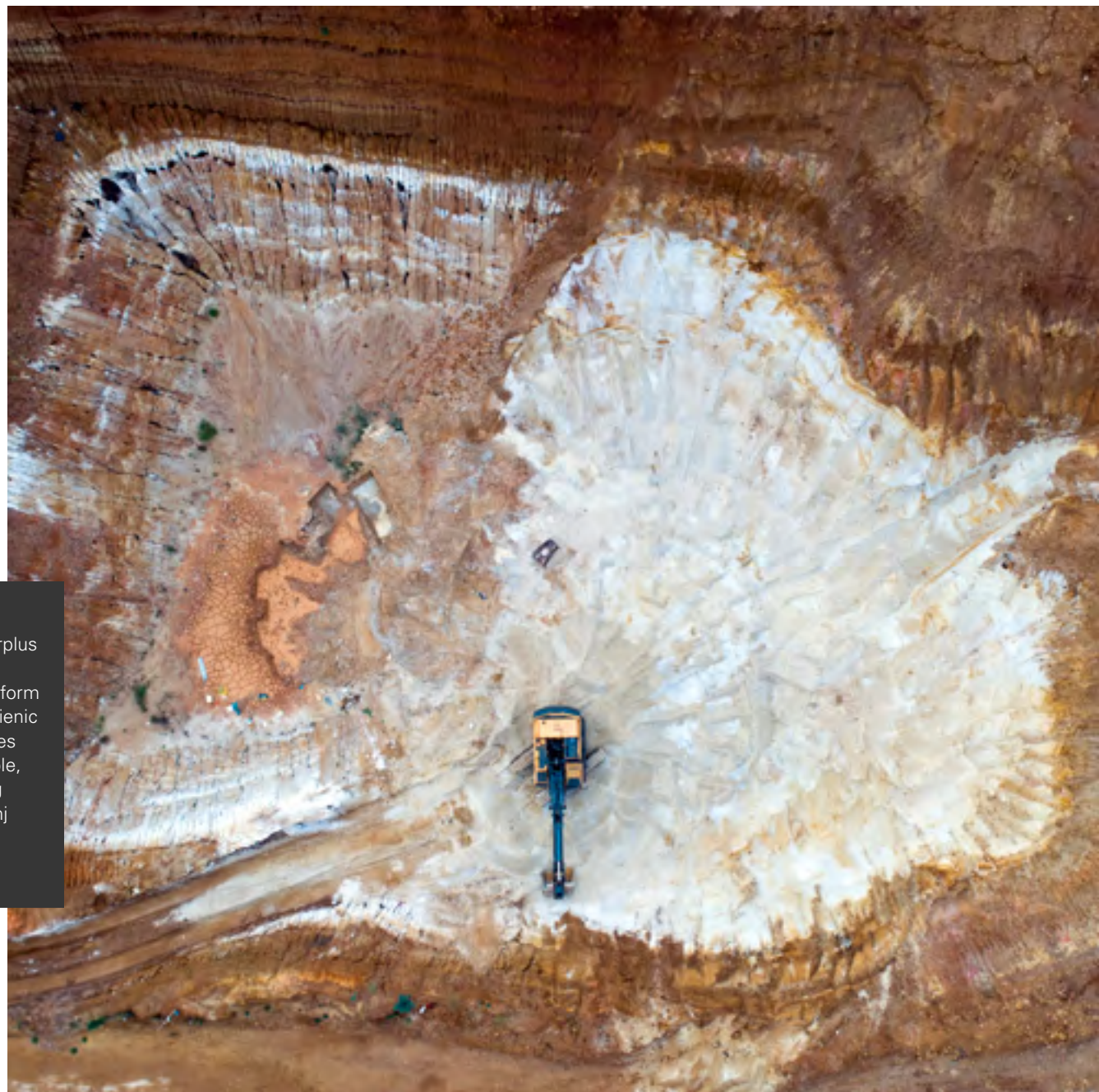
COMMUNITY

Creating a positive, measurable and lasting impact on the local communities where you operate is synonymous with good business practice. SGS achieves this by welcoming local talent and engendering a company culture of giving back. Through projects that are aligned with the United Nations Sustainable Development Goals and focused on education, empowerment and environmental sustainability, we encourage our employees to volunteer and act in ways that support the growth of society.

SUPPORTING
THE PEOPLE AROUND US

SGS BUSINESS MATERIALITY MATRIX

Investment in Local Communities

GRI	G4-DMA

WHY IS THIS IMPORTANT TO SGS?

We are committed to being good corporate citizens and investing in the communities we operate in. This is a deeply held cultural conviction in the company, and as such, it appears in our Business Principles – which represent our fundamental and overarching beliefs and behaviours. There is a secondary issue as well. As we acknowledge in our Business Materiality Overview, businesses that do not strive to reduce their impact on communities affected by their activities may face legal, business and reputational repercussions.

Consequently, community involvement is an essential component of our business strategy and helps us increase the social and human capital we add to society: The communities we invest in benefit from better infrastructure and social services, stakeholders' perception of SGS' operations improve and we believe that the job satisfaction, performance and employee retention of our workforce may also improve through these efforts.

We create a positive, measurable and lasting impact on communities where we operate by welcoming local people into our workforce and creating a company culture where employee volunteering is encouraged.

According to the World Bank's most recent estimates, around 11% of the world's population is living in extreme poverty (classified as less than USD 1.90 a day). While we cannot claim to be able to solve the problem single-handedly, that does not preclude us from trying to find ways to help.

For us, acting responsibly and giving back is synonymous with good business practice. That's why our investments in communities around the world facilitate responsible business operations and help address development challenges. Through projects that are aligned with the UN Sustainable Development Goals and focused on education, empowerment and environmental sustainability, we encourage our employees to volunteer and act in ways that contribute to positive social change, help eradicate poverty and strengthen community development.

COMMUNITY PROGRAMME PILLARS

GRI	G4-EC7, G4-EC8
SDG	1 2 3 5 7 8 9 10 11

SGS' INITIATIVES AND CONTRIBUTIONS ARE FOCUSED ON EMPOWERMENT, EDUCATION AND ENVIRONMENTAL SUSTAINABILITY.

Many of the programmes our employees volunteer for are linked to our three pillars – empowerment (including economic development, health, gender equality and alleviation from poverty and hunger), education and environmental sustainability. Our contributions, in addition to employee volunteering, include pro bono services and in-kind support, cash donations and community-led sponsorship. We also share our expertise and network with non-profit organisations and provide immediate help to communities in the aftermath of major disasters.

FOCUS AREAS	GRI	SDG
EDUCATION	G4-EC7, G4-EC8	1 2 3 5 7 8 9 10 11
EMPOWERMENT	G4-EC7, G4-EC8	1 2 3 5 7 8 9 10 11
ENVIRONMENTAL SUSTAINABILITY	G4-EC7, G4-EC8	1 2 3 5 7 8 9 10 11

1.

EDUCATION

2.

EMPOWERMENT

3.

ENVIRONMENTAL SUSTAINABILITY

COMMUNITY PROGRAMME PILLARS

INTRODUCTION · OUR VALUE TO SOCIETY · PROFESSIONAL EXCELLENCE · PEOPLE · ENVIRONMENT · **COMMUNITY** · OUR APPROACH TO REPORTING
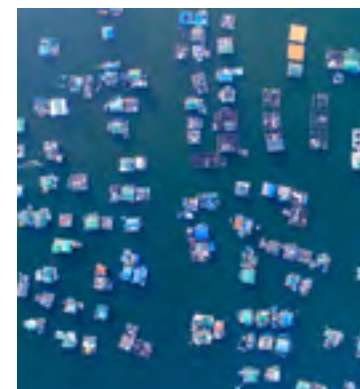
1.
EDUCATION

GRI	G4-EC7, G4-EC8
SDG	1 2 3 5 7 8 9 10 11

87
EDUCATION PROJECTS

OUR EDUCATION PROJECTS IMPROVE ACCESS TO ALL LEVELS OF SCHOOLING AND PROMOTE INFORMAL LEARNING IN THE FORM OF EMPLOYMENT TRAINING SCHEMES AND SKILLS WORKSHOPS.

4 QUALITY EDUCATION

CASE STUDY: SRI LANKA

SUPPORTING LOCAL SCHOOLS

SGS Sri Lanka promoted education and invested in the community by donating books and money for facility development to a local school.

CASE STUDY:

SGS ACADEMY TRAINING FOR UNEMPLOYED YOUNG PEOPLE

SGS South Africa initiated a community programme to train unemployed young people. The students started by taking a two-day SGS Academy training course: the SGS RISKSTAR qualification in safety, health and environment. They then entered an assessment phase, and finally, the trainees were offered a three-month work experience placement at the Eskom Grootvlei power plant. 24 trainees were identified and enrolled in the programme, with 20 being offered the final internship, following successful completion of the SGS Academy course.

COMMUNITY PROGRAMME PILLARS

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | **COMMUNITY** | OUR APPROACH TO REPORTING

2.

EMPOWERMENT

GRI	G4-EC7, G4-EC8
SDG	1 2 3 5 7 8 9 10 11

OUR EMPOWERMENT PROGRAMMES SUPPORT PHYSICAL, EMOTIONAL, INTELLECTUAL AND ECONOMIC EMPOWERMENT BY PROVIDING ACCESS TO HEALTH CARE, COUNSELLING, MENTORING, MICROCREDIT AND ENTERPRISE SCHEMES.

8 DECENT WORK AND ECONOMIC GROWTH

CASE STUDY: CHILE

SUPPORTING LOW-INCOME STUDENTS' CAREER PATHS

SGS Chile provides expertise and job placement opportunities to Foundación Forge, a non-profit organisation dedicated to helping low-income Latin American young people gain access to quality jobs through a training and employment programme. To improve the students' soft skills, SGS managers and supervisors help them with simulated job interviews and give them feedback and advice on how to conduct successful meetings with potential employers. SGS Chile also provides a yearly quota of positions in various areas, such as laboratories, maintenance and management, that Foundación Forge can fill with qualified students.

CASE STUDY: INDIA

MICROCREDIT

An example of our empowerment programmes this year included participating in the Terre des Hommes' Solidarcomm campaign, at our head office in Geneva. During this effort, 190 used mobile phones were collected, refurbished (by a third party) and sold, with the proceeds raised going to a microcredit programme in India that SGS has supported since 2014.

113

EMPOWERMENT PROJECTS

COMMUNITY PROGRAMME PILLARS

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

3.

ENVIRONMENTAL SUSTAINABILITY

GRI	G4-EC7, G4-EC8
SDG	1 2 3 5 7 8 9 10 11

86

ENVIRONMENTAL SUSTAINABILITY PROJECTS

OUR ENVIRONMENT INITIATIVES HELP REDUCE OR ELIMINATE THE RELIANCE ON NON-RENEWABLE AND SCARCE RESOURCES, SUCH AS FOSSIL FUELS AND WATER, AND AIM TO TEACH ABOUT AND PRESERVE THE FAUNA AND FLORA.

CASE STUDY: TURKEY

ENVIRONMENTAL MONITORING

In Turkey, working together with the Foundation for the Protection and Promotion of the Environment and Cultural Heritage Foundation, 25 SGS volunteers learned how to train others in nature awareness and nature heritage. Using these skills, they in turn went into schools and ran four workshops for 100 children, showing them how they can find different colours and textures in nature, discover plants and trees, and locate animals using animal footprints and other methods.

CASE STUDY: SWITZERLAND

PRESERVATION

In November, WWF Switzerland organised a local, SGS-dedicated volunteering activity, where employees could learn and contribute to biodiversity preservation in their community. For one day, a group of 12 volunteers cleared bushes, removed sediments and roots from a pond and cleaned beekeeping equipment.

CASE STUDY: SPAIN

RESTORATION OF SERRALADA MARINA NATURAL PARK

On 17th June 2017, a team of 26 employees and their relatives collaborated with the Sèlvans Association to design and participate in the Environmental Volunteer Day in the Serralada Marina Natural Park near Barcelona. The day began with the building of an 'insect hotel', which was later donated to Sant Jeroni de la Murtra's ecological and social market garden. Volunteers were also involved in marking garden boundaries and removing waste. The volunteers had the opportunity to participate in an agroecology masterclass. The work helped support the Natural Park and ensure its continued status as an important natural heritage and conservation site.

COMMUNITY PROGRAMME PILLARS

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | **COMMUNITY** | OUR APPROACH TO REPORTING

15 LIFE ON LAND

CASE STUDY: PORTUGAL

MITIGATING FIRE EFFECTS

SGS contributed to reforestation after deadly wildfires swept through Portugal and destroyed tens of thousands of hectares of land in 2017. By donating one tree per employee, SGS Portugal worked with national conservation association Quercus and the national postal service CTT, to plant 380 trees in the most affected areas. The planting will be completed in spring 2018.

15 LIFE ON LAND

CASE STUDY: THAILAND

REFORESTATION

SGS Thailand participated in a project that protects the ecosystem and promotes biodiversity: A group of management and SGS staff collaborated with Follow Dad's Footstep, a royal charity, to plant new trees by slingshot shooting 1 645 seedlings – one for each SGS Thailand employee. The group also used natural materials to build weirs to control the water flow and improve the habitat of local wildlife.

IMPACT
MEASUREMENT

GRI	G4-EC7, G4-EC8, G4-SO1
SDG	1 2 3 5 7 8 9 10 11

AMBITION 2020

INCREASE OUR INVESTMENT IN COMMUNITIES AROUND THE WORLD BY 30%*, WITH A FOCUS ON VOLUNTEERING

Against 2014 baseline.

17 086

COMMUNITY HOURS DONATED BY EMPLOYEES

WE USE SURVEYS AND METRICS TO MEASURE THE INFLUENCE OF OUR COMMUNITY PROGRAMMES, CAMPAIGNS AND ACTIVITIES.

To evaluate the effectiveness of our programmes, we use our annual Group Community Survey. The Survey is deployed across the network within our sustainability reporting process. It aligns with the London Benchmarking Group criteria, and it includes KPIs measuring the type of philanthropic activities, project duration, hours of volunteering, type of beneficiaries and number of people impacted by the projects, and others. To facilitate participation, in 2017 a new platform was used for the Group Community Survey, which moved away from a spreadsheet based approach to Optimy, a specialist online tool.

When quantifying our support of local communities, we use metrics based on inputs (e.g. type of support: from in-kind or cash donations to employee time and expertise) and outcomes (in terms of social, environmental and economic impacts, including business benefits).

28 COMMUNITY PROJECTS HAVE BEEN DELIVERED TOGETHER WITH CUSTOMERS (AND FOUR WITH SUPPLIERS).

PERFORMANCE

1 270

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

AMBITION 2020 — 987

2014	2015	2016	2017
759	1 046	1 186	1 270
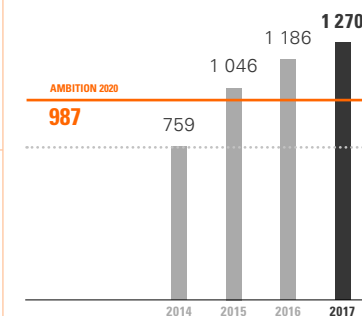
INVESTMENT IN COMMUNITY[1] (THOUSAND CHF)

305

2014	2015	2016	2017
217	222	356	305

COMMUNITY PROJECTS

IMPACT MEASUREMENT

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | **COMMUNITY** | OUR APPROACH TO REPORTING

HOW WE SUPPORTED
COMMUNITY PROJECTS
IN 2017

SGS VOLUNTEER

22%
IMPROVED
TEAMWORK

57%
RAISED SGS
PROFILE LOCALLY

35%
POSITIVE BEARING
ON COMPANY'S
REPUTATION

55%
IMPROVED HEALTH
AND WELL-BEING

19%
IMPROVED ACCESS TO
EDUCATION AND/OR
PEOPLE SKILLS

20%
IMPROVED SOCIAL
INTEGRATION

18%
INCREASED LEVELS
OF RECYCLING

15%
REDUCE WASTE
TO LANDFILL

Projects can include several types of contributions.

IMPACT MEASUREMENT

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | **COMMUNITY** | OUR APPROACH TO REPORTING

HOW WE **SUPPORTED** COMMUNITY PROJECTS IN 2017

GRI	G4-EC7, G4-EC8
SDG	1 2 3 5 7 8 9 10 11

CASE STUDY: USA

SUPPORTING HOUSTON

In the aftermath of Hurricane Harvey, SGS North America helped employees in Houston, Texas clean up and rebuild. The efforts on the ground were accompanied by fundraising in partnership with the Giving Circles Fund (GCF), a non-profit organisation focused on disaster relief. With the money raised, a volunteer base of SGS employees spent two weeks supporting the Houston employees and their communities.
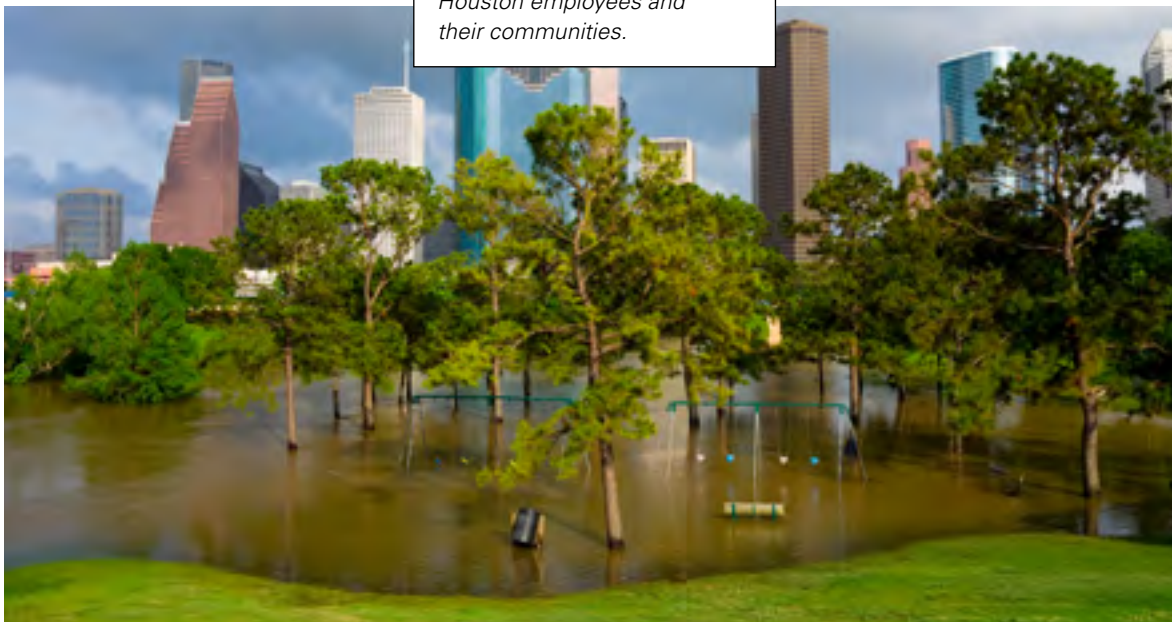
CASE STUDY: CAMBODIA

PREVENTING CHILD TRAFFICKING AND EXPLOITATION

A targeted programme at the head office introduced monthly charity lunches focused on stopping child trafficking and exploitation in Cambodia. Contributing employees paid a little extra for their lunch to support 19 children between the ages of 7 and 18 through school, offering them a way out of poverty and exploitation.

47%

CASH – DONATIONS

22%

CASH – SPONSORSHIP

42%

VOLUNTEERING TIME

34%

IN-KIND DONATIONS
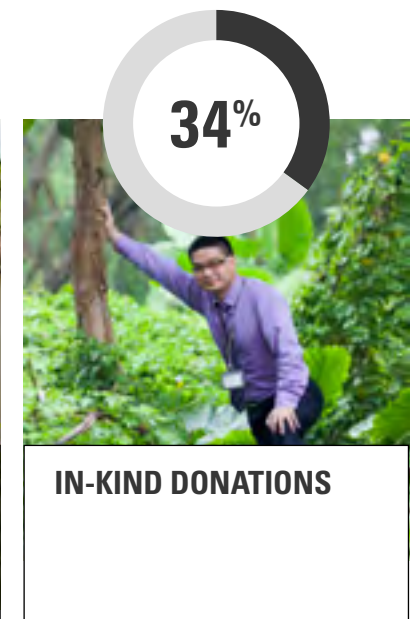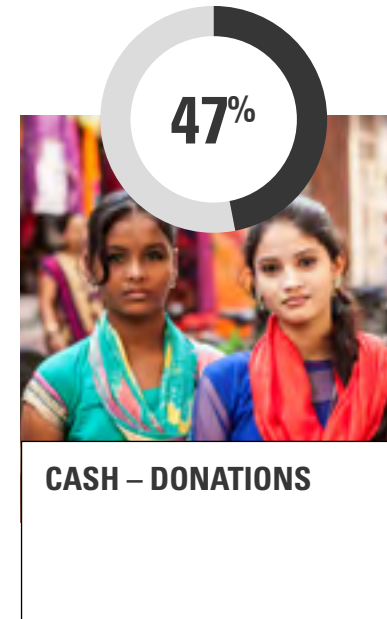
OUR APPROACH TO REPORTING

EVERY YEAR, SGS PROVIDES AN ANNUAL REPORT AND ONLINE SUSTAINABILITY REPORT TO OFFER OUR STAKEHOLDERS TRANSPARENCY ON OUR ACTIVITIES.

GRI	G4-18, G4-23, G4-28, G4-30, G4-32

STAKEHOLDERS' AND SOCIETY'S INTEREST IN SUSTAINABILITY CONTINUES TO ACCELERATE, WITH EXISTING AND PROSPECTIVE EMPLOYEES, CUSTOMERS, INVESTORS, SUPPLIERS AND BUSINESS PARTNERS INTERESTED IN LEARNING ABOUT HOW SGS IS DELIVERING VALUE TO SOCIETY.

SGS is committed to providing stakeholders with accurate and timely updates on our sustainability activities and our performance. For the past nine years, SGS has published an annual Sustainability Report, and since 2015, we have integrated sustainability content into our Annual Report as we move towards a fully integrated reporting structure in line with the Integrated Reporting Framework.

SGS supports the principle of integrated reporting, and we are committed to continuing to work towards that goal. Indeed, we took another step towards integrated reporting this year with the development of our Integrated Leadership Model, which is detailed in both the Annual Report and (reductively) this Sustainability Report.

Whilst the Annual Report (available in both print and digital) progressively moves towards full integration, we have followed previous protocols and provided additional detail on our sustainability activities in 2017 through this online Sustainability Report.

Our past and present performance is disclosed in this report over a five-year period. Sometimes, historical data may differ from previous reports due to the availability of more accurate data or improved data gathering and/or reporting. Any variation in data below 5% is considered immaterial, unless evaluated otherwise according to the SGS Sustainability Team and our external auditors. In such cases, changes are justified and explained in the corresponding section or chart of the report.

REPORTING SCOPE

The scope of this Sustainability Report covers all regions and business lines of the SGS Group for the 2017 calendar year. A full list of SGS' affiliates can be found on pages 249–252 of the 2017 Annual Report. Unless stated otherwise, our reported data scope covers the Group business.

REPORTING STANDARDS

We strive to produce a report that is fair, transparent, balanced and meets the needs of our stakeholders. Consequently, this report has been developed using the AA1000 Accountability Principles Standard and the Global Reporting Initiative's (GRI) G4– Comprehensive option. Regarding the latter, we have prepared our sustainability reports to meet this standard since its introduction in 2013, and we have evolved our approach in accordance with the GRI's Guidelines.

If you are from an organisation interested in aligning with G4 and would like to learn more about our experiences of the process, please contact the Corporate Sustainability Team.
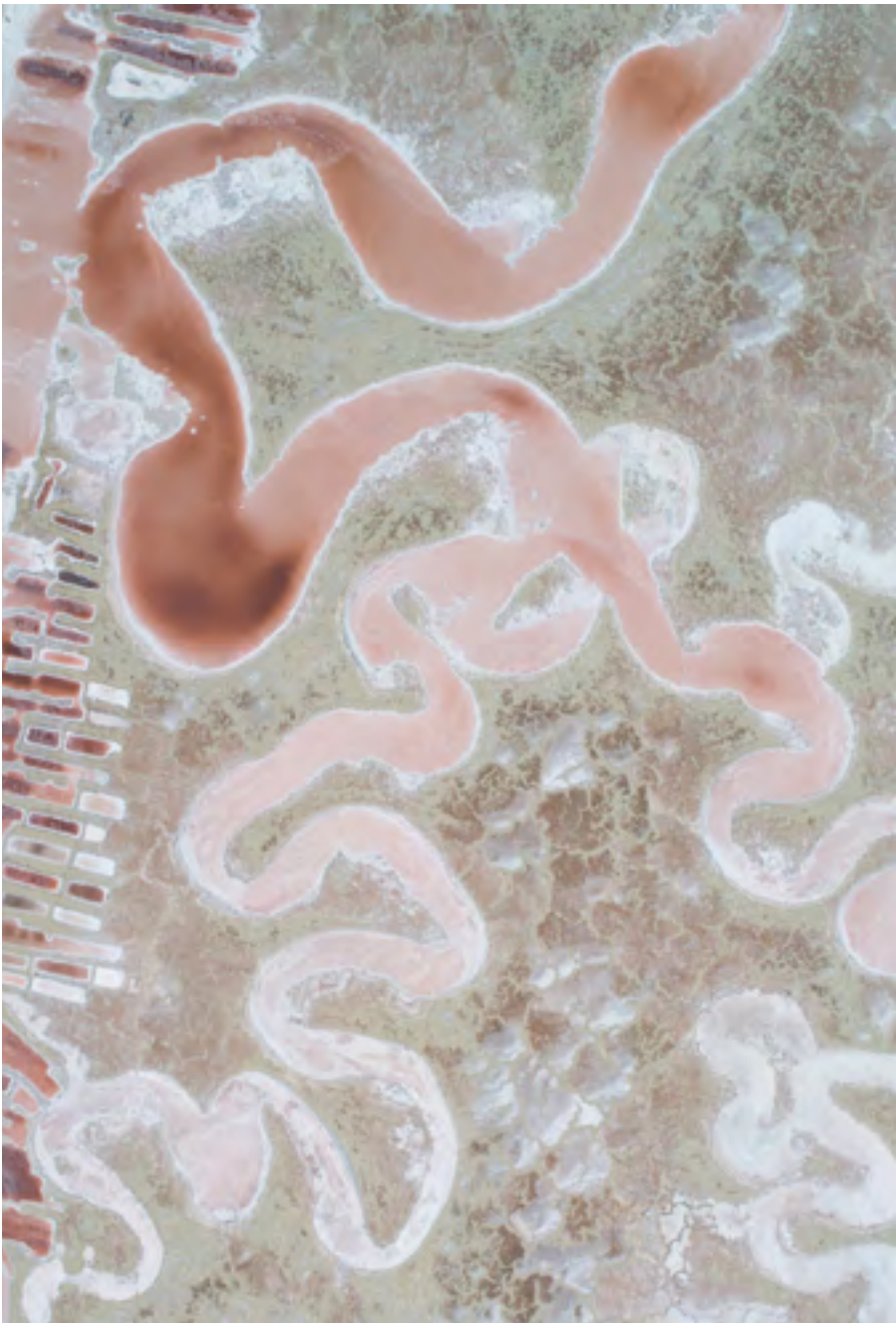
EXTERNAL ASSURANCE STATEMENT

GRI	G4-33

REPORT ON THE EXTERNAL ASSURANCE OF SGS CORPORATE SUSTAINABILITY REPORT 2017

NATURE AND SCOPE OF THE ASSURANCE

Gestion de l'Environnement, Sion, Switzerland and Rita Godfrey Unlimited, Arundel, United Kingdom were commissioned by SGS to conduct an independent assurance of the SGS Corporate Sustainability Report 2017 and the Sustainability Report web pages as marked "The content of this webpage has been verified and assured".

The scope of this assurance was performance data, report text supporting performance data and a review of the management of this data. It also included the management of Materiality Identification and report text supporting those material issues identified, reflecting the needs of GRI G4 reporting.

The SGS Corporate Sustainability Report 2017 has been assured as follows:

- Evaluation of the accuracy of the data at the Head Office in Geneva and at a sample of SGS affiliates, conducted through a Computer Assisted Auditing Technique and through review of the data that supports performance

statements both with the text and/or as separate data graphics
- Evaluation of the veracity of all the texts and data through review of evidences provided by the individual contributors to support the statements
- Data relating to Greenhouse Gas (GHG) emissions have been verified with a limited level of assurance following the requirements of the ISO 14064-3
- Evaluation of GRI Principles on report and on website content against the Global Reporting Initiative Sustainability Reporting Guidelines GRI G4 2013
- Evaluation of KPIs according to the GRI Principles on report quality against the Global Reporting Initiative Sustainability Reporting Guidelines GRI G4 2013
- Conduct of a GRI G4 Adherence level check

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process. The following areas were out of the assurance scope: (1) the claims by SGS that are statements of commitments or forward looking in nature (2) those statements made based on the absence of cases reported through the SGS integrity helpline (3) the case studies 'Retrofitting Ventilation Hoods to Improve Safety and Save Energy' and 'Managing Stress in the Workplace' The Materiality evaluation has been integrated in the SGS risk evaluation and management and an opinion on the adequacy of the SGS risk evaluation and management was out of the scope of this assurance process.

The assurance team are independent assessors who conduct audits

and assessments against different verification schemes on behalf of SGS. The team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors with the following qualifications: 20 years' experience as Lead Auditor in the areas of Quality, Health and Safety, Environment and Social Responsibility, more than 10 years' experience as assurance practitioners with experience in the verification service industry.

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

ASSURANCE OPINION

Based on the methodology described and the verification work performed, we are satisfied that the information and data contained within the SGS Corporate Sustainability reporting 2017 (SGS Annual Report and Sustainability Report web pages) is reliable and provides a fair and balanced representation of SGS activities in 2017 within the limitations of the stated reporting scope.

As in 2016, the CO_2 emissions related to district heating were not included in the 2017 Total GHG emissions which leads to an underestimation of the total location-based CO_2 emissions within an estimated range between 4% and 6%.

Several targets and commitments defined in previous reports have been extended without clear explanation and it is our opinion that the reasons are not sufficiently developed to ensure consistent reporting year on year.

The development of the Measurement of Value to Society is a very positive step in SGS's reporting evolution.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (G4 2013)

In our opinion the SGS Annual Report, the Corporate Sustainability Report 2017 and the Sustainability Report web pages 2017 are presented in accordance with the Comprehensive option for GRI G4 (2013) and fulfills all the required content and quality criteria.

PRINCIPLES

In our opinion the content and quality of the Report has been produced in line with the ten GRI Principles. However, there are improvements to be made in the areas of balance and reporting on actions in response to stakeholders identified issues.

GENERAL STANDARD DISCLOSURES AND SPECIFIC STANDARD DISCLOSURES

We are satisfied that the General Standard Disclosures and Specific Standard Disclosures on Aspects identified as Material have been addressed in line with the comprehensive requirements of GRI G4 (2013).

RECOMMENDATIONS
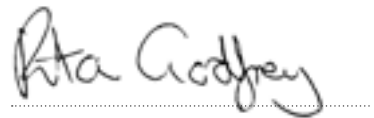
Further opportunities were identified during the assurance for consideration to ensure continual improvement, including the following:

- Future reports need to provide a follow-up on the commitments taken in the previous reports, including the challenges encountered preventing the fulfilment of commitments. This will become more relevant over the next two years as SGS will be reviewing targets moving on from 2020 and will need to report where current targets for 2020 are not met, why and how they will address this

- The reporting clearly covers the stakeholders included in engagement and their material issues, however as in the previous reports the link between the stakeholders' issues and the actions taken should be made clearer
- Although the assurors acknowledge that the district heating data collation process is challenging, the related CO_2 emissions should be reported to minimise underestimation errors

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

March 2018

Rita Godfrey
Rita Godfrey Unlimited, Arundel, United Kingdom, Lead SRA Assuror

Michel Mooser
Gestion de l'Environnement, Sion, Switzerland, SRA Assuror

G4
CONTENT INDEX

CUSTOM CONTENT INDEX – 'IN ACCORDANCE' COMPREHENSIVE

This Content Index provides an overview of the G4 Standard Disclosures based on the selections made.

GRI's Standard Disclosures are comprised of one or more disclosure requirements. In order to report 'in accordance', an organisation must answer each of the disclosure requirements for all the required Standard Disclosures.

In exceptional cases, if it is not possible to disclose certain required information, reasons for omission may apply for those Standard Disclosures marked with (*) in the Guidelines – Reporting Principles and Standard Disclosures.

The GRI Guidelines contain the authoritative text. In case of any discrepancies between this Content Index template and the GRI Guidelines, the GRI Guidelines' text shall prevail.

| GRI | G4-32 |

GENERAL STANDARD DISCLOSURES

GENERAL STANDARD DISCLOSURES	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
STRATEGY AND ANALYSIS					
G4-1	p.5 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-2	p.22 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/managing-risks-and-opportunities http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/managing-risks-and-opportunities/key-risks-for-sgs				p.110 of the Sustainability Report 2017
ORGANISATIONAL PROFILE					
G4-3	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/sgs-at-a-glance				p.110 of the Sustainability Report 2017
G4-4	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/sgs-at-a-glance				p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

| INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING |

GENERAL STANDARD DISCLOSURES	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-5	p.255 of the Annual Report 2017				p.239-240 of the Annual Report 2017
G4-6	p.249-252 of the Annual Report 2017				p.239-240 of the Annual Report 2017
G4-7	p.233 of the Annual Report 2017				p.239-240 of the Annual Report 2017
G4-8	p.17-18, 33, 53 of the Annual Report 2017				p.239-240 of the Annual Report 2017
G4-9	p.15, 17-18, 19-20, 188-191 of the Annual Report 2017				p.239-240 of the Annual Report 2017
G4-10	p.15, 190 of the Annual Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-reports/2017-report/databank/human-resources p.65 of the Sustainability Report 2017				p.239-240 of the Annual Report 2018 p.110 of the Sustainability Report 2017
G4-11	p.70 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-reports/2017-report/databank/human-resources				p.110 of the Sustainability Report 2017
G4-12	p.48 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-13	p.75-76, 88, 186-187, 189-190, 235 of the Annual Report 2017 p.50 of the Sustainability Report 2017				p.239-240 of the Annual Report 2017 p.110 of the Sustainability Report 2017
G4-14	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/managing-risks-and-opportunities/key-risks-for-sgs				p.110 of the Sustainability Report 2017
G4-15	p.88, 94 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-16	p.43, 88, 94 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	p.249-252 of the Annual Report 2017				p.239-240 of the Annual Report 2017
G4-18	p.109 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-19	p.23 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/stakeholder-engagement-and-materiality/materiality-results				p.110 of the Sustainability Report 2017
G4-20	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/stakeholder-engagement-and-materiality/materiality-results				p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

GENERAL STANDARD DISCLOSURES	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-21	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/stakeholder-engagement-and-materiality/materiality-results				p.110 of the Sustainability Report 2017
G4-22	There was not restatement in 2017				p.110 of the Sustainability Report 2017
G4-23	p.109 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

STAKEHOLDER ENGAGEMENT

G4-24	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/stakeholder-engagement-and-materiality				p.110 of the Sustainability Report 2017
G4-25	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/stakeholder-engagement-and-materiality				p.110 of the Sustainability Report 2017
G4-26	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/stakeholder-engagement-and-materiality				p.110 of the Sustainability Report 2017
G4-27	p.22 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/stakeholder-engagement-and-materiality/materiality-results				p.110 of the Sustainability Report 2017

REPORT PROFILE

G4-28	p.109 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-29	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-reports				p.110 of the Sustainability Report 2017
G4-30	p.109 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-31	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/definition-of-sustainability				p.110 of the Sustainability Report 2017
G4-32	p.109, 111 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-33	p.110 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-reports/2017-report/assurance				p.110 of the Sustainability Report 2017

GOVERNANCE

G4-34	p.39 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/governance				p.110 of the Sustainability Report 2017
G4-35	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/governance				p.110 of the Sustainability Report 2017
G4-36	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/governance				p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

GENERAL STANDARD DISCLOSURES	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-37	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/governance				p.110 of the Sustainability Report 2017
G4-38	p.141-145, 148-150 of the Annual Report 2017				p.174, 227 of the Annual Report 2017
G4-39	p.141 of the Annual Report 2017				p.174, 227 of the Annual Report 2017
G4-40	p.144, 150-151, 156 of the Annual Report 2017				p.174, 227 of the Annual Report 2017
G4-41	p.144-147 of the Annual Report 2017				p.239-240 of the Annual Report 2017
G4-42	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/governance				p.110 of the Sustainability Report 2017
G4-43	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/governance				p.110 of the Sustainability Report 2017
G4-44	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/governance				p.110 of the Sustainability Report 2017
G4-45	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/managing-risks-and-opportunities				p.110 of the Sustainability Report 2017
G4-46	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/managing-risks-and-opportunities				p.110 of the Sustainability Report 2017
G4-47	p.34 of the Annual Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/managing-risks-and-opportunities				p.136 of the Annual Report 2017
G4-48	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/governance				p.110 of the Sustainability Report 2017
G4-49	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/governance				p.110 of the Sustainability Report 2017
G4-50	p.39, 42 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-reports/2017-report/databank/code-of-integrity-and-ethical-conduct http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-reports/2017-report/databank/human-rights				p.110 of the Sustainability Report 2017
G4-51	p.156-173 of the Annual Report 2017 p.67 of the Sustainability Report 2017				p.174 of the Annual Report 2017 p.110 of the Sustainability Report 2017
G4-52	p.156-173 of the Annual Report 2017				p.174 of the Annual Report 2017
G4-53	p.150-151 of the Annual Report 2017				p.239-240 of the Annual Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

GENERAL STANDARD DISCLOSURES	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-54	p.169-173 of the Annual Report 2017	Currently, this ratio is not broken down by country.	The information is subject to specific confidentiality constraints; The information is currently unavailable.	The deployment of our HR data management tool is under review, due to internal changes. We are currently considering other options to report on this as of 2020.	p.174 of the Annual Report 2017
G4-55	p.169-173 of the Annual Report 2017	Currently, this ratio is not broken down by country.	The information is subject to specific confidentiality constraints; The information is currently unavailable.	The deployment of our HR data management tool is under review, due to internal changes. We are currently considering other options to report on this as of 2020.	p.174 of the Annual Report 2017

ETHICS AND INTEGRITY

G4-56	p.39 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/sgs-at-a-glance/our-business-model http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/sgs-at-a-glance/our-vision-and-values http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/sgs-at-a-glance/sgs-business-principles				p.110 of the Sustainability Report 2017
G4-57	p.39, 42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-58	p.39, 42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

SPECIFIC STANDARD DISCLOSURES

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE

ECONOMIC

ECONOMIC PERFORMANCE

G4-DMA	p.36 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EC1	p.36, 37 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EC2	http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/managing-risks-and-opportunities/risks-and-opportunities-associated-with-climate-change				p.110 of the Sustainability Report 2017
G4-EC3	p.207-213 of the Annual Report 2017				p.239-240 of the Annual Report 2017
G4-EC4	p.43 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
MARKET PRESENCE					
G4-DMA	p.17-18, 33, 117 of the Annual Report 2017 p.39 of the Sustainability Report 2017				p.239-240 of the Annual Report 2017 p.110 of the Sustainability Report 2017
G4-EC5	p.65 of the Sustainability Report 2017	We only report it qualitatively.	The information is currently unavailable.	The deployment of our HR data management tool is under review, due to internal changes. We are currently considering other options to report on this as of 2020.	p.110 of the Sustainability Report 2017
G4-EC6		Currently, our data management system does not allow us to collect this information.	The information is currently unavailable.	The deployment of our HR data management tool is under review, due to internal changes. We are currently considering other options to report on this as of 2020.	
INDIRECT ECONOMIC IMPACTS					
G4-DMA	p.16, 99 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EC7	p.30, 31, 33, 100-103, 105, 107 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/local-communities				p.110 of the Sustainability Report 2017
G4-EC8	p.30, 31, 33, 100-103, 105, 107 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/local-communities				p.110 of the Sustainability Report 2017
PROCUREMENT PRACTICES					
G4-DMA	p.48 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EC9	p.50 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

ENVIRONMENTAL

MATERIALS

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.48 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EN1	p.49 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/resources-and-compliance				p.110 of the Sustainability Report 2017
G4-EN2		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, almost the totality of materials cannot be recycled (e.g. chemicals). The only one subject to this possibility is paper, but currently we do not track it as the indicator has not been selected as material for our company.	

ENERGY

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.86 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EN3	p.87, 88 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/energy				p.110 of the Sustainability Report 2017
G4-EN4	p.87, 88 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/energy				p.110 of the Sustainability Report 2017
G4-EN5	http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/energy				p.110 of the Sustainability Report 2017
G4-EN6	http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/energy				p.110 of the Sustainability Report 2017
G4-EN7	p.31 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

WATER

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.95 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EN8	p.96 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/resources-and-compliance	Not broken down by source.	The information is currently unavailable.	As a service company, we have a relatively low consumption of water. We do not consider this indicator as very material. See our materiality analysis for further information.	p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-EN9		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	As a service company, we have a relatively low consumption of water. We do not consider this indicator as very material. See our materiality analysis for further information.	
G4-EN10		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	As a service company, we have a relatively low consumption of water. We do not consider this indicator as very material. See our materiality analysis for further information.	

BIODIVERSITY

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	As a service company, we do not have material impacts on biodiversity.	
G4-EN11		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	As a service company, we do not have material impacts on biodiversity.	
G4-EN12		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	As a service company, we do not have material impacts on biodiversity.	
G4-EN13		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	As a service company, we do not have material impacts on biodiversity.	
G4-EN14		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	As a service company, we do not have material impacts on biodiversity.	

EMISSIONS

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.86 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EN15	p.92, 93 of the Sustainability Report 2017 http://www.sgs.com/en/Our-Company/Corporate-Sustainability/Online-Sustainability-Reports/2017-report/DataBank/Carbon-Emissions				p.110 of the Sustainability Report 2017
G4-EN16	p.92, 93 of the Sustainability Report 2017 http://www.sgs.com/en/Our-Company/Corporate-Sustainability/Online-Sustainability-Reports/2017-report/DataBank/Carbon-Emissions				p.110 of the Sustainability Report 2017
G4-EN17	p.92, 93 of the Sustainability Report 2017 http://www.sgs.com/en/Our-Company/Corporate-Sustainability/Online-Sustainability-Reports/2017-report/DataBank/Carbon-Emissions				p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-EN18	p.92, 93 of the Sustainability Report 2017 http://www.sgs.com/en/Our-Company/Corporate-Sustainability/Online-Sustainability-Reports/2017-report/DataBank/Carbon-Emissions				p.110 of the Sustainability Report 2017
G4-EN19	p.92, 93 of the Sustainability Report 2017 http://www.sgs.com/en/Our-Company/Corporate-Sustainability/Online-Sustainability-Reports/2017-report/DataBank/Carbon-Emissions				p.110 of the Sustainability Report 2017
G4-EN20		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Based on analysis of NOX, SOX and ODS emissions from a sample of laboratories, extrapolated to the whole Group, we have concluded that our operations do not have accountable emissions associated with these Green House Gases.	
G4-EN21		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Based on analysis of NOX, SOX and ODS emissions from a sample of laboratories, extrapolated to the whole Group, we have concluded that our operations do not have accountable emissions associated with these Green House Gases.	

EFFLUENTS AND WASTE

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.95 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EN22		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	As a service company, we have a relatively low consumption of water. We do not consider this indicator as very material.	
G4-EN23	p.97 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/resources-and-compliance	Not reported by disposal method.	The Standard Disclosure or part of the Standard Disclosure is not applicable; The information is currently unavailable.	Currently, our data gathering system does not allow us to have this breakdown. We are now evaluating how and where to gather this. We expect to report it in 2018.	p.110 of the Sustainability Report 2017
G4-EN24	p.97 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/resources-and-compliance				p.110 of the Sustainability Report 2017
G4-EN25		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Not applicable because we do not transport waste across boundaries.	
G4-EN26		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, this indicator is not applicable.	

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
PRODUCTS AND SERVICES					
G4-DMA		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, this indicator is not applicable.	
G4-EN27		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, this indicator is not applicable.	
G4-EN28		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, this indicator is not applicable.	
COMPLIANCE					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EN29	p.42 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/resources-and-compliance				p.110 of the Sustainability Report 2017
TRANSPORT					
G4-DMA		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, this indicator is not applicable.	
G4-EN30		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, this indicator is not applicable.	
OVERALL					
G4-DMA	p.86, 95 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EN31	p.93, 97 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-DMA	p.48 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EN32	p.51 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EN33	p.45, 51, 52 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | **OUR APPROACH TO REPORTING**

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
ENVIRONMENTAL GRIEVANCE MECHANISMS					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-EN34	p.42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

SOCIAL

LABOR PRACTICES AND DECENT WORK – EMPLOYMENT

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.61 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-LA1	p.190 of the Annual Report 2017 p.64, 65 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/human-resources	Not reported by age.	The information is currently unavailable.	The deployment of our HR data management tool is under review, due to internal changes. We are currently considering other options to report on this as of 2020.	p.239-240 of the Annual Report 2017 p.110 of the Sustainability Report 2017
G4-LA2	p.184, 225 of the Annual Report 2017 p.62, 65, 67 of the Sustainability Report 2017				p.239-240 of the Annual Report 2017 p.110 of the Sustainability Report 2017
G4-LA3		Not available.	The information is currently unavailable.	The deployment of our HR data management tool is under review, due to internal changes. We are currently considering other options to report on this as of 2020.	

LABOR PRACTICES AND DECENT WORK – LABOR/MANAGEMENT RELATIONS

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.61 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-LA4	p.68 of the Sustainability Report 2017 The minimum notice period applicable is the one stipulated in the laws of each country SGS operates in.				p.110 of the Sustainability Report 2017

LABOR PRACTICES AND DECENT WORK – OCCUPATIONAL HEALTH AND SAFETY

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.74 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-LA5	p.70 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/human-resources				p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | **OUR APPROACH TO REPORTING**

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-LA6	http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/human-resources http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/operational-integrity	Not reported by gender and region.	The information is subject to specific confidentiality constraints.	We do not break down by region for commercial sensitiveness reasons. For the gender breakdown, The deployment of our HR data management tool is under review, due to internal changes. We are currently considering other options to report on this as of 2020.	p.110 of the Sustainability Report 2017
G4-LA7	p.62, 84 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-LA8	p.62, 70 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/human-resources				p.110 of the Sustainability Report 2017

LABOR PRACTICES AND DECENT WORK – TRAINING AND EDUCATION

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.61 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-LA9	http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/human-resources	Not reported by gender.	The information is currently unavailable.	The deployment of our HR data management tool is under review, due to internal changes. We are currently considering other options to report on this as of 2020.	p.110 of the Sustainability Report 2017
G4-LA10	p.71 of the Sustainability Report 2017	We provide training for retirement at Corporate level, for employees working in HQ.			p.110 of the Sustainability Report 2017
G4-LA11	p.72 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/human-resources	Not reported by gender.	The information is currently unavailable.	The deployment of our HR data management tool is under review, due to internal changes. We are currently considering other options to report on this as of 2020.	p.110 of the Sustainability Report 2017

LABOR PRACTICES AND DECENT WORK – DIVERSITY AND EQUAL OPPORTUNITY

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.63 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-LA12	p.141-145, 148-150 of the Annual Report 2017 p.71 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/human-resources	Employees not reported by age group, minority group membership, and other indicator of diversity.	The information is currently unavailable.	The deployment of our HR data management tool is under review, due to internal changes. We are currently considering other options to report on this as of 2020.	p.174, 227 of the Annual Report 2017 p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
LABOR PRACTICES AND DECENT WORK – EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-DMA	p.61 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-LA13		Not available.	The information is currently unavailable.	The deployment of our HR data management tool is under review, due to internal changes. We are currently considering other options to report on this as of 2020.	
LABOR PRACTICES AND DECENT WORK – SUPPLIER ASSESSMENT FOR LABOR PRACTICES					
G4-DMA	p.48 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-LA14	p.51 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-LA15	p.45, 51, 52 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
LABOR PRACTICES AND DECENT WORK – LABOR PRACTICES GRIEVANCE MECHANISMS					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-LA16	p.42, 43 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
HUMAN RIGHTS – INVESTMENT					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-HR1	p.51 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-HR2	http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/human-rights				p.110 of the Sustainability Report 2017
HUMAN RIGHTS – NON-DISCRIMINATION					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-HR3	p.42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
HUMAN RIGHTS – FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-HR4	p.42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
HUMAN RIGHTS – CHILD LABOR					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-HR5	p.45, 51, 53 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
HUMAN RIGHTS – FORCED OR COMPULSORY LABOR					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-HR6	p.45, 51, 53 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
HUMAN RIGHTS – SECURITY PRACTICES					
G4-DMA		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, this indicator is not applicable.	
G4-HR7		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, this indicator is not applicable.	
HUMAN RIGHTS – INDIGENOUS RIGHTS					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-HR8	p.42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
HUMAN RIGHTS – ASSESSMENT					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-HR9	p.45 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/human-rights	Not reported by country.	The information is subject to specific confidentiality constraints.	This information has been defined as commercially sensitive.	p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
HUMAN RIGHTS – SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-DMA	p.48 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-HR10	p.51 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-HR11	p.45, 51, 52 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
HUMAN RIGHTS – HUMAN RIGHTS GRIEVANCE MECHANISMS					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-HR12	p.42 of the Sustainability Report 2017 http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/human-rights				p.110 of the Sustainability Report 2017
SOCIETY – LOCAL COMMUNITIES					
G4-DMA	p.99 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-SO1	p.105 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-SO2	Such significant impacts are assessed as part of our board risk review and our due diligence process for acquiring new businesses. http://www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/managing-risks-and-opportunities/key-risks-for-sgs				p.110 of the Sustainability Report 2017
SOCIETY – ANTI-CORRUPTION					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-SO3	http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/code-of-integrity-and-ethical-conduct				p.110 of the Sustainability Report 2017
G4-SO4	http://www.sgs.com/en/our-company/corporate-sustainability/online-sustainability-reports/2017-report/databank/code-of-integrity-and-ethical-conduct				p.110 of the Sustainability Report 2017
G4-SO5	p.42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
SOCIETY – PUBLIC POLICY					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-SO6	p.43 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
SOCIETY – ANTI-COMPETITIVE BEHAVIOR					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-SO7	p.43 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
SOCIETY – COMPLIANCE					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-SO8	p.42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
SOCIETY – SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY					
G4-DMA	p.48 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-SO9	p.51 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-SO10	p.45, 51, 52 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
SOCIETY – SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-SO11	p.42, 43 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
PRODUCT RESPONSIBILITY – CUSTOMER HEALTH AND SAFETY					
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-PR1		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, this indicator is not applicable.	
G4-PR2	p.42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

G4 CONTENT INDEX

INTRODUCTION | OUR VALUE TO SOCIETY | PROFESSIONAL EXCELLENCE | PEOPLE | ENVIRONMENT | COMMUNITY | OUR APPROACH TO REPORTING

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE

PRODUCT RESPONSIBILITY – PRODUCT AND SERVICE LABELING

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-PR3		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, this indicator is not applicable.	
G4-PR4	p.42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-PR5	p.56 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

PRODUCT RESPONSIBILITY – MARKETING COMMUNICATIONS

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.38 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-PR6		Not applicable.	The Standard Disclosure or part of the Standard Disclosure is not applicable.	Due to the type of operations of SGS, this indicator is not applicable.	
G4-PR7	p.42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

PRODUCT RESPONSIBILITY – CUSTOMER PRIVACY

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.54 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-PR8	p.42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

PRODUCT RESPONSIBILITY – COMPLIANCE

DMA AND INDICATORS	PAGE NUMBER (OR LINK)	IDENTIFIED OMISSION(S)	REASON(S) FOR OMISSION(S)	EXPLANATION FOR OMISSION(S)	EXTERNAL ASSURANCE
G4-DMA	p.54 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017
G4-PR9	p.42 of the Sustainability Report 2017				p.110 of the Sustainability Report 2017

CLOSING **REMARKS**

DEAR COLLEAGUES, PARTNERS AND STAKEHOLDERS,

We hope that this report has been useful and informative. We are proud of the advances SGS has made over the last ten years since the creation of the Sustainability function. But we are equally looking forward to carrying that momentum forward into our second decade of sustainability efforts.

Our primary focus over the next 12 months will be on advancing our Value to Society (V2S) model and increasing internal awareness of it. Particularly, we will look at ways to establish a robust method for measuring the impact of our services, which remains the least developed part of the model for the time being.

Advancing the measurement process will not only help us improve efficiencies in our sustainability efforts but also contribute to updating our Sustainability Ambitions.

By linking management incentive plans to sustainability, we strengthen our efforts to achieve our Sustainability Ambitions 2020. In 2018, we will begin the process of looking to the future and how to frame our goals for 2025 while evolving our understanding of where we want to be in 2030.
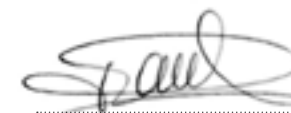
We are aware that we are only at the beginning of our next sustainability chapter, but we are in for the long haul. We know that our colleagues, managers and partners will do their part – both at work and in their communities – to ensure that future generations will have enough resources to meet their needs.

We thank you for taking the time to read this report and for contributing to a more sustainable future.

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SIX Swiss Exchange

COMMON STOCK SYMBOLS

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Reuters: Registered Share: SGSN.VX

Telekurs: Registered Share: SGSN

ISIN: Registered Share: CH0002497458

Swiss security number: 249745

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WHEN YOU NEED TO BE SURE

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