

2020 Corporate Sustainability Report

SGS

ENABLING A BETTER, SAFER AND MORE INTERCONNECTED WORLD

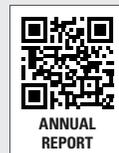


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GRI LINKS
This icon shows where text aligns with specific GRI Indicators.

To download our Reporting Standards Index [click here](#)



Read our online Integrated Report and our online Sustainability Report at www.sgs.com/en/annual-report

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SGS's value to society



Our value to society is to enable a better, safer and more interconnected world. Wherever you are, in whatever industry, you can rely on our international teams of experts to provide specialized solutions to make your business faster, simpler and more efficient.



BETTER

Better, because society demands ever higher standards for products and services delivered by business.

AGRICULTURE AND FOOD

By supporting our customers' food product research and development, we help deliver better products to consumers which use fewer additives and higher quality ingredients.



35%

expected increase in food production by 2030

The global food system will need to meet an expected 35% rise in demand by 2030.

Source: FAO – Food and Agricultural Organization



230 000

energy efficient buildings are expected to be built in South Korea alone over the next decade.

Source: www.weforum.org



SAFER



2.8 MIO

people have so far died around the world due to the Covid-19 pandemic.

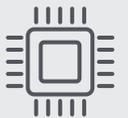
Source: www.worldometers.info

Safer, because business is pushing the boundaries of science and technology, from autonomous driving to the race for new vaccines. Safety is the number one priority.

LIFE SCIENCES

Our analytical, bioanalytical and clinical trial testing, along with process management capabilities, provide a wide range of essential services.

An interconnected world, because the future of business will require managing all aspects of an interconnected society, including consumers, communications, transactions, supply chains and mobility.



CONSTRUCTION

When a project is conceived, we can help make the plans a reality by ensuring processes run efficiently, construction sites are safe and reliable materials are used throughout the supply chain.

MORE INTERCONNECTED

SGS's value to society continued



HOW WE ADD VALUE

We add value to society by enabling a better, safer and more interconnected world through our actions as a company, through our supply chain, and by offering services that help our customers achieve their own sustainability objectives, using our scale and expertise to enable a more sustainable future.

EMPLOYEES*

89 000

* Full-time equivalent

OFFICES AND LABORATORIES

2 600

VALUE TO SOCIETY*

CHF 6 579

* Value calculated in 2020 for 2019

OUR INDUSTRIES

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



OIL AND GAS

Innovative, sustainable solutions along the value chain.



MINING

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



ENERGY

Powering processes in renewables and conventional energy.



CHEMICAL

Driving innovation, optimization, efficiency and safety across the board, from feedstocks to finished products.



AGRICULTURE AND FOOD

Developing innovative safety, quality and sustainability solutions for supply chains.



INDUSTRIAL MANUFACTURING

Making manufacturing more productive and profitable.



CONSTRUCTION

Ensuring safety and performance when constructing buildings or infrastructure.



CONSUMER GOODS AND RETAIL

Enabling manufacturers, exporters, importers and retailers to generate trust throughout the supply chain.



TRANSPORTATION

Driving a safer, cleaner and more efficient industry.



LIFE SCIENCES

Safeguarding the quality and efficacy of medicines.



PUBLIC SECTOR

Facilitating trade and sustainable development. Protecting society against fraud and economic crime.

OUR APPROACH

HOW HAS SGS CONTRIBUTED TO MAKING THE WORLD BETTER, SAFER AND MORE INTERCONNECTED IN 2020?

“We offer services that help our customers to add value to society and be more sustainable. By supporting each other, and sharing our knowledge and expertise, we can multiply our impact, and make the world better, safer and more interconnected.”

Frankie Ng
Chief Executive Officer

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Letter to our Shareholders



Calvin Grieder
Chairman of the Board



Frankie Ng
Chief Executive Officer

Dear Shareholders,

We are pleased to share with you our 2020 Corporate Sustainability Report, detailing our sustainability performance for the past year.

Over the past seven years, we have consistently earned global recognition as one of the most sustainable companies in the world. In a year which marked the completion of our 2020 Sustainability Ambitions strategy, we were ranked in first place for the seventh year in a row in the Dow Jones Sustainability Indices (DJSI) World and Europe, and received the DJSI Gold Award. We were rated A- by the CDP and were a CDP Supplier Engagement Leader for actions to mitigate climate change and address climate risks across our entire supply chain.

We have also been recognized this year by several other bodies: we have been upgraded to AAA in the Morgan Stanley Capital International's (MSCI) Environment Social Governance (ESG), ranking in the top four professional services companies; rated as being at 'low risk' of experiencing material financial impacts from ESG factors by Sustainalytics; and rated as PRIME by ISS ESG Corporate Rating for our excellence in managing ESG aspects, from over 199 companies in our sector. We are proud of the recognition of the hard work of our people in delivering sustainable value for society.

IMPACT OF COVID-19

Despite the challenges of 2020, we have successfully navigated the Covid-19 crisis, while continuing to drive our sustainability agenda forward both in our operations and service development.

We have completed our 2030 Sustainability Ambitions which encompasses a holistic and global approach to sustainability both in terms

of how we behave as a company and the value we provide to our customers through our services. We will launch our Sustainability Ambitions 2030 in Q2.

We immediately recognized the gravity of the situation and took a leading role in implementing proper measures to protect our people. Thinking creatively, we have developed new ways of working, or adapted existing ones, to keep our own business running successfully. We developed services to help our customers keep their supply chains operating responsibly and safely through our 'Next Normal' solutions services. We have also supported our communities, organizing volunteering and fundraising activities.

VALUE TO SOCIETY

Value creation continues to be at the very heart of the way we do business. We create value directly in the way we operate and enable value creation indirectly. We do this both through our stakeholders, such as our suppliers, and in the services we provide to our customers, which in turn helps them add value to society.

In 2020, we calculated a total value to society of CHF 6 579 million from our direct operations and supply chain activities¹. By putting a monetary value on our value to society, we ensure that we make better decisions, for our business and society as a whole.

LOOKING AHEAD

Today we are sustainability leaders, driving a sustainability culture in the Testing, Inspection and Certification sector. But we know that we need to keep evolving, in a world that is more volatile and less certain, and we will continue to be agile in the way we adapt to new market circumstances.

As we head into 2021, we will increase our sustainability services offering. We will continue to help our customers to navigate increasing regulations, while seizing the opportunity offered by becoming even more sustainable in the way they operate.

Our completed 2020 Sustainability Ambitions encompasses a holistic and global approach to sustainability, both in terms of how we behave as a Company, and the value we provide to our customers through our services.

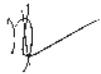
Having completed these Ambitions, in Q2 2021 we will launch our new integrated 2030 Sustainability Ambitions. This touches all areas of our business, aligned with our business strategy and taking into account megatrends in society, as well as the United Nations' Sustainable Development Goals. Key priorities will be to continue to reduce our use of energy as we work towards our science-based climate targets, and to increase the representation of women on our management team and to continue improving our health and safety indicators.

Behind every business success are our people, and we are incredibly proud of the innovation and responsiveness that they have shown throughout 2020. Their hard work and commitment to supporting our customers and sustainability has reinforced our leadership position in the TIC industry, and contributed to making the world better, safer and more interconnected.

By continuing to work together, we can – and will – overcome any challenges, and emerge even stronger, continuing to add value to our shareholders and society.

¹. Value to society is calculated using 2019 figures

Sustainability leadership Q&A



Daniel Rüfenacht
Group VP Corporate Communications



Paula Ordoñez
Global Head of Corporate Sustainability

Q: This year marks the end of your 2020 strategy. What have been the key learnings and achievements?

DANIEL RÜFENACHT:

For many years, we have driven progress in the Testing, Inspection and Certification sector in sustainability. Our leadership in this field has been recognized by the likes of DJSI, CDP, MSCI and Sustainalytics. We have helped to show what is possible and to raise standards across the industry.

We are proud that SGS is a net positive company, and we are able to demonstrate this through our measurement of the value of our impact on society.

We have worked hard to integrate sustainability into our culture and across our business operations, supply chain and services.

As part of our effort to tackle climate change, we have reduced the CO₂ emissions from our buildings and car fleet, and are continuing to make great strides in this area.

Having completed our 2020 Sustainability Ambitions strategy this year, we will launch a bold integrated sustainability strategy in 2021, raising the bar for ourselves again with new ambitious targets.

Q: How has SGS demonstrated its value to society this year?

PAULA ORDOÑEZ:

We add value to society every day, in everything we do. This is core to the way we do business, is driven from the very top, and can be seen in the new sustainability strategy which we have been working on this year.

In addition to delivering on our current strategy and initiatives, which did not stop during the pandemic – we have been making a very real social contribution in response to Covid-19, both to our own people and beyond.

Internally, we quickly implemented many initiatives that protected the health of our employees, from facilitating remote working, to the provision of PPE. We focused on morale through our SGS People 15 Day Challenge – [see our case study on page 65](#) – in which we showed our appreciation for our colleagues' hard work.

Beyond our own operations, we provided solutions that are helping customers weather the Covid-19 storm and get back to business as usual, through what we call our 'Next Normal' solutions. In 2020, we measured our Value to Society¹ as being worth CHF 6 579 million. [\(See page 22 for how we quantify the value we add to society\)](#)

Q: How is SGS continuing to develop as a sustainability leader?

DANIEL RÜFENACHT:

Our position as a sustainability leader is based on integrating sustainability into our culture, so that everybody in the organization understands sustainability and how we add value to society. Internally, our evolution lies with our 2030 strategy. For example, we will focus on gender diversity not through setting quotas, but by making sure that recruitment opportunities are equally available to male and female candidates. In health and safety, we aim for outstanding performance, staying ahead of the curve in terms of compliance and making sure we are a company that people can trust. We also continue to work to increase our use of renewable energy, which will enable us to reduce our investment in carbon offsetting projects.

However, sustainability leadership is not just about what we do within our business. It's about going out to the market and helping make changes there too – and given the wide reach of our business across sectors, there are many diverse opportunities. We are planning to engage with impact investors to support initiatives like our [SGS Academy for the Community program](#), which supports local communities. We are also looking into public-private partnership opportunities that focus on sustainability.

Our goal is to continue to lead our sector in sustainability and also to help our customers increase their sustainability, no matter which sector they are in. This will help us to deliver even more value to society going into the future.

Delivering across our strategic pillars in 2020



PROFESSIONAL EXCELLENCE

100%

of spend analyzed for sustainability risks

83%

of customers satisfied with SGS service

99%

completion rate of data protection and privacy eLearning

0

human rights violations



Read more on [page 37](#)



OUR PEOPLE

48.8

training hours per employee

0.23

Lost Time Injury Rate decreased by 62% since 2014

0.36

Total Recordable Incident Rate decreased by 68% since 2014

28.7%

women in senior leadership positions



Read more on [page 51](#)



ENVIRONMENT

Carbon Neutral

SGS maintained its status as a carbon neutral company since 2014

43%

decrease in total greenhouse gas emissions against a 2014 baseline

95%

electricity from renewable sources

+470

energy efficiency initiatives identified within our Energy Efficiency in Buildings program



Read more on [page 67](#)



COMMUNITY

CHF 1 243 k

invested in communities around the world

51

Number of countries participating in community projects

323

community projects supported



Read more on [page 77](#)

RANKINGS AND RATINGS

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

SGS ranks first in the Professional Services Industry and retains its leadership position for the seventh consecutive year



Rated A- leading position by the CDP



Rated Low Risk by Sustainalytics



Upgraded to AAA in the MSCI ESG rating



Rated as PRIME by ISS ESG Corporate Rating



Awarded with the Platinum Medal by Ecovadis Sustainability Rating

Our business model – how we create our value to society

For more information read our 2020 Integrated Annual Report online at www.sgs.com/en/annual-report



We create value to society



OUR GLOBAL DRIVERS

OUR VALUE TO SOCIETY

¹ % of total employment cost spent on training

* Alternative Performance Measures (APM), refer to the '2020 Full Year APM' document

Key trends – our changing world



Read more about:

Cybersecurity on **page 43**

Sustainability and climate on **page 67**

Natural resources on **page 76**

Health and wellness on **page 51**



We have identified 12 societal megatrends that are having the biggest impact on the testing, inspection and certification sector. We integrate these factors into our long-term strategic thinking and development of our business and services.

1.



CONNECTIVITY

According to the World Economic Forum, access to the internet has doubled since 2010. While not everyone has access – even in some of the world’s biggest economies such as India and China – and there is still a significant gap between access for populations in cities and rural areas, the gap is closing. Previously untapped markets, such as in Central Africa, are seeing significant growth in access. Machines are also increasingly interconnected, as the Internet of Things continues its rapid growth and smartphones get smarter. In 2020, the restrictions of Covid-19 made connectivity all the more critical.

2.



MOBILITY

Mobility is an area that is set to change rapidly in the coming years, with accelerated investment in technological innovations that continue to disrupt the automotive industry. These include autonomous driving, electric vehicles, ridesharing services and the prospect of hydrogen-powered vehicles.

3.



CYBERSECURITY

By 2021, cybercrime will cost the world \$6 trillion¹, as a business falls victim to ransomware every 11 seconds. In the face of growing threats, data protection and information security are a top priority for businesses around the world.

4.



SUSTAINABILITY & CLIMATE

We are facing a climate emergency. 11% of the world’s population is currently vulnerable to the impact from climate change² such as droughts, floods, heat waves, extreme weather events and a rise in sea-levels. Business and communities are being tasked by governments to develop actionable strategies that reduce their impact on climate change, while supporting new demographic structures and securing the supply of resources.

5.



NATURAL RESOURCES

The earth’s finite natural resources are being used up at an alarming rate. For the first time ever, in 2020 global use of natural resources reached 100 billion tons per year.³ Of all the minerals, fossil fuels, metals and biomass used each year, just 8.6% are cycled back into the circular economy. The philosophy of ‘reduce, reuse, recycle’ has never been more critical, and a global move to a circular economy is increasingly seen as an imperative.

6.



NUTRITION

According to the World Health Organization 1.9 billion adults are overweight or obese⁴, while 462 million are underweight. Nutrition is critical to health and development; people with adequate nutrition are more productive, which enhances their chances of gradually breaking out of poverty. The public is increasingly demanding from businesses information on the nutritional value of the foods they eat.

7.



HEALTH & WELLNESS

Around the world, health and well-being have become central life goals for people across generations and consumer demographics. In 2020, Covid-19 prompted a global push to protect citizens from the dangers of the pandemic and overall awareness of health and wellness issues increased.

8.



INDUSTRY 4.0

The world is undergoing a transformation in the way products are produced, due to the digitalization of manufacturing. Known as Industry 4.0, this new era is made possible by networks of machines that are digitally connected through cyberphysical systems, the Internet of Things and the Internet of Systems, creating and sharing information often without human involvement.

9.



URBANIZATION

More than half of the world’s population lives in metropolitan areas. While this urbanization enables increased productivity, the need for resources and space impacts the economy, environment and quality of life. Innovation in areas such as smart cities and smart mobility are helping to advance economic growth and improve infrastructure and community services. While the Covid-19 lockdowns saw an impact on urban centers, overall the urbanization trend is likely to continue.

10.



RESPONSIBLE CONSUMPTION

62% of consumers want companies to take a stand on issues like sustainability, transparency and fair employment practices.⁵ This has led to increased market demand for traceability and transparency across the supply chain.

11.



GOVERNMENT

Regulations set by governments across the world reflect policy priorities around issues such as climate change, town planning, chemical safety and nutrition labeling. The amount of regulation has increased with the Covid-19 pandemic, with businesses being required to comply with new requirements ranging from minimum standards for Personal Protective Equipment like masks to cleaning protocols for public spaces.

12.



CITIZENS

Covid-19 has enhanced people’s trust in institutions – businesses, organizations, and governments⁶ – as the public looks to them for protection. 75% of the public says they accept government lockdowns to beat the pandemic.⁷

Sustainability governance



Sustainability is one of our six Business Principles, alongside Integrity, Health & Safety, Leadership, Respect, and Quality and Professionalism.

These are the fundamental, overarching beliefs and behaviors that guide all our decisions. Each has an associated Policy Statement that clearly defines our commitments. Our sustainability commitments are further defined through a more detailed suite of Operational Policies, each of which adds clarity to key areas of sustainability within SGS.

Underpinning the delivery of our sustainability strategy is a strong governance structure. The Governance and Sustainability Committee assists the Board in defining the Group policies and strategies relating to sustainability, including matters relevant to the Group reputation and non-financial risks.

The SGS Operations Council takes the overall strategy forward, approving and implementing more detailed strategies, policies and targets through all operations across the Group. Led by our Chief Executive Officer and comprising 14 Chief Operating Officers, Executive Vice Presidents and Senior Vice Presidents from across all our businesses, regions and functions, our Sustainability Steering Committee supports the Operations Council. They review sustainability management and agree core programs and targets.

SUSTAINABILITY STEERING COMMITTEE

 Frankie Ng CEO		
 NORTH EAST ASIA Helmut Chik COO	 FINANCE Dominik de Daniel CFO	 AFRICA & WESTERN EUROPE Fabrice Egloff COO
 SOUTH & CENTRAL AMERICA Luis Felipe Elias COO	 MINERALS Derick Govender EVP	 HUMAN RESOURCES José María Hernández-Sampelayo SVP
 CONSUMER & RETAIL Charles Ly Wa Hoi EVP	 CERTIFICATION & BUSINESS ENHANCEMENT Jeffrey McDonald EVP	 LEGAL & COMPLIANCE Olivier Merkt SVP
 NORTH AMERICA Stephen Nolan COO	 COMMUNICATIONS, SUSTAINABILITY AND INVESTOR RELATIONS Toby Reeks SVP	 SOUTH EAST ASIA & PACIFIC Malcolm Reid COO
 OIL, GAS & CHEMICALS Alim Saidov EVP	 DIGITAL & INNOVATION Siddi Wouters SVP	

MANAGING SUSTAINABILITY ACROSS SGS GROUP

GOVERNANCE AND SUSTAINABILITY COMMITTEE (BOARD OF DIRECTORS)

- Assists the Board in defining the Group policies and strategies relating to sustainability, including matters relevant to the Group reputation and non-financial risks.

OPERATIONS COUNCIL

- Takes top-level strategy forward

SUSTAINABILITY STEERING COMMITTEE

Led by CEO. Comprises 14 COOs, EVPs, SVPs (all businesses, regions, functions)

- Reviews sustainability management
- Agrees core programs and targets

CORPORATE SUSTAINABILITY TEAM

- Contributes to SGS sustainability strategy
- Proposes appropriate approaches and targets
- Liaises with external stakeholders
- Embeds sustainability throughout the Group
- Aligns to the SGS purpose-driven leadership model

AFFILIATES

- Oversees local-level initiatives (largest countries)
- Reports on Sustainability performance, programs and metrics to the Corporate Sustainability Team

Risk



In every country in which we operate, we are exposed to different risks. If properly assessed and managed, these risks can be mitigated and even turned into opportunities, which can then bring more value to society.

RISK STRATEGY AND GOVERNANCE

The Group employs a comprehensive approach to identifying and articulating risks to the business, supported by our Risk Management framework, which integrates a broad array of risk categories directly into the management process.

The framework is overseen by the SGS Risk Management Oversight Committee, which is chaired by our CEO and comprises executive members and representatives from a range of departments across SGS including HR, OI and Sustainability. It also provides for designated 'Risk Champions' in each region where we operate, who own risk in their jurisdiction.

Responsibility for the integration of risk management into key business planning processes rests with our Board of Directors and Executive Management.



Please see [page 46](#) for information on how we manage risk in our supply chain



Please see [page 42](#) for information on human rights



Please see [page 68](#) for information on climate change

RESPONSIBILITIES

BOARD OF DIRECTORS

- ✓ Integration of risk management into key business planning processes

RISK MANAGEMENT OVERSIGHT COMMITTEE (RMOC)

Chaired by CEO – Includes executive representatives, including the CFO, CCO and CIO, and operational function representatives, including HR, OI and Sustainability

- ✓ Manages the ERM framework
- ✓ Facilitates the continuous improvement of capabilities around managing priority risks
- ✓ Guided by risk management goals, objectives and policies, protects and enhances the SGS business
- ✓ Meets twice annually and additionally if required, reporting to the Board of Directors

RISK MANAGEMENT, INTERNAL CONTROLS & PROCESS EXCELLENCE FUNCTION

- ✓ Aligns risk program with SGS goals, objectives and strategic direction and evaluates stakeholder expectations
- ✓ Implements the SGS Governance, Risk and Compliance (GRC) platform (ANTARES)

CORPORATE SUSTAINABILITY FUNCTION

- ✓ Develop and maintain program to integrate non-financial risk into Risk Management framework
- ✓ Define non-financial risk categories
- ✓ Run macro-risk analysis

ASSESSING AND MITIGATING NON-FINANCIAL RISKS

At SGS, non-financial risk management is a Group-wide endeavour. We treat our non-financial risks in the same way as financial risks and incorporate our risk analysis into our materiality assessments. (See [page 15](#))

Integrated within the financial risk strategy, our affiliates, local business lines and operations can assess potential risks through our group Governance Risk and Compliance platform – ANTARES –and, should they occur, put in place actions to mitigate them at a local level.

We also take a top-down approach, carrying out annual assessments of future global risks to the Company, at Group level. In order to do so, we use a sustainability macro risk assessment model that analyses economic, political, social, environmental and regulatory risks (see [page 12](#)) across our supply chain (through our countries spend) and own operations (through our countries revenue).

Thanks to this desk assessment tool, we can allocate a potential grade of risk, from 1 (low risk) to 5 (high risk), by topic and by country.

The risk combination that makes up the score is weighted as follows: eco-political (40%), social (35%) and environmental (20%). Following this macro assessment, countries are identified as high-, medium- and low-risk, for further, more in-depth assessment.

This year, the tool has been updated to include risks such as discrimination and data protection, and risks associated with pandemics, those related to Covid-19. Even though, by definition, pandemics have a global scope, risks linked to potential closures of workplaces and schools, restriction in internal movement or border closures due to the current Covid-19 crisis have been analysed on a country basis.

In 2020 we have focused on developing our new non-financial risk strategy, which we will deploy in 2021. Through this strategy, we will streamline the combination of the results of our macro-risk assessment together with the local assessment of affiliates. This will allow us to work with those countries most exposed to non-financial risks to better identify the most significant risks and ensure that appropriate mitigation plans are in place.

SUSTAINABILITY RISK ASSESSMENT PROCESS



Risk continued



NON-FINANCIAL MACRO RISK ASSESSMENT

Our non-financial macro risk assessment model analyzes economic, political, social and environmental risks across 220 geographies and includes our own employees, suppliers, indigenous people, migrant labor and local communities.

By introducing our revenue generated and spend per country into the risk assessment process, we assess our potential sustainability risks across all the countries where we operate.

More than 50 non-financial risks are covered, including natural hazards and business continuity, climate change, water stress and sanitation, carbon pricing regimes, health and safety, unemployment and corruption.

ECONOMIC & POLITICAL RISKS

- Government instability
- Policy instability
- State failure
- Recession
- Inflation
- Currency depreciation
- Capital transfer
- Sovereign default
- Under-development
- Tax issues
- Corruption
- Infrastructural disruption
- Energy security
- Cybersecurity commitment
- Data protection
- Regulatory

ENVIRONMENTAL RISKS

- Physical exposure to natural hazards
- Water stress
- Climate change vulnerability
- Environmental health
- Drought
- Ecosystem vitality
- Environmental sustainability
- Environmental awareness
- Environmental compliance
- Carbon pricing

SOCIAL RISKS

- Conflict prevalence
- Socioeconomic vulnerability
- Child labor
- Modern slavery
- Vulnerable migrant labor
- Labor strikes
- Security
- Exposure to epidemics
- Discrimination
- Workforce skills
- Health & Safety awareness
- Income disparity
- Knowledge intensiveness

POTENTIAL SUSTAINABILITY RISKS IDENTIFIED

DIRECT OPERATIONS

Figures represent % of revenue



SUPPLY CHAIN

Figures represent % of spend



● Low risk ● Medium risk ● High risk

Engaging our stakeholders



Maintaining continuous dialog with our stakeholders is critical to our long-term success. The valuable insights we gain enable us to align our sustainability initiatives to stakeholder requirements and ensure we deliver value to society.

Every three years, we carry out a stakeholder survey specifically on the topic of sustainability. We then evaluate the most important topics by stakeholder group and SGS region. This analysis contributes to our materiality assessment process and ultimately enables us to develop our Business Materiality Matrix. (See page 15)



CUSTOMERS

WHY WE ENGAGE

Our customers are at the heart of everything we do. It is important for us to understand whether we achieve our goals to make their businesses more efficient, profitable and sustainable.

HOW WE ENGAGE

- One-to-one meetings
- SGS hosted conferences, seminars and webinars
- Customer surveys, e.g. Voice of the Customer
- White papers
- Customer portal

KEY TOPICS DISCUSSED

- Customer relationship management
- Respecting human rights and ethical labor practices
- Data privacy and protection
- Cybersecurity
- Ethical behavior



CONSUMERS

WHY WE ENGAGE

Our services ensure that consumers trust the products they buy. Understanding our end-consumers tells us if our services support SGS' reputation for delivering confidence and assurance.

HOW WE ENGAGE

- Certification and product labeling
- Direct marketing and communication with certain B2C products

KEY TOPICS DISCUSSED

- Ethical behavior
- Adaptation and mitigation of climate change
- Respecting human rights and ethical labor practices



EMPLOYEES

WHY WE ENGAGE

Our people are essential to our business. Discussing performance and providing training and opportunities helps to keep our people motivated and engaged.

HOW WE ENGAGE

- Global employee engagement program, CATALYST
- SGS intranet portal
- SGS Inside newsletter
- Add Value with Lëss – internal initiative aimed at increasing efficiency
- Training programs, videos and eLearning modules
- SHINE Onboarding
- Employee Representation Councils (e.g. European Works Council–Euro Forum)

KEY TOPICS DISCUSSED

- Ethical behavior
- Respecting human rights and ethical labor practices
- Health & safety of employees and contractors
- Talent attraction and retention

Engaging our stakeholders continued



SUPPLIERS

WHY WE ENGAGE

Our suppliers support us in the smooth delivery of our services. In turn, we need to understand how we are adding value to their businesses.

HOW WE ENGAGE

- Supplier self-assessment
- Supplier Code of Conduct
- Supplier audits

KEY TOPICS DISCUSSED

- Ethical behavior
- Data privacy and protection
- Respecting human rights and ethical labor practices
- Cybersecurity



COMMUNITIES AND THE PLANET

WHY WE ENGAGE

Our communities and the planet both affect our business and could be affected by our operations. We evaluate whether our sustainability endeavors are recognized as being among the very best – both regionally and in the TIC industry.

HOW WE ENGAGE

- Annual community survey to measure the impact of community investment
- White papers
- One-to-one meetings with NGOs and responses to questionnaires

KEY TOPICS DISCUSSED

- Respecting human rights and ethical labor practices
- Adaptation and mitigation of climate change
- Local community investment support
- Ethical behavior



GOVERNMENTS AND INDUSTRIES

WHY WE ENGAGE

Governments and industries are often moving in the same direction that we are. We need a clear picture of how we contribute to driving innovation, promoting sustainable development and shaping markets.

HOW WE ENGAGE

- SGS hosted conferences, seminars and webinars
- Membership meetings and events
- White papers

KEY TOPICS DISCUSSED

- Ethical behavior
- Risk management and business continuity
- Cybersecurity
- Data privacy and protection



INVESTORS

WHY WE ENGAGE

Our investors are vital to our ongoing success and growth. We constantly review market analysis, and aim to be assessed as both a sound investment and a sustainable business.

HOW WE ENGAGE

- Annual General Meeting
- SGS Investor Days
- Meetings with investors and analysts
- Responses to analyst questionnaires

KEY TOPICS DISCUSSED

- Ethical behavior
- Risk management and business continuity
- Good practices in corporate governance
- Cybersecurity
- ESG performance and reporting
- Services that support our customers' sustainability ambitions

Materiality

We carry out an extensive analysis of various inputs – including megatrends (see page 9), the United Nations Sustainable Development Goals, our stakeholders’ interests and concerns and risks and opportunities. This enables us to determine which are material to our business and our stakeholders, and their relative level of importance. We then use this deep understanding to shape our strategy, our ambitions and our Key Performance Indicators (KPIs) under each pillar of our sustainability strategy (Professional Excellence, People, Environment, and Community).

MATERIALITY ASSESSMENT

Although we do not ordinarily conduct a material assessment on an annual basis, in 2020 we decided to update our analysis to evaluate the impact of Covid-19 on our stakeholders’ expectations.

Based on 2019 results, we carried out an in-depth stakeholder engagement exercise, consulting with over 4 000 stakeholders in 112 countries (including customers, employees, suppliers, investors, non-government organizations and sustainability professionals) to evaluate the importance of each topic.

At the same time, our Operations Council evaluated the potential impact these topics could have on SGS. The whole process has given us a deep understanding of the most material topics for the Group.

BUSINESS MATERIALITY MATRIX

Having conducted this consultation exercise, we then mapped the topics onto a matrix, showing their position relative to each other, and how critical each one is to our business. The visual representation of the importance of topics to stakeholders in relation to their impact on SGS is a powerful analytical tool.

The six topics that are most important to the organization are as follows:

- 1 Cybersecurity
- 2 Data privacy and protection
- 3 Ethical behavior
- 4 Health & Safety
- 5 Risk Management and
- 6 Talent Attraction and retention

These are considered key topics, and have helped to shape our sustainability strategy going forward. Although less material, all other topics remain an essential part of our sustainability management systems. We systematically re-evaluate them to determine whether they have become more material to the organization.



BUSINESS MATERIALITY MATRIX



- | | | |
|---|--|-------------------------------------|
| 1 Cybersecurity | 10 Customer relationship management | 19 Reducing and managing waste |
| 2 Data privacy and protection | 11 Diversity in the executive team | 20 Responsible use of materials |
| 3 Ethical behavior | 12 Diversity and inclusion | 21 Sustainable procurement |
| 4 Health & Safety | 13 Employee engagement and consultation | 22 Tax strategy |
| 5 Risk management | 14 Executive compensation linked to sustainability | 23 Training and development |
| 6 Talent attraction and retention | 15 Freedom of Association | 24 Water footprint |
| 7 Adaption and mitigation of climate change | 16 Innovation in services and operations | 25 Well-being and work life balance |
| 8 Biodiversity | 17 Local community | |
| 9 Corporate Governance | 18 Preventing air pollution | |
- Most important topics



The SGS material topics glossary provides a description of each of our material topics on page 87

Our sustainability strategy

Various factors influence both our business goals and our sustainability strategy. These include megatrends (see page 9), the United Nations Sustainable Development Goals our stakeholders' interests and concerns, and the risks and opportunities for our business today and tomorrow.

Our Sustainability Strategy is built on four pillars: Professional Excellence, People, Environment and Community. A strategy, Ambitions and Key Performance Indicators (KPIs) are set for each one, based on the outcome of our analysis of the inputs mentioned above. These are supported by Group-wide policies, global programs and local initiatives through which we add value to society.

Global drivers influence both our business goals and our sustainability strategy. These drivers are the megatrends, the SDGs, our stakeholders' interests and concerns, and the risks and opportunities for our business today and tomorrow.



OUR PILLARS



PROFESSIONAL EXCELLENCE

The trust we build is a critical component of the value we deliver to our customers, and to our position as a global market leader. In everything we do, we are committed to maintaining the highest levels of professional excellence, integrity and quality.

CAPITALS AND PROGRAMS

FINANCIAL

MANUFACTURED

- Sustainable procurement strategy
- World Class Services

INTELLECTUAL

- Training and development programs
- Digital and innovation programs

HUMAN

- Integrity programs
- Human rights protection
- Human rights awareness

SOCIAL AND RELATIONSHIP

- Integrity programs
- Human rights protection
- Human rights awareness



OUR PEOPLE

We create a safe, diverse and inclusive workplace in which our employees are empowered to succeed and grow. Offering flexibility, mobility and opportunity, we treat everyone fairly and with respect.

CAPITALS AND PROGRAMS

FINANCIAL

HUMAN

- Health and safety programs
- Employee satisfaction: Catalyst women in leadership and other diversity programs
- Add Value with Less initiative

INTELLECTUAL

- Sustainability training



ENVIRONMENT

Our commitment to achieving sustainable growth while managing our impact on the environment is expressed in our carbon neutrality strategy, the way we use resources and the work we do to deliver sustainable value for society. We also support our customers in improving their own environmental performance.

CAPITALS AND PROGRAMS

FINANCIAL

SOCIAL AND RELATIONSHIP

- Environmental partnerships

NATURAL

- Carbon neutrality program
- Sustainable mobility strategy
- Energy Efficiency in Buildings program
- Carbon services
- Green Building services

INTELLECTUAL

- Sustainability training



COMMUNITY

We seek to create a positive, measurable and lasting impact on the local communities in which we operate. As well as welcoming local talent, we promote a company culture of giving back through projects that focus on education, empowerment and environmental sustainability, in alignment with the United Nations Sustainable Development Goals.

CAPITALS AND PROGRAMS

FINANCIAL

SOCIAL AND RELATIONSHIP

- Community projects
- Sustainability training
- Employee volunteering
- Social projects through SGS Academy
- Company giving

Value to society calculation
Sustainability risk management



Read more on page 37



Read more on page 51



Read more on page 67



Read more on page 77

Our SDG contribution

Our 2020 Sustainability Ambitions are closely linked to the **United Nations Sustainable Development Goals** (SDGs), ensuring that we directly support them through our services, operations and supply chain.

Mapping our contribution enables us to create aligned strategic plans, allocate resources and develop associated local management and reporting processes.

The following pages show some examples of how we contribute to the SDGs:



GOOD HEALTH AND WELLBEING

HOW WE CONTRIBUTE

We develop and deliver programs that support the good health and well-being of people not only within our business, but also for our customers and communities. This was particularly critical in 2020, in light of the Covid-19 pandemic.

Examples of our contribution

PPE TESTING

In 2020, we embarked on testing of Personal Protective Equipment, supporting the provision of items such as masks, gloves and gowns to keep people around the world safe from Covid-19.

BIOSAFETY LAB

We increased capacity of our SGS Biosafety Center of Excellence in Glasgow to enable fast-tracked testing of Covid-19 vaccine candidates. By developing new quality control methods, we ensured safety standards. This will help people to resume regular work and social activities, returning to a 'new normal'.

REACH SERVICES

We offer a comprehensive suite of services to help our customers comply with their obligations under REACH – the European Union’s Registration, Evaluation, Authorisation and Restriction of Chemicals regulation, which addresses the production and use of chemical substances, and their potential impacts on both human health and the environment. Our services range from initial REACH registration to consulting, testing, auditing and verification services to support ongoing compliance.

ISO 45001 SERVICES

We provide awareness training to help our customers understand the requirements of the occupational health & safety management standard ISO 45001, Annex SL, Risk Based Thinking and Empowering Leadership. On request, we can provide a gap analysis, which can be used to highlight the changes that will need to be made for migration from OHSAS 18001 to ISO 45001 certification.

SYNLAB ANALYTICS & SERVICES (A&S)

We are acquiring the analytics and services unit of leading European medical diagnostic services provider, SYNLAB. This acquisition will enable us to make a contribution to the world of environmental, food testing and tribology services.



See our **film** on PPE testing

Our SDG contribution continued



Examples of our contribution

SGS ACADEMY

Through the SGS Academy we provide professional training to our customers, which contributes to their knowledge development. Our courses cover a wide range of topics, from health & safety to leadership and process management.

Graduates gain the skills and knowledge to stay up to date with industry regulations and best practice, giving them the opportunity to advance their careers.

COMMUNITY INITIATIVES

Through our community education projects, we seek to improve access to all levels of schooling, and provide employment training schemes and skills workshops. SGS Academy for the Community provides high-quality technical training, complimentary, to people in our communities earning less than the average living wage, to improve their qualifications and enhance their employability. (See page 79)



QUALITY EDUCATION

HOW WE CONTRIBUTE

We have created a range of initiatives that seek to provide educational opportunities for our employees, suppliers and people in the communities in which we work. In 2020, we delivered 4.3 million of training hours to our employees.



GENDER EQUALITY

HOW WE CONTRIBUTE

Our commitment to inclusion and diversity includes working towards gender equality throughout our business.

Examples of our contribution

WOMEN IN LEADERSHIP

We strive to promote talent internally and encourage women to assume senior leadership positions.

Our goal is to have 30% of leadership positions held by women, and, to this end, we run local programs aimed at increasing the number of women in managerial and leadership roles. 28.7% of our CEO-3 level positions are filled by women. (See page 59)

AUSTRALIA DIVERSITY STRATEGY

Gender is one of the five focus areas of our diversity and inclusion strategy at SGS Australia and where we have achieved gender balance on the Operations Council. (See page 60)



Our SDG contribution continued



DECENT WORK AND ECONOMIC GROWTH

HOW WE CONTRIBUTE

Higher levels of productivity and technological innovation are essential to achieving sustained economic growth. We actively work towards providing productive and safe employment of men and women in the communities in which we work.

Examples of our contribution

SAFER WORKPLACE

Safety in the workplace, which we call 'operational integrity' (OI), is a top priority. The global Covid-19 pandemic required us to respond quickly and creatively to introduce new measures to protect the health and well-being of our employees, such as educating them on safe behaviors, facilitating remote working, and providing testing and tracking services.

We have 15 Rules for Life (life-saving principles) that apply to all employees, contractors and others working on behalf of SGS. All employees across operations and corporate sites are provided with training on site standard operating procedures, and are given regular training sessions on Group OI Management Systems and Rules for Life.

SOCIAL AUDITS SERVICES

Our social audits measure an organization's performance against a range of factors helping to meet customer and consumer expectations.

HUMAN RIGHTS INTERNAL PROGRAMS

A human rights eLearning training is available as an SGS Academy course to all employees around the world, in their local languages. The training covers topics such as: child labor; freedom from discrimination; equality and respect; human rights governance; and reporting human rights breaches.

INDUSTRY INNOVATION AND INFRASTRUCTURE

HOW WE CONTRIBUTE

We contribute to building resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation through the services we provide. Our services and innovations are helping the world become more interconnected.

Examples of our contribution

REMOTE TESTING

Using the digital solution QiiQ, we are enabling remote inspections of exporters' shipments. The inspector and customer both connect to the app and together conduct a visual of the goods for shipment. (See case study on page 28 of 2020 Integrated Annual Report)

ECUSTOMS

Using software developed inhouse, we provide a well known oil and gas company with a 24/7 declaration service, enabling them to fuel their containerhips at sea while fully complying with customs and excise taxation regulations. (See page 32)

WORLD CLASS SERVICES METHODOLOGY

Our World Class Services (WCS) methodology is a structured approach in our laboratories to reduce organizational waste and losses, and to bring long-term improvements to our safety, organization, quality, maintenance and logistics.

It is designed to enable us to achieve zero accidents, zero waste, zero defects and zero

breakdowns. Working to achieve this status not only benefits us but also our customers, for example through higher testing quality and quicker turnaround times. (See page 50)

'NEXT NORMAL' SOLUTIONS

We are supporting customers and communities through the Covid-19 pandemic with a range of innovative solutions, including supporting medical research and collaborating with partners on vaccine development. (See page 26)

EDGE

Excellence in Design for Greater Efficiencies (EDGE) is an innovation of the International Finance Corporation (IFC) that helps property developers create resource-efficient buildings quickly, easily and affordably. We are the one-stop-shop provider for all EDGE green building certification requirements. This is one of many Energy Efficiency in Buildings certificates we provide, along with others such as LEED, WELL, BREEAM and DGNB.



Our SDG contribution continued

12 RESPONSIBLE PRODUCTION AND CONSUMPTION

HOW WE CONTRIBUTE

We actively promote responsible production and consumption, both within our own operations and in our supply chains, as well as through the services we provide, for example helping customers to choose products that have been made responsibly through our certification programs.

Examples of our contribution

SUSTAINABLE PROCUREMENT

We are taking several steps to achieve sustainable supply chain management, including embedding sustainability criteria into our Group-wide Procurement Policy and into the terms and conditions of our Code of Conduct. (See [page 46](#)) for further details.

AGRICULTURE AND FOOD SERVICES

Sustainability in agriculture is of increasing importance. We offer a range of services that reduce risk, ensure quality and improve productivity. These include solutions for precision farming, water, soil and seed and crop.

TRACEABILITY SERVICES

Our traceability services enable customers to trace their products back to source, know where raw materials and components originate, and verify supply chain risk.



Our Transparency-One service captures both supply chain mapping data (transparency) and operational data (traceability), to give businesses complete control of the data flow within their supply chain, providing them with greater protection against the risks inherent in supply chains.

INTERNAL AWARENESS OF THE IMPORTANCE OF CONSERVING RESOURCES

We run a number of awareness initiatives for employees, aimed at promoting sustainability and responsible consumption of resources such as energy and water.

13 CLIMATE ACTION

HOW WE CONTRIBUTE

We are committed to a carbon neutrality strategy that is helping tackle climate change and facilitating the transition to a low carbon economy, as well as helping our customers to reduce their emissions, for example through assessment and certifications.

Examples of our contribution

REDUCING OUR CO₂ EMISSIONS

We are actively reducing CO₂ emissions across our value chain, including our operations and vehicle fleets, and have set science-based targets. In the communities where we operate, we have invested in 421 GWh of renewable energy mechanisms.

Our buildings account for 67% of our global energy consumption. Through our Energy Efficiency in Buildings program, we are reducing energy consumption at source. (See [page 69](#))

GREEN BONDS

As an 'approved verifier' under the Climate Bond Standards and Certification Scheme of the Climate Bonds Initiative (CBI), SGS Hong Kong is qualified to provide green or climate bonds verification to bond issuers with projects in a range of sectors, including solar, wind and low carbon buildings. (See [page 36](#))

CARBON SERVICES

Our laboratory facilities provide round-the-clock certification and verification services, to deliver fast test responses to enable our customers to confirm their off-setting targets. We also offer a range of assessments to help customers develop a plan for reducing their emissions. These services support compliance with GHG Verification against corporate voluntary schemes (14064-1, GHG protocols); EU ETS, Corsia; Product Carbon Footprint (PAS 2050, 14067, GHG protocols for products); and Carbon Neutrality (PAS2060).



Sustainability Ambitions 2020

In 2020, we completed our Sustainability Ambitions 2020 strategy, despite the challenges of Covid-19. In 2021, we are launching an ambitious new integrated sustainability strategy which will once again raise the industry bar.

2020 has been the last year of our 2020 Sustainability Ambitions with the achievement of the majority of our targets.

Once again, we have delivered measurable value to society and, in 2020, we have linked our Long Term Incentive plan to sustainability indicators.

We have also achieved the majority of our People's targets and will continue working in the coming years to improve women's presence in leadership positions.

We had already achieved our Environmental targets and, despite Covid-19, we managed to maintain our community investment above target.

We will be announcing our new 2030 Strategy in 2021.

OUR PERFORMANCE

	2014*	2018	2019	2020	2020 TARGET
PROFESSIONAL EXCELLENCE					
 Deliver measurable sustainable value to society (CHF MIO)	4 026	6 176	6 650	6 579	N/A
Link management incentive plan to sustainability				Achieved	N/A
OUR PEOPLE					
Maintain a natural turnover rate of no more than 15%	12.8	14.6	13.6	10.1	<15.0
30% of leadership positions will be held by women	–	26.4	26.7	28.7	>30.0
Reduce our Lost Time Incident Rate (LTIR) by 50% ¹	0.6	0.25	0.26	0.23	<0.30
Reduce our Total Recordable Incident Rate (TRIR) by 50% ¹	1.11	0.41	0.44	0.36	<0.55
ENVIRONMENT					
Reduce our annual CO ₂ emissions (per FTE) by 20% ¹ (CO ₂ tons/FTE)	2.6	1.7	1.7	1.4	<2.1
Reduce our annual CO ₂ emissions (by revenue) by 20% ¹ (CO ₂ tons/M CHF)	38.88	27.6	26	21.9	< 34.0
COMMUNITY					
Increase our investment in communities around the world by 30% ¹ , with a focus on volunteering (thousands CHF)	738	1 384	1 331	1 243	>959

1. Against 2014 baseline
* 2014 baseline year of our ambition

Quantifying our value to society



WHY WE MEASURE OUR VALUE TO SOCIETY

We recognize that our long-term success depends not just on our ability to generate profit, but on our ability to deliver sustainable value to all our stakeholders across the whole value chain.

Traditional reporting that focuses on financials provides only a partial picture of wealth and performance. There is an increasing recognition for the need for companies to provide a more complete view of their value to society, taking into account their impact on the environment and society.

HOW WE MEASURE OUR VALUE TO SOCIETY

At SGS, we have developed an assessment methodology – our SGS Impact Valuation Framework.

We are one of the first companies worldwide to translate our non-financial impacts into a monetary value and to provide such a comprehensive assessment. By putting a monetary value on non-financial impacts, we are able to comprehensively assess our contribution to society as a whole.

For example, when our water optimization solutions help a customer to minimize their use of water, we are not only helping to lower costs for customers and mitigate risks for their business, we are also adding value to society by helping to alleviate water scarcity and pollution.



Quantifying our value to society continued



SGS IMPACT VALUATION FRAMEWORK

Our SGS Impact Valuation Framework guides us in maximizing our positive impacts and minimizing our negative impacts on society.

The Framework has been developed to meet a two-fold purpose:

- inside SGS (Value to SGS): this is used internally to demonstrate the influence of our sustainability actions in financial performance, promoting a culture of informed, holistic decision-making.
- outside SGS (Value to Society): this is used to measure, in monetary terms, the positive and negative impacts that our activities have on society. In the future, it will give us the potential to enable better strategic decision-making.

The Integrated Reporting Framework developed by the International Integrated Reporting Council (IIRC) recognizes six forms of capital on which a business' success depends: financial, manufactured, intellectual, human, social and relationship, and natural. (See page 24)

Our Impact Valuation Framework includes 32 indicators that enable us to evaluate different impacts across these capitals.

TRADITIONAL INDICATORS OF SOCIOECONOMIC CONTRIBUTIONS

(such as the taxes we pay)



OUR POSITIVE IMPACTS

(such as the impact of our investment in community programs, employee training and well-being initiatives)



ANY NEGATIVE IMPACTS

(such as the negative environmental impacts of the waste we generate or the electricity we consume)



OUR VALUE TO SOCIETY

These indicators relate to specific corporate-level performance indicators collected through our global data-gathering system, such as CO₂ emissions, engagement index and investment in research and development, that serve as inputs for the model.

For example, the 'water management' indicator enables us to estimate the positive and negative impacts of our own water consumption (input data), or the reduction in water consumption we help our customers achieve through our services, on events linked to water scarcity, such as biodiversity protection or malnutrition.

Our methodology uses internationally-recognized databases, globally accepted impact measurement approaches, and academic research.

A GAME-CHANGING APPROACH

The results of our assessment guide us in maximizing our positive impacts and minimizing our negative impacts, and enable us to make better informed decisions.

If employee turnover is higher than optimal, for example, this framework demonstrates the financial impact of that turnover in terms of decreased productivity, increased administrative costs, and the societal impact caused by the associated loss of income. SGS can then make better decisions regarding what actions can be taken to reduce employee turnover in the future, such as investing in training and well-being initiatives.

Across our business, we encourage our managers to prioritize double positive actions that have the potential to add value both to society and SGS.

For example, we know that reducing electricity consumption saves money, which is good for business, and it also reduces CO₂ emissions, which is good for the environment and local communities – creating positive value for both SGS and society.

Quantifying our value to society helps us to identify our strengths and weaknesses on a micro level, as well as benchmark our overall macro performance. As we continue to invest in and refine our methodology, we will create a baseline against which to compare future results and assess our year-on-year progress. We are confident that this will help us make better decisions and further increase our positive impacts on society.

“At SGS, we have embarked on a pioneering journey toward understanding all the positive and negative impacts we create as a company by quantifying our Value to Society. With the inclusion of all our services in the calculation, we will soon be able to measure the significant positive footprint SGS has on society and act accordingly to continue creating value.”

María Monasor Denia
Data and Impact Valuation Manager

Quantifying our value to society continued



THE SGS IMPACT VALUATION FRAMEWORK: CAPITALS AND INDICATORS



FINANCIAL CAPITAL



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

WE MEASURE KPIS:

- ✓ Profitability
- ✓ Employment costs
- ✓ Taxes



Read more about Financial capital on **page 36** in our Integrated Annual Report



MANUFACTURED CAPITAL



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

WE MEASURE KPIS:

- ✓ Asset development and maintenance
- ✓ Market movements



Read more about Manufactured capital on **page 46** in our Integrated Annual Report



INTELLECTUAL CAPITAL



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

WE MEASURE KPIS:

- ✓ Training
- ✓ Knowledge development
- ✓ Employee turnover
- ✓ Research and development



Read more about Intellectual capital on **page 50** in our Integrated Annual Report



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.

WE MEASURE KPIS:

- ✓ Health and well-being management
- ✓ Diversity and equal opportunities
- ✓ Salary schemes and benefits
- ✓ Volunteering
- ✓ Employee engagement
- ✓ Overtime
- ✓ Sickness absence
- ✓ Occupational safety
- ✓ Human rights compliance



Read more about Human capital on **page 56** in our Integrated Annual Report



SOCIAL AND RELATIONSHIP CAPITAL



Covers SGS' relationships and interactions with communities, stakeholders, organizations and networks. It includes notions like trust, loyalty and other values.

WE MEASURE KPIS:

- ✓ Local community investment
- ✓ Customer relationship management (CRM) and data security
- ✓ Supplier relationship management (SRM)
- ✓ Supplier stress
- ✓ Substandard services



Read more about Social and relationship capital on **page 64** in our Integrated Annual Report



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

WE MEASURE KPIS:

- ✓ GHG emissions
- ✓ Carbon neutrality
- ✓ Water management
- ✓ Waste management
- ✓ Environmental incidents
- ✓ Air pollution
- ✓ Resource depletion
- ✓ Land use change



Read more about Natural capital on **page 70** in our Integrated Annual Report

Quantifying our value to society continued



VALUE TO SOCIETY FROM OUR DIRECT OPERATIONS AND SUPPLY CHAIN

Applying our Impact Valuation Framework methodology, in 2020 we calculated that our total value to society was +CHF 6 579 MIO. The value of our positive benefit to society was +CHF 7 380 million. This was primarily created through profit generation, the paying of taxes and wages, investment in training programs and data security.

We also generated CHF 801 million of negative societal impacts, primarily driven by the environmental footprint of our supply chain.

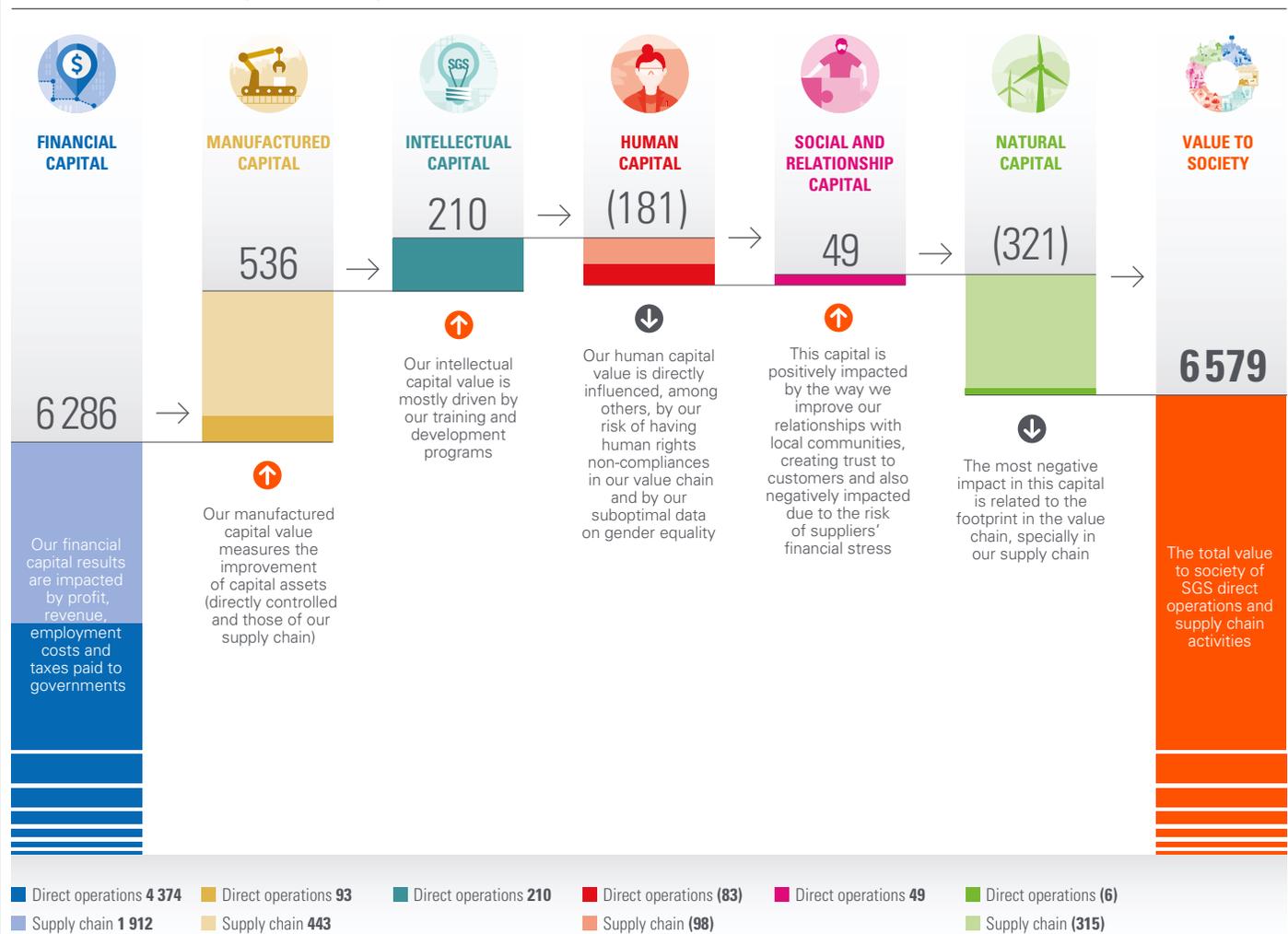
ASSESSING THE VALUE TO SOCIETY OF OUR SERVICES

As well as creating direct value through our operations and supply chain, we also indirectly enable value through our services to customers. Indeed, many of our services support other businesses in delivering positive outcomes for society.

While we do aim to provide a comprehensive analysis of our value chain, our diverse service portfolio and geographic spread make it extremely complex to evaluate the impact our services at a global level.

We are currently developing a methodology for carrying out this analysis and, once it has been finalized and implemented, we expect to see a significant increase in our Value to Society. Although we are unable to conduct an impact valuation across our entire service portfolio as yet, we have piloted the impact of relevant individual services. In the meantime, this year, we evaluated the positive impacts of society arising specifically from our 'Next Normal' solutions services.

SGS VALUE TO SOCIETY (MILLION CHF)¹



1. Value to society is calculated using 2019 figures. Within each capital we have identified positive and negative impacts. The values presented in each capital are the result of adding the positive impacts and subtracting the negative impacts

Quantifying our value to society continued



BETTER | SAFER | MORE INTERCONNECTED

VALUE TO SOCIETY OF OUR 'NEXT NORMAL' SOLUTIONS

Through our 'Next Normal' solutions initiative, we brought together a wide range of solutions, both existing and newly developed, to help our customers mitigate potential risks associated with the pandemic.

Our 'Next Normal' solutions contribute to the mitigation of both health and business risks associated with Covid-19. Due to the novel nature of the virus, the full impacts are still unknown. However, a review of research literature has enabled us to estimate the potential impacts avoided thanks to the implementation of these solutions.

The main impacts we have identified have been:

- **Human capital:** the well-being of people around the globe has been protected, due to the reduced impact of Covid-19 on morbidity and mortality;
- **Financial capital:** governments and individuals have had lower out-of-pocket medical expenses, and our customers have suffered lower productivity losses.

Our SGS Impact Valuation Framework enables us to evaluate, in an integrated way, the total value we add to society, beyond purely financial returns to SGS. Using the Framework, we have estimated the total value to society of our 'Next Normal' solutions to be CHF 149 million.



Read more about our 'Next Normal' solutions on **page 33**



CASE STUDY: 'NEXT NORMAL' SOLUTIONS – HELPING OUR CUSTOMERS WEATHER THE STORM

ENABLING ORGANIZATIONS TO RESUME ACTIVITY DESPITE COVID-19

To support ground-level efforts to stop the spread of Covid-19 so that life can return to normal, we provide solutions for disinfection monitoring and approval, Environment, Health & Safety, and testing and certification of consumer goods, such as face masks, hand sanitizers and disinfectants, ventilators and medical devices.

We also support customers in navigating Covid-19 recovery milestones through our Certification & Business Enhancement Recovery Services and a recover, renew and reinforce program aimed specifically at the food industry. In the area of life sciences, we are using our extensive experience in novel vaccines to offer analytical, bioanalytical and clinical trial solutions.

SERVICES TO ENSURE OPERATIONS ARE MAINTAINED

Lockdowns and social distancing measures threaten business continuity in many ways, and we have solutions to many of the challenges. Our remote audit and inspections solutions enable off-site audits and inspections, from anywhere in the world.

Industry specific solutions, such as long-term fuel storage monitoring and seed and crop solutions, help our customers maintain operations despite the restrictions. We also facilitate ongoing Chartered Quality Institute (CQI)/International Register of Certificated Auditors (IRCA) certification offering Virtual Instructor Led Training (VILT) through our SGS Academy.

SHARING EXPERTISE TO SUPPORT RECOVERY

Eradicating a pandemic such as Covid-19 takes global collaboration, and we are contributing to this effort in several ways. We have made our AI platform available to the research community for free, enabling teams on the pandemic research frontline to keep up with the large and growing volume of research. We engage with our customers through webinars and operational updates that keep them informed of new Covid-19 related guidance and regulations. We also joined the ICC and International SOS in endorsing ICC AOKpass as the standard in managing Covid-19 compliance status while protecting personal health data.

All these services are helping businesses to resume their activities, helping people get back to work, enhancing livelihoods and making life better for millions across the world.

CREATING VALUE FOR OUR CUSTOMERS

HOW DOES THE WAY SGS CREATES VALUE FOR CUSTOMERS CONTRIBUTE TO MAKING THE WORLD BETTER, SAFER AND MORE INTERCONNECTED?

“Our work in health & safety is second to none. Using new technologies and digital tools, we have helped our customers working remotely to stay connected during the Covid-19 crisis and get back to work safely as quickly as possible.”

Peter Possemiers

Executive Vice President, Environment, Health & Safety

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Overview and approach

We are the leading provider of testing, inspection and certification services, we enable our customers to reduce risk, improve their efficiency, safety, quality, productivity and sustainability, advance speed to market, and create trust with their own customers.

We provide our customers across numerous sectors with services, that help make their businesses more efficient, profitable and sustainable. For example, our services help customers by supporting the switch to renewable energy, enabling carbon neutrality, making buildings more efficient and sustainable, nurturing the circular economy, promoting sustainable growth and more.

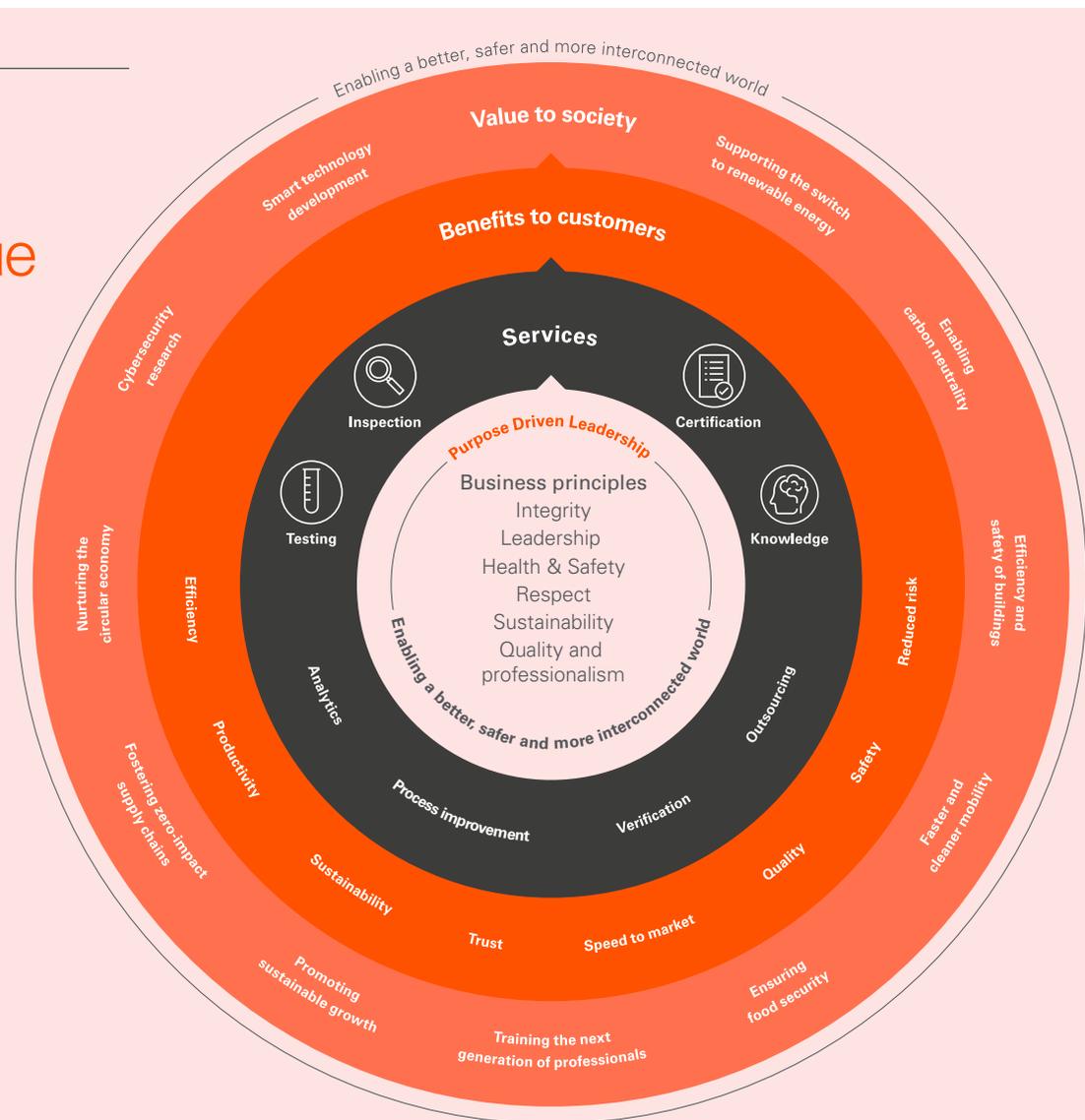
We are building better supply chains for our customers in terms of quality, processes and procurement. We are helping our customers to be safer in their practices. We also help our customers to be more interconnected through providing digital solutions and by creating trust within their own value chains.

We also offer social audit services that measure an organization’s performance against a range of criteria, helping them to meet customer and consumer expectations.

The value of our services is then passed on to society in many ways, for example in the form of job security for employees, higher quality products and better environmental management.

VALUE CREATION

How we are creating societal value



Building relationships with our customers

How well we manage our customer relationships determines what we are able to achieve as a business, in the long term. That’s why we aim to anticipate and respond to customer needs as they arise, while also ensuring that all our employees have the skills and knowledge required to deliver our services to the highest standards. This also means we can add more value to society, which, in turn, supports further business success.

OUR APPROACH

We manage our customer relationships through a key account management structure and dedicated sales teams. Each of our business lines has its own customer care department. This is the direct point of contact for customers, through which they are connected to the relevant part of the Company to handle their matter.

By continually striving to improve quality and promote transparency, we monitor and periodically review customer contact as part of our Management Review processes.

Our customer relationship projects are managed by our Strategic Transformation, Group Finance, Corporate Communications and Corporate IT teams, and broken down into three key areas: Customer Engagement, Operational Excellence, and Workforce. The first two directly impact our Customer Relationship Management (CRM) and include initiatives such as our customer portal, SGS Online.

VOICE OF THE CUSTOMER SURVEY 2020

+7 990

respondents

83%

of customer satisfaction

HOW WE MANAGE OUR RELATIONSHIPS WITH OUR CUSTOMERS

Customer relationship management

Launched as a pilot in 2018, our customer portal, SGS Online, both enables customers to engage directly with us, and acts as a CRM to support better interactions between our staff and customer. Our new process helps us to be even more responsive by automatically alerting the team if a customer has a request or an issue, which will help us to improve the customer experience. This has currently been rolled out to 10 countries and we hope to double this in 2021.

Satisfaction surveys

We value customer feedback about their experiences, specific interests, suggestions and expectations. As well as our ongoing communications, we regularly invite them to submit Voice of the Customer surveys. Run and managed via an online platform, these surveys are used to generate advanced analytics that can be aggregated on a global scale, giving us a deeper understanding of our customers’ experience, throughout our business. The platform also enables us to examine in detail any specific issues arising, so that we can make plans to remedy them. In 2020, we have been looking at consolidating the customer satisfaction process by extending surveys to every customer who interacts with us.

Integrity helpline

Our customers can contact us regarding any integrity-related issues through our dedicated integrity helpline (see page 41). We take such matters very seriously and any issues raised are referred directly to senior managers, such as local Executive Vice Presidents and Managing Directors.



Building relationships with our customers continued



Fair practices

We have a strong ethical approach to conducting our business, and are committed to using competitive and fair practices. As such, we do not engage in any understandings or agreements that may improperly influence markets, or discuss pricing, competitive bid processes, contractual terms, division of territories or customer and market allocations with competitors. We do not make disparaging or untruthful allegations regarding competitors, or endeavor to obtain confidential information about them using illegal or unethical means. Finally, our services and capabilities are never advertised in any way that could appear to be deceptive or misleading.

Pricing

We are clear and transparent with our stakeholders about our approach to pricing. We recognize that for our customers to be satisfied with the SGS service, they need to feel that our pricing structure is fair, that our products and services are priced fairly and that we will not exploit any demand fluctuations. Our 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. We provide our customers with highly-detailed quotes and invoices so that they are very clear about every aspect of our service

Our Global Pricing Initiative

We launched our Global Pricing Initiative following an expert review and assessment of pricing practices across the Group. While internally this supports our profitable growth, it provides our stakeholders with transparency across service areas through a robust pricing process and enhanced governance model.



“I believe it’s essential to partner with companies who value our mission, and SGS has proven to support us year after year. Partnering with a global market leader like SGS has ultimately delivered a profitable competitive advantage in our field of transportation and supply chain security.”

Thorsten Neumann
CEO, Transported Asset Protection Association (TAPA)

Innovating for our customers

In an era of rapid change and technological advancement, businesses must innovate and harness new developments in order to succeed. Our innovation activities not only ensure that we stay ahead of the curve; they enable us to add value to our customers and industries as a whole.

OUR APPROACH

We recognize that innovation is key to our economic growth and sustainable success, both in terms of driving operational efficiencies in our own operations, and in developing innovative services that add value for our customers.

We welcome our internal networks and partners to share ideas, and are prepared to test new ideas in the market. Our Idea Challenges program actively encourages our people to come up with and develop ideas, which we then support through our Innovation Ecosystem (see below).

Our customers are often our partners in innovation. For example, Agilent, a leader in life sciences, diagnostics and applied chemical markets, provides SGS' laboratories with instruments, services, consumables, expertise and applications. Together, we have formed an Advanced Technology Group to collaborate on new technologies and to create laboratories of the future that meet the needs of both our customers and their customers.

INNOVATION AND SUSTAINABILITY

Our innovation strategy is focused on three pillars: supporting internal processes through digital technologies; digitalizing external services for our customers and improving the customer experience; and developing entire new products and business models.



DIGITAL SERVICES

Digitalization has been a key focus for us in 2020 as we worked towards becoming a global leader in developing safe, effective and profitable digital solutions for all the sectors we operate in. By providing best-in-class services and introducing digital services to enhance everything we do, we add further value for our customers.

Covid-19 showed us that, given the right circumstances, even businesses that have traditionally been resistant to technological advancement can quickly adapt to new digital solutions. We are leveraging this opportunity to develop a new digital innovation strategy that will focus on using automation, both to make existing operations even more efficient and to develop new solutions for our customers.



ONLINE PRESENCE

Through our online store, SGS Online, customers can access services delivered by several of our business lines, including Environment, Health & Safety; Agriculture, Food and Life Sciences; Oil, Gas and Chemicals; and Certification and Business Enhancement, as well as our Cybersecurity Services unit.

During the pandemic, when face-to-face meetings were largely not possible due to lockdowns and social distancing, this portal became very popular with customers.



INNOVATION CULTURE

We continue to promote a culture of innovation in our business, crowd sourcing ideas from employees across the Group through our Idea Challenges initiative. Ideas developed from the Challenges are supported through our Innovation Ecosystems, where representatives from across the SGS Group come together to collaborate on idea development.

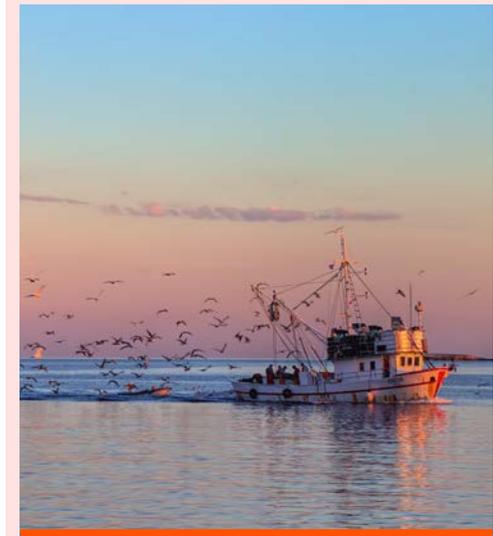
In 2020, we started a pilot project with an incubator that is helping us develop our innovation ideas into potential start-ups, introducing greater agility into our work processes to speed up the development process.

“Sustainability is one of the key drivers for change in society and to be able to fuel that change, we are developing innovative solutions. We merge our people’s expertise with that of our partners, to deliver all kinds of digitalized products and services to make our customers’ businesses run more efficiently and sustainably.”

Siddi Wouters
Senior Vice President, Digital & Innovation



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: HARNESSING THE POWER OF AI FOR THE FISHERIES SECTOR

SGS Peru has developed an AI data platform to help improve quality standards and efficiency in the production of fishmeal. The platform, known as BEN, provides real time data to aid decision-making and to help optimize processes and products.

The AI technology is helping customers to stay more interconnected, enabling them to compare data across the sector. The value to our customers is shown in the customer satisfaction level of 97%.

Innovating for our customers continued

INITIATIVES AND ACHIEVEMENTS

Many of our innovations in 2020 focused on overcoming the challenges of Covid-19 and helping people and businesses carry on as normally as possible, despite lockdowns and social distancing restrictions. See [page 33](#) for Covid-19 solutions that we delivered through our 'Next Normal' solutions initiative.

Other innovations in 2020 included:

Smart services

Our Microbial Risk Assessment Services (MiRAS) enables oil and gas customers to predict, monitor and mitigate microbial challenges in their pipes, to prevent corrosion and continue safe and cost-effective production. We also developed smart warehouses, which use Internet of Things (IoT) technology and wireless sensor networks to detect fluctuations in temperature, moisture, relative humidity and carbon dioxide (CO₂) levels inside grain stockpiles. This enables us to identify degradation of grains, early germination, and the growth of insects and microorganisms at the earliest stages, so that the customer can respond quickly before the issue threatens the quality and integrity of their commodity, thereby helping to reduce waste. Other SGS businesses are now using the same technology and system, applying them to their own business services.

Increasing transparency

Through our supply chain visibility program, Transparency-One, we collect information about compliance with environmental, social and governance (ESG) issues. This enables us, for example, to make calculations about the carbon footprint of a customer's product. By enabling greater supply chain visibility and connectivity, the Transparency-One solution helps businesses meet their sustainability commitments and ensure sustainable and ethical supply chains from source to store.

Blockchain partnership

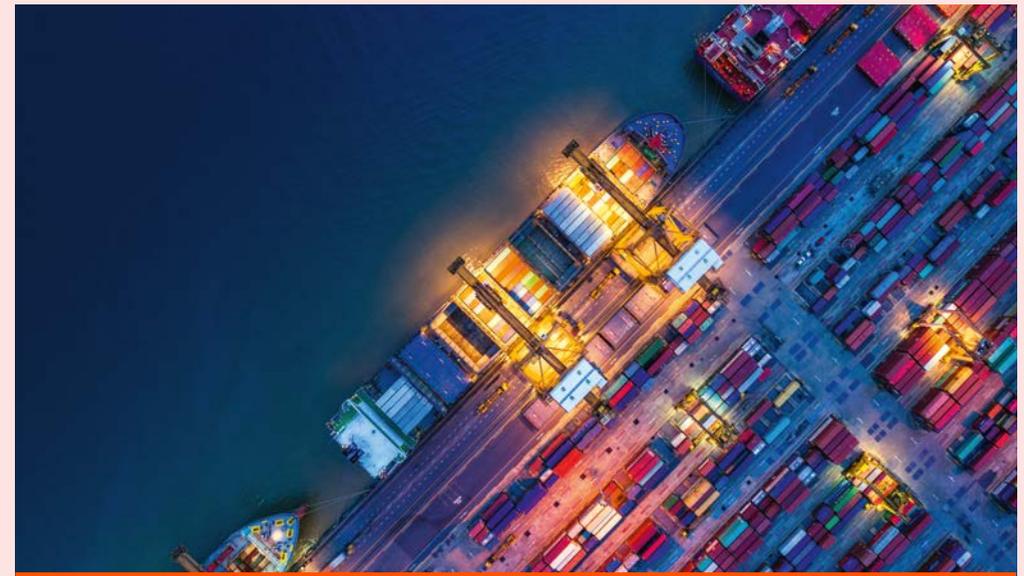
Part of our new service development strategy is to identify and work with companies that develop innovative solutions, which we can use as part of our services. An example is our partnership with technology company, Circular, which develops blockchain-based traceability platform for industrial supply chains. We will develop a joint offering which combines their technology solutions and SGS' expertise in the physical mining industry and value chain, to deliver traceability, responsible sourcing and environmental management solutions.

New partnership smooths post-Brexit trade

One example of a service that has been created by our innovation culture is our new customs declaration service. International trade is critical to our customers' business. To help ensure that UK-EU exports and imports of pharmaceuticals and food items continue smoothly post-Brexit, we have entered into a strategic partnership with P&O Ferrymasters to offer their customers customs declaration services.



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: 100% EFFICIENCY, 100% COMPLIANCE

THE CHALLENGE

Our customer required a 24/7 customs declaration service to manage its offshore bunkering procedure in the Netherlands and Belgium. Barges are loaded at our customer's tank terminals in Rotterdam before going out to sea, where the container ships are fueled up. A complex customs clearance process requires three different customs/tax statuses to be declared. Our customer was looking for a clearance process that would speed up processing times, while ensuring 100% customs and excise compliance.

OUR SOLUTION

Using our customs declaration software that we developed inhouse, MCC, we are able to provide our customer with a 24/7 declaration service, consulting with them to ensure they are following the right process.

We advise the barge captain by telephone when he can leave the harbor to fuel up the container vessels offshore. Once the refueling process has been completed, the captain reports the exact number of liters/kilograms to be declared to customs.

NEXT STEPS

Our customer and SGS have set up a stable clearance process that runs 24/7. Container ships can be fueled up at sea without losing time, while the customs and excise authorities can rely on the correct calculation of duties and taxes and 100% compliance. In light of the success of this initiative, our customer and SGS have already expanded the service for different customs requirements, for several of our customer's entities, helping the company to operate better.

Innovating for our customers continued

DELIVERING SOLUTIONS FOR THE 'NEXT NORMAL'

Across our business, our teams have worked hard to support customers throughout the pandemic, updating pre-existing services and introducing innovative new services to mitigate potential health and business risks associated with Covid-19. Bringing these services together in our 'Next Normal' solutions initiative, we are making it easier for customers to access what they need to ensure their business continuity and recovery.

OVERVIEW

Our aim throughout the global Covid-19 crisis has been to continue to be a valuable and trusted partner to our customers. We have worked to provide 'Next Normal' solutions to help them weather the storm and get back to business as usual as soon as possible.

We also offer a range of industry-specific solutions to help customers successfully navigate through their own unique challenges.

'Next Normal' solutions Initiatives

Our 'Next Normal' solutions fall into three categories:

- Enabling organizations to resume activity despite Covid-19
- Services to ensure operations are maintained
- Sharing expertise to support recovery.

Examples of these solutions include:

SGS LIFE SCIENCES

With extensive experience in novel vaccines, we offer analytical, bioanalytical and clinical trial solutions, along with process management capabilities. We also provide a wide range of essential services from our integrated network of laboratories, to support the fight against Covid-19.

MEDICAL PPE TESTING

Testing and certification for medical Personal Protective Equipment (PPE) products ensures they meet the regulatory requirements for their destination market. As there are no harmonized standards, we offer in-depth expertise in the relevant standards for our customers' specific target markets, streamlining testing to ensure all compliance obligations are met efficiently. By the end of 2020, eight out of ten masks being distributed from China were certified by SGS.

COVID-19 INTEL

SGS Digicomply launched Covid-19 Intel – an AI platform to facilitate and enhance the pioneering work of teams on the pandemic research frontline. The platform utilizes advances in natural language processing and other AI techniques to enable researchers to keep up with the large and growing volume of research. Covid-Intel was a response to a call to action from the US White House, and a coalition of leading research groups, for organizations to provide tools that can help generate new insights into the virus and its behavior.



For further information on how we can qualitatively measure the value we create for society due to our 'Next Normal' solutions see [page 26](#)



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: REMOTE TESTING

Our Governments and Institutions Business is using a digital solution to enable remote inspections of exporters' shipments. Instead of our SGS inspectors physically traveling to the site, the inspector and customer both connect to the QiiQ app and together conduct a visual inspection of the goods for shipment.

This solution is helping businesses to stay interconnected and functioning despite pandemic lockdowns.



For further information, see [page 28](#) of our Integrated Annual Report



See our [film](#) on Remote testing

Business continuity

Our long-term success depends on our ability to continue serving our customers in the wake of a disruptive event, whether a natural disaster, terrorist attack, serious fire, cyberattack or, even as we have experienced in 2020, a pandemic. We seek to embed Group Business Continuity into our culture.

OUR APPROACH

Our Global Business Continuity Strategy aims to enable us to respond to any disruption efficiently and effectively, while minimizing the impact on our operations in terms of our sites, processes and service delivery.

In recent years, we have enhanced our Business Continuity function in terms of overall management, strategic approach, teams and training. The importance of Business Continuity is reflected in the fact that it is dealt with at the highest levels of the Company. Business Continuity is overseen by our Vice President of Operational Integrity, who reports directly to our Chief Executive Officer. Our strategy is developed and disseminated by our Global Business Continuity Manager, with implementation and business impact analysis carried out by our eight Regional Business Continuity Officers (senior managers), to understand critical processes within the organization.

ENSURING CONTINUITY DURING COVID-19

With the global pandemic, our new Global Business Continuity Strategy and enhanced Business Continuity teams were put to the test. Despite the challenges, they significantly contributed to SGS' response and the continuation of operations, globally.

We had a head start in preparing for Covid-19 – when our eight Regional Business Continuity Officers met in Barcelona in October 2019, one of the issues raised was contingency plans for infectious disease epidemics. During December 2019, our North East Asia Business Continuity teams began preparing plans for the region, based on experience from the SARS outbreak in 2002. When Covid-19 was discovered, this experience was rapidly shared with our other regions across the globe.

For our employees, our Environment, Health & Safety experts began by supporting the building of an eLearning module, explaining about Covid-19 and what it meant for them and our business. We introduced a travel ban and strict safety measures, such as social distancing, shift work and wearing PPE. Furthermore, our IT teams worked closely with Business Continuity teams to rapidly make all the necessary arrangements, including provision of laptops, so that key employees across the globe could work remotely.

We set up a central hub in the Netherlands for the provision of medical PPE to our sites around the world, meeting orders of up to several million masks, alleviating dramatic shortages and enabling true operational Business Continuity.

We also communicated with our customers regularly to provide the assurance they needed regarding safe continued delivery of services. We also developed new innovations to help our customers operate through the pandemic. (See [page 33](#))

BUSINESS CONTINUITY RESPONSIBILITIES

VICE PRESIDENT OPERATIONAL INTEGRITY & BUSINESS CONTINUITY

- ✓ Oversight of Business Continuity at SGS

GLOBAL BUSINESS CONTINUITY MANAGER

- ✓ Global Business Continuity strategy development and dissemination
- ✓ Management programs across core Group functions e.g. IT programs

GLOBAL BUSINESS CONTINUITY STEERING COMMITTEE

- ✓ Governs global Business Continuity Programs
- ✓ Ensures a consistent approach across all SGS operations

REGIONAL BUSINESS CONTINUITY OFFICERS

- ✓ Implementation and measurement of Business Continuity strategy
- ✓ Governance of Business Continuity Programs covering all lines of business and functions
- ✓ Putting metrics and analysis in place to support Group strategy

COUNTRY AND SITE BUSINESS CONTINUITY OFFICERS

- ✓ Perform Business Impact Analysis (BIA) and risk assessments
- ✓ Develop Business Continuity strategies and plans based on the analysis
- ✓ Exercise and test the plans and initiate process of continuous improvement following the Business Continuity Lifecycle

4 097

managers completed a new online business continuity awareness course

SGS BUSINESS CONTINUITY KEY ASPECTS



BENEFITS

- ✓ Framework of resilience – using SGS network to maximum effect
- ✓ Speed of response in initial stages of a crisis
- ✓ Calmness and clarity
- ✓ Preparedness as situation unfolds

Our sustainability services

We create value through our services, operations and supply chain. As a sustainable business ourselves, a key part of how we add value to society is that we also help other organizations to become more sustainable. In this way, we encourage them to add value to society, magnifying our impact.

OVERVIEW

Bringing together innovative ways of improving sustainability performance, we help businesses ensure that their operations, and supply chains comply with regulations and standards, while meeting stakeholder expectations. We also help our customers to implement efficient, manageable processes and systems that enable them to conserve natural resources, reduce pollution and protect biodiversity in the long term.

SUSTAINABLE USE OF NATURAL RESOURCES

We help our customers to use natural resources in a way and at a rate that does not damage the resilience of ecosystems and the benefits they provide. This includes a wide number of services for agriculture and fishing industries, water and soil preservation activities and extractive industries.



BETTER | SAFER | MORE INTERCONNECTED

CASE STUDY: SEED AND CROP

Precision agriculture and fertility management solutions promote sustainable practices. At the same time, they increase production to meet greater demand caused by global population growth and changing food habits. Solutions, such as agronomy services and soil and water analysis, benefit society in many ways: lower fertilizer use means less water pollution; optimized water management reduces public water shortages and associated vulnerabilities; and better crop yields enhance productivity and farmer livelihoods.

SUSTAINABLE LIVING

We offer a comprehensive range of food safety, quality and sustainability and product/materials testing solutions to help grow consumer confidence at every stage of the value chain. We also provide critical services for the health industry that include vaccine testing, clinical trials and pharmaceutical quality control testing.



Read more about BioLab in our [Integrated Annual Report on page 48](#)



BETTER | SAFER | MORE INTERCONNECTED



SUSTAINABLE PRODUCTION

We offer a wide range of services to help our customers to achieve a sustainable production, including site operation and management, health and safety at the workplace, green process design, environmental assessment of suppliers and a comprehensive set of tools to manage risk within supply chains. We also offer onsite product packaging processes and waste and recycling solutions.



BETTER | SAFER | MORE INTERCONNECTED

CASE STUDY: CRADLE TO CRADLE

The ultimate goal of our Cradle to Cradle certification is to encourage the innovative design of products that have a positive impact on both people and the planet. Implementing the Cradle to Cradle framework helps our customers to achieve this, while gaining recognition as leaders in their field, and meeting the demands of both customers and the market.

Our sustainability services continued

SUSTAINABLE ENERGY

We advise our customers on how to manage their energy more efficiently and develop alternative energy sources. Our expertise in this area can contribute to climate change mitigation and provide savings to our customers.



BETTER | SAFER | MORE INTERCONNECTED

SUSTAINABLE INFRASTRUCTURES

We help our customers to optimize their buildings and infrastructures' efficiency through the full lifecycle of their operations. This includes Green Building Certification, construction materials testing and safety and reliability services in the transportation industry.



Read more about EDGE in our Integrated Annual Report on [page 74](#)



BETTER | SAFER | MORE INTERCONNECTED

SUSTAINABLE BUSINESS PRACTICES

Helping our customers to establish, organize and develop rigorous processes, we enable them to efficiently manage their business operations. Examining their supply chains, we look at aspects as diverse as business continuity management, ethics and social compliance and anti-corruption measures. We also help coordinate training, auditing, verification and management systems so that can be effectively managed through a single process.



BETTER | SAFER | MORE INTERCONNECTED

CASE STUDY: SGS OBTAINS APPROVED VERIFIER STATUS FOR CLIMATE BONDS CERTIFICATION SCHEME

The Climate Bonds Initiative (CBI), a not-for-profit organization, aims to promote investment into projects and assets that will speed up the transition to a low carbon and climate resilient economy. CBI anticipates that investor demand for green bonds and climate bonds will increase in line with the delivery of quality products into the market. However, it warns that investor concerns about the credibility of green labeling are also growing. Its standards, assurance and certification are seen as essential for improving confidence and transparency, and boosting growth in the market.

In May 2020, our Hong Kong affiliate, SGS Hong Kong, secured 'approved verifier' status under the Climate Bond Standards and Certification Scheme of the CBI. As an approved verifier, SGS Hong Kong is qualified to provide green or climate bonds verification to bond issuers with projects in a range of sectors, including solar, wind and low carbon buildings. Since the accreditation is at a global level, we can offer this service to customers across the world, with SGS Hong Kong acting as lead auditor.



CASE STUDY: SGS AND IBEROSTAR – A SHARED COMMITMENT TO SUSTAINABILITY

Iberostar Hotels & Resorts has selected SGS to provide several services. A main reason for this decision is the values and commitment to sustainability and making the world a better place, which the two companies share.

Sustainability is at the core of the governance model and business strategy of both companies, guiding our roadmaps and involving our entire value chain. The creation of shared value is also a key tool in the improvement and development of new projects.

“Both Iberostar and SGS share the idea that sustainable growth is life. We are convinced that sustainability is not a goal but a path to follow, and that it offers us great opportunities and a greater guarantee for the future.”

Soraya Romero
EMEA Sustainability Director, Grupo Iberostar



PROFESSIONAL EXCELLENCE

HOW DOES SGS HELP MAKE THE WORLD BETTER, SAFER AND MORE INTERCONNECTED THROUGH ITS APPROACH TO PROFESSIONAL EXCELLENCE?

“SGS is a sustainable company. We operate in the most efficient, safest way, keeping our people protected and interconnected, ensuring we all feel a part of the same company despite being spread across the globe.”

José María Hernández-Sampelayo
Senior Vice President for Human Resources

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Data privacy and protection	43
Supply chain management	46
Our world class facilities	50

Overview and approach

At the core of everything we do, and the way that we do it, lies our commitment to the highest standards of professional excellence. It is not enough for us to deliver world class services; we must do so while upholding standards of integrity, human rights, data privacy and innovation.

OUR APPROACH

Our approach to doing business is first and foremost to ensure we work with integrity and are compliant with all appropriate legislation and regulations around the world.

As established in our Human Rights policy, we are committed to respect human rights as well as people's rights to data protection and the importance of information security. We work hard to source responsibly, increasing sustainability both in our operations and throughout our supply chain, as well as in our world class laboratories.

To maintain our high standards, we provide training to our people on all of these issues, and investigate any potential instances of non-compliance. Where any are found, we implement an action plan to help prevent reoccurrence from taking place.

MANAGING OUR RESPONSE TO COVID-19

When Covid-19 hit, our priority was to support our colleagues all around the world.

We set up crisis management teams at global, regional and country level. The global team, comprising regional Chief Operating Officers, our global integrity manager, HR team and global communications manager, has overall responsibility for the health and safety of employees related to Covid-19.

We enabled our people to work from home, facilitated safe shift working in our offices, and collected and stored Personal Protective Equipment such as masks for our affiliates. As the crisis intensified, the global team held weekly meetings to review the spread of the virus, keeping employees informed of developments on our website.

At a regional level, we arranged training courses for our people on a range of topics, including how to deal with Covid-19, safety measures they should take, how to manage working from home and how to use Microsoft Teams for virtual meetings.

Our local teams also ran several initiatives. Our colleagues in Hong Kong, for example, developed and implemented a 12-point 'Return-to-Work Plan' to help prevent a resurgence of the virus. In Saudi Arabia, our laboratory team minimized the risk of infection when receiving customer samples by creating a dedicated reception area for couriers. Our motto throughout has been 'Yes We Can!' and we are thankful that we have had relatively few cases of Covid-19 considering the size of our organization.



“As a sales representative who is used to meeting with customers face-to-face, I’ve had to adapt to new ways of working based predominantly in the office, which has been arranged to keep us socially distanced and safe. Although we have to physically stay further apart, in many ways it feels like we now work even closer ‘together’.”

Cozma Claudia

Senior Sales Representative, Bucharest, Romania

Compliance and integrity



MAINTAINING TRUST

Our success depends on our ability to maintain our customers' and stakeholders' trust. In order to give our customers confidence, we must maintain exceptionally high standards of integrity, in everything we do. That's why we've included 'integrity' as one of our six Business Principles.

OUR APPROACH

Our Code of Integrity provides a blueprint for our employees, affiliated companies, contractors, subcontractors, joint venture partners and agents to follow. It guides them to do what is right in the situations they face every day.

The expectations set out in the Code include: not engaging in any form of bribery or corruption; treating everyone with fairness, dignity and respect; adhering strictly to the legal requirements of every country in which we operate; and not seeking any business advantage that would compromise our integrity or threaten our assets, brand, people or intellectual property. All new employees are required to sign the Code when they join SGS.

We work hard to prevent corruption and misconduct in a number of ways: through training and communication, how we express our contractual obligations, effective reporting and monitoring, and carrying out risk assessments and due diligence.

We also have whistle-blowing procedures, backed by a responsive network of investigators who review all cases of suspected violations. We provide a confidential helpline for people to use to raise concerns about issues related to the Code, which we then investigate.

SGS CODE OF INTEGRITY

- Defines the high standards of professional integrity we expect from anyone acting on behalf of or representing the SGS Group
- Clearly details what SGS expects from its representatives in relation to its Integrity Principle
- Applies to all SGS employees and affiliated companies, contractors, subcontractors, joint venture partners and agents
- All new employees are required to sign the Code when they join SGS
- Is in place to ensure we treat everyone with fairness, dignity and respect
- Is supported by a confidential helpline for raising concerns about issues related to the Code
- All concerns raised are investigated through specific channels



To find out more, see **SGS Code of Integrity, SGS Business Principles**

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 support some industry associations, but the sum is not material, representing less than 0.01% of our revenue. In 2020, we did not make any contributions or donations of either political or lobbying nature.

COMPLIANCE AND INTEGRITY RESPONSIBILITIES

PROFESSIONAL CONDUCT COMMITTEE

Chairman of the Board of Directors; two other Board members; Chief Executive Officer; Chief Compliance Officer:

- ✓ Ensures implementation of the Code of Integrity
- ✓ Advises management on all issues of business ethics

CHIEF COMPLIANCE OFFICER

- ✓ Implements procedures governing ethical behavior and conducts investigations of alleged staff misconduct

CORPORATE SECURITY TEAM

- ✓ Ensures security arrangements adequately protect people and assets and respect human rights
- ✓ Continuously evaluates assets and businesses

HUMAN RIGHTS COMMITTEE

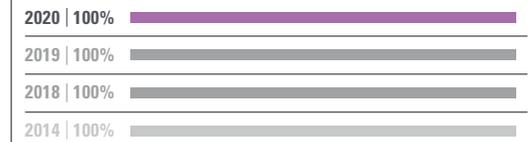
Chief Executive Officer; Chief Compliance Officer; Vice President Corporate Sustainability

- ✓ Oversees implementation of human rights commitments
- ✓ Supports human rights as defined in the Code and Business Principles

OUR PERFORMANCE

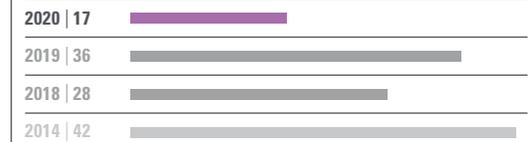
100%

of employees have signed the Code of Integrity



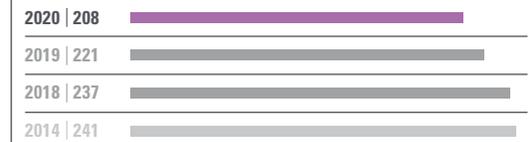
17

Total number of breaches¹ of the Code of Integrity identified through corporate integrity helplines²



208³

Total number of integrity issues⁴ reported through corporate integrity helplines



1. A breach of the Code of Integrity is a violation of the Code of Integrity
 2. '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
 3. An integrity issue is a breach of one or more of the 15 SGS Code of Integrity rules
 4. At the time of reporting, 104 pending cases were still open and under review

Compliance and integrity continued

GRI

- 102-17
- 102-33
- 102-34
- 103-1-3
- 205-2
- 205-3

INTEGRITY TRAINING

Training is essential to maintaining a culture that has integrity at its core. All new SGS recruits must complete integrity training within three months of joining the Company, covering both SGS' integrity expectations and standards, and the disciplinary action, termination and/or criminal prosecution that will follow any violation. This is then reinforced through annual mandatory integrity training, available

both face-to-face and through eLearning, which all employees are required to attend.

We update our training every year, incorporating case studies and lessons learned from real issues arising in the business to help prevent repeat occurrences. In 2020, we delivered interactive training on how to define non-serious breaches of our Code of Integrity, as well as on how to conduct an investigation for a non-critical violation.

104

allegations of misconduct investigated

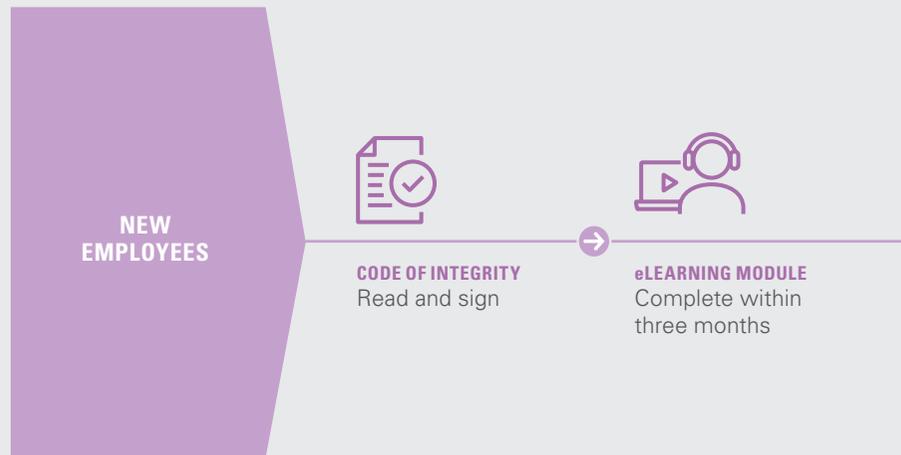
92 150

employees attended the annual integrity training*

*2020 annual integrity training was launched in December 2020. All eligible employees will have completed the training by March 2021

EMPLOYEE INTEGRITY TRAINING

ONBOARDING INTEGRITY TRAINING



ANNUAL INTEGRITY TRAINING (AIT)



Compliance and integrity continued

GRI	102-17	307-1
	102-33	406-1
	102-34	417-2
	103-1-3	417-3
	205-3	419-1

INCIDENTS AND INVESTIGATIONS

We encourage our employees to report integrity-related incidents using our confidential integrity helpline, or by contacting local or corporate-level compliance teams, without fear of retribution. Our grievance mechanisms and whistle-blowing procedures are clearly set out in both our [Code of Integrity](#) and our [Supplier Code of Conduct](#).

WHISTLE-BLOWING CHANNELS

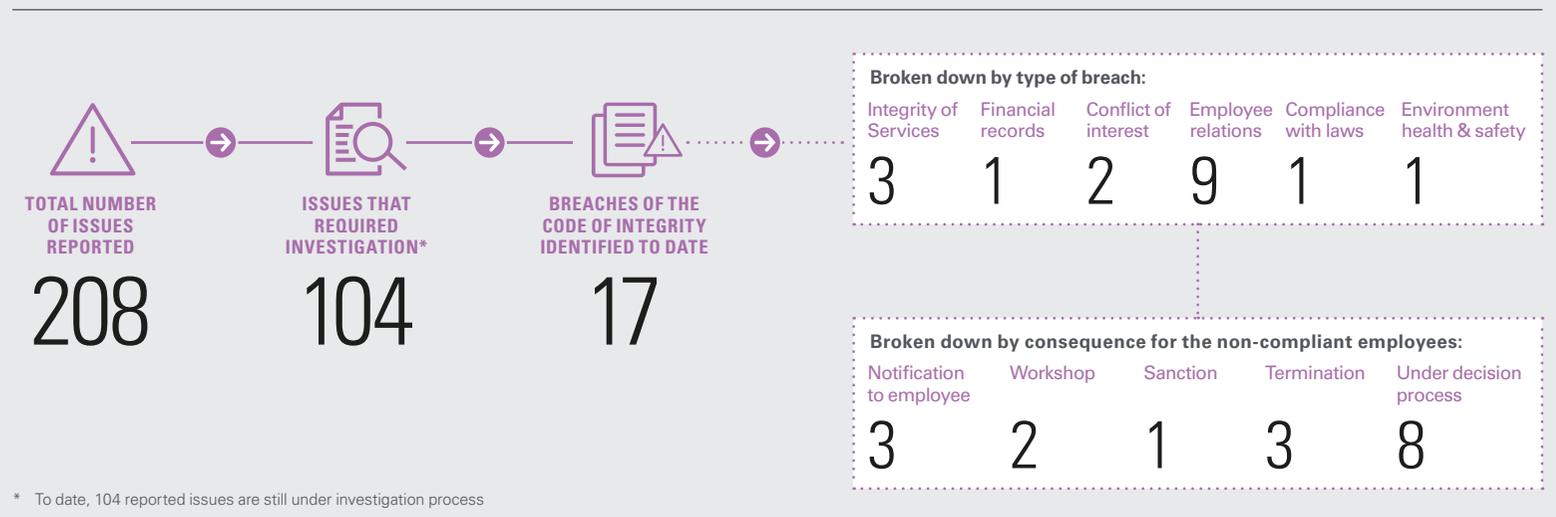
In 2020, we made it easier for employees to report violations through our Integrity Helpline. Based on the data received from both the global helpline and local legal compliance teams, we are able to assess if we need to put in place additional mitigation programs. We also use the information reported to the helpline to customize our training on the human rights issues most relevant to SGS.

Managing directors must report all local integrity breaches into the Operational Integrity Crystal reporting tool. This provides comprehensive visibility of local integrity breaches that have not been reported through the Integrity Helpline.

INVESTIGATIONS

Any reports we receive about suspected violations, including cases of discrimination, are extensively assessed, in a way that preserves respect for human rights, confidentiality and a presumption of innocence. It is the responsibility of Legal and Compliance, together with Corporate Security, to investigate the most serious violations. Their findings may result in disciplinary action, including employment termination and, in extreme cases, criminal prosecution. Local investigators deal with less serious violations.

ISSUES REPORTED THROUGH THE SGS INTEGRITY HELPLINE IN 2020



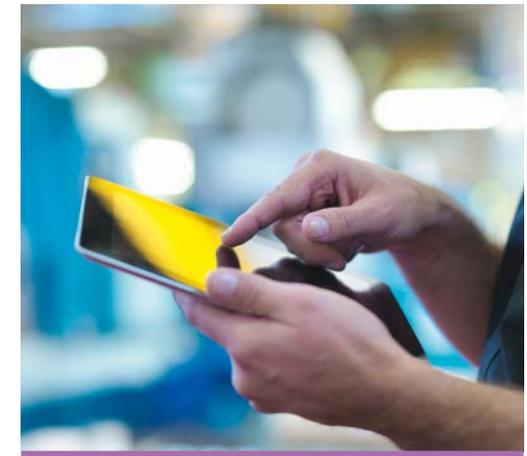
COMPLIANCE

In 2020, we were not issued with any significant fines or penalties for non-compliance with regulations concerning:

- Environment
- Service information
- Protection of privacy and personal data
- Marketing communications

“Our success is dependent on the trust we inspire in our customers and investors. To bring true value to our stakeholders and to society at large, we must act with integrity.”

Olivier Merkt
Senior Vice President, Chief Compliance and Legal Officer



Human rights

GRI
 102-17
 101-1-3
 412-1
 412-2

It is our responsibility to protect human rights throughout our business and in our supply chain. All people at all our sites across our business have an important role to play in this, firstly by operating in line with our **Human Rights policy** and our **Code of Integrity** and then by reporting suspected breaches to our local legal and compliance departments or via our Integrity Helpline.

We continually evaluate and review ways to strengthen our approach, ensuring that we remain in line with developments in both international and relevant national laws, and society's expectations.

When necessary, we cooperate with the relevant authorities to identify, mitigate and remedy any adverse impacts our operations may have caused or contributed to.

When making an acquisition, our due diligence process requires us to investigate how the target company manages human rights. We also require them to comply with our Code of Integrity and aligning with our values is a pre-condition for acquisition to go ahead.

We require our suppliers to comply with our Supplier Code of Conduct, which promotes our sustainability principles and minimum requirements. Suppliers are contractually bound to act in accordance with health, safety and employment policies, as well as with relevant standards and legislation, and to continuously encourage their own suppliers to do the same. (See **page 46**)

HUMAN RIGHTS RESPONSIBILITIES

HUMAN RIGHTS COMMITTEE
 Chief Executive Officer; Chief Compliance Officer;
 Vice President Corporate Sustainability:

- ✓ Oversees implementation of human rights commitments
- ✓ Supports human rights as defined in the Code and Business Principles

SENIOR MANAGERS

- ✓ Expected to demonstrate visible and explicit support for human rights commitments

CORPORATE SUSTAINABILITY FUNCTION

- ✓ Coordinates development and management of human rights program
- ✓ Manages human rights training

0 cases of child labor, forced or compulsory labor, or violation of the right to exercise freedom of association

0 reported violations of the rights of indigenous people

HUMAN RIGHTS POLICY
 Our Company-wide Human Rights Policy elaborates on the requirements in our Code of Integrity, our Business Principles and associated policies to treat everyone with whom we come into contact with fairness, dignity and respect. It clearly sets out our approach to respecting human rights across our global business.

The Policy aligns with the key international human rights legislation, including the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Children's Rights and Business Principles, the United Nations Women's Empowerment Principles and the United Nations Global Compact.

Our Policy is complemented by our **Code of Integrity** and **Supplier Code of Conduct**.

✓ ♥ 🧠
BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: TRAINING OUR EMPLOYEES IN HUMAN RIGHTS

In December 2019, we re-launched our annual human rights training as an SGS Campus eLearning module. This is available to all employees around the world in their local languages. 36 390 employees completed this training in 2020.

The training covers topics such as child labor, freedom from discrimination, equality and respect, human rights governance, and reporting human rights breaches helping our employees to stay connected to these important issues. We continue to enhance the relevance of this training module to our business, by customizing it according to the integrity helpline calls we receive and data submitted by local legal and compliance teams. We also regularly assess the need for additional programs to fill in any gaps in local training.

36 390
 employees completed Human Rights eLearning training in 2020

Data privacy and protection



As a company that holds itself to the highest standards of professional behavior, and that operates in a controlled-risk environment, we are committed to the protection of information, compliance with privacy laws and strengthening cybersecurity. Recognizing that any breach would both affect our ability to operate as normal and the integrity of our customers' information, we put great emphasis on the prevention, detection, management and our response to security risks.

OUR APPROACH TO INFORMATION SECURITY

We have a framework for protecting intellectual property, business services, personal information and customer data, with a dedicated team responsible for its implementation. The following types of information are covered: all data, specifications, results, facts, correspondence, methods and knowledge pertaining to SGS, our employees, contractors, customers, suppliers, methods and tangible and intangible assets.

We work to prevent and defend against threats to our digital information by carefully managing our IT Security and Anomaly Detection Systems, while deploying tools to identify vulnerabilities and forecasting trends in the cybersecurity landscape. We implement the tightest security controls, based on international standards and best practices, and our IT management team works closely with our Business Continuity team to ensure that effective crisis management planning systems are in place to deal with any eventuality.

In 2020, we initiated the Information Governance Framework (IGF) – a new approach to securing information pertaining to SGS and its employees, customers and suppliers. As well as configuring new technical controls in collaboration with Global IT Security, the approach incorporates behavioral guidelines and physical controls for the protection of hard copy and verbally transmitted information. This major initiative requires close consultation with all businesses and functions and will help to align SGS with the principles of ISO27001:Information Security.

In adapting to Covid-19, Corporate Security sustained and even enhanced its operational reach by conducting investigations remotely. This involved training carefully selected local employees to conduct interviews and gather information under our supervision. Alongside our due diligence and certification verification services, this shift to predominantly remote operations is transformative.

INFORMATION SECURITY STRATEGIC AIM

Our information security strategic aim is to ensure that we are always prepared to keep our information and its creation, storage, transmission and disposal systems secure.

INFORMATION AND IT SYSTEMS RISK EVENTS

- Technical failures
- Malicious attacks
- Natural disasters
- Human errors
- Terrorist attacks
- Weather-related events

INFORMATION SECURITY PREVENTION AND PREPARATION MEASURES

- Enhance IT systems
- Contingency plans
- Penetration testing
- Put policies and procedures in place to streamline processes
- Vulnerability Assessment Initiative
- Develop risk control capabilities

OUR PERFORMANCE

0 complaints received from outside parties and substantiated by SGS⁵

2020	0	
2019	0	
2018	0	
2014	–	

0 substantiated complaints concerning breaches of data customer policy⁵

2020	0	
2019	0	
2018	0	
2014	–	

99%

% of employees who completed SGS data privacy eLearning*

2020	99	<div style="width: 99%;"></div>
2019	95	<div style="width: 95%;"></div>
2018	95	<div style="width: 95%;"></div>
2014	–	

5. Reported through our centralized system that currently covers Europe
 * 2020 annual integrity training, which includes data protection and privacy e-learning, was launched in December 2020. All eligible employees will have completed the training by March 2021

Data privacy and protection continued



OUR APPROACH TO INFORMATION PROTECTION

We continue to enhance our internal management system to further protect our employees' private data, our own intellectual property, and the information and data of our customers. We aim to be a leader in the field of data protection and go to great lengths to ensure that personal information is effectively managed and database access is strictly controlled.

Respecting individual rights and choices, we strive to be transparent and open about the data we collect and to protect the data we hold from unauthorized use or disclosure. The way we do this is set out in our [Data Privacy Policy](#). Initially rolled out in Europe in response to General Data Protection Regulation (GDPR), we are now rolling out the Policy further afield.

In 2020, we successfully met several new data privacy challenges. For example, the Covid-19 pandemic required us introduce and develop new solutions and mobile applications for Covid-19 monitoring purposes and their compliance from a privacy by design standpoint. More broadly, the increased introduction of new technologies and applications into our day-to-day business has required us to find solutions to many new data privacy questions. We are expanding our GDPR data privacy program outside of Europe and are constantly improving our data privacy processes either through new IT solutions which allow us to have a better visibility of the personal data we process or in the area of vendor risk management with the development of dedicated vendor's IT security and data privacy due diligence to ensure that SGS is investing in the most compliant data privacy by design solutions.

DATA PROTECTION STRATEGIC AIM

Our Data Protection strategic aim is to ensure that personal data is effectively managed.

SGS DATA PRIVACY POLICY

- Governs how we collect, use and manage the personal data of customers, employees and third parties
- Confidentiality and privacy are key principles of the SGS Code of Integrity

DATA PROTECTION POTENTIAL RISKS

- Data leakage
- Misuse of personal data
- Unauthorized access to data held by SGS
- Impact on individual livelihoods

DATA PROTECTION MEASURES

- SGS Privacy Policy, communication and implementation
- SGS Data Privacy Notices
- Employee training
- SGS Online Privacy Request Form
- Data processing agreements with suppliers
- Supplier security standards and assessment
- Privacy by design and data protection impact assessment procedures
- Data Breach Management Procedure



Data privacy and protection continued



TRAINING

To make sure security and data protection is top of mind for all our people, we run an extensive, ongoing training program. Our courses are adapted to the specific needs of participants throughout our business, from new recruits, to senior management, to Data Privacy Officers.

In 2020, as part of an accelerated strategic initiative, we upskilled our people on information security, data protection and cybersecurity through online training.

We communicated with all Chief Operating Officers about the importance of information security, and they in turn communicated with their Managing Directors. Each affiliate was tasked with ensuring their employees completed our information security eLearning module by the end of November 2020. In 2020, 89.98% of SGS employees worldwide completed the security awareness training. Countries who had not met their target were given a one month grace period to do so. The training is updated annually to reflect lessons learned from real cases, and covers topics such as phishing emails, data protection, secure use of emails, and how to detect and react to cyberattacks.

In 2020, our eLearning module on Data Protection and Privacy principles was rolled out to more than 92 150 employees, with a completion rate of 98.8%.

REPORTING INCIDENTS

As the world of information security constantly changes, we are alert to new risks that may emerge. We use several detection systems that monitor our network, system infrastructure and applications. Those considered to be the most critical are monitored on a continuous basis; others gather audit information for analysis in case of enquiries or suspicion of fraudulent activity. We monitor response times to potential incidents according to specific

timeframe requirements, depending on the severity and criticality of the threat.

Incident reporting processes are detailed in our IT Security Policy. In 2020, we made reporting email security issues even easier for our employees. Now, at the click of a button in Outlook, they can report any email they suspect of being an attempt at phishing, directly to local SGS Security Operations Centers. In 2020, around 39 000 'report phishing' tickets were created – proportionally less than in 2019, due to our work to reinforce our filtering capabilities.

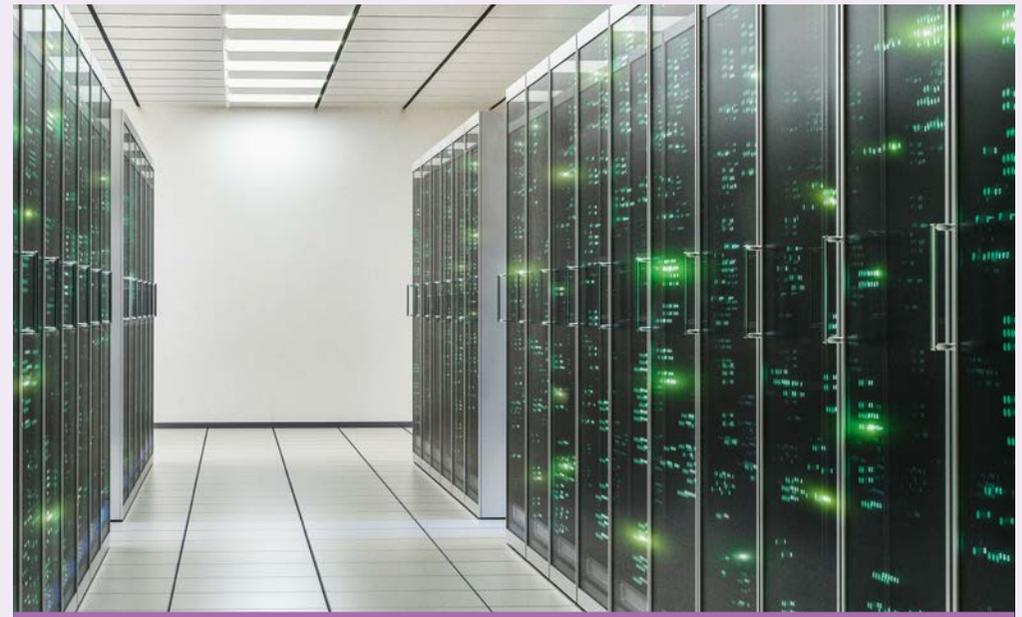
Any major security issues reported are investigated by the IT Security Department. Once we have identified the root cause, we evaluate and communicate the impact of any proposed mitigation. Our Data Privacy officers assess the personal risks associated with any incidents, and determine whether the individual data owners and local data protection authorities should be notified. We follow our SGS Data Breach Management Procedure in all matters where authorities are engaged. Where the incident is the result of a policy violation, this may result in disciplinary action.

CYBERSECURITY

Our Cybersecurity Department is tasked with anticipating, averting and mitigating cyber threats against our business. As a global and geographically diversified organization, this is an ever changing and growing area that requires constant vigilance and innovation. Moving to the cloud is helping us to implement security measures at scale. As more of our employees have moved to remote working, we are adapting our response to ensure full protection of SGS assets and data. We are currently carrying out a global inventory of our expertise, and will centralize some services in order to ensure a consistently high level across the world.



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: SGS IMPLEMENTS NEW GENERATION HOSTING PLATFORM

When looking for a new generation hosting platform for SGS applications, such as Boss/FIS, iLayer and OrderBoard, we had several criteria. The selected solution would not require a huge investment and it would reduce annual running costs, while offering increased capacity. It would also provide advanced security services to protect our assets, be scalable without an upfront investment, and run on the latest technology.

After some research into the market, we opted for the latest generation of Oracle Cloud Infrastructure (OCI) for our European sites, running our applications on the latest generation of Oracle Exadata. We allocated Frankfurt as our primary site and Amsterdam as our disaster recovery site.

OCI offers many advantages. As well as fast and cost-efficient connectivity, it features a flexible, scalable design. It provides Advanced Security Services like data encryption and multi-factor authentication.

Supply chain management



Across the more than 125 countries in which we operate, we source goods and services sustainably, from suppliers that meet our high standards. In 2020 we have achieved a strong score in the CDP Supplier Engagement Rating, in recognition of our commitment to reducing emissions and managing climate risks in our supply chain.

OUR APPROACH

Sustainable Procurement and Supply Chain is one of the four pillars of our Procurement and Supply Chain Management strategy.

Recognizing that we are in a position to influence up to 70 000 suppliers to follow our principles and values, we include sustainability criteria in requests for proposals. By participating to our tenders suppliers must accept our Supplier Code of Conduct. By doing this, we promote our sustainability standards beyond our own business, causing a ripple effect of change that we hope will affect the way that suppliers deal not only with us, but with their other customers and their own suppliers as well. This effect gives procurement one of the biggest levers to drive sustainability in a global economy.

In 2020, we worked to develop our sustainable procurement strategy. In 2021, we are adding new short-term targets due to be achieved by 2023, and long-term targets for achievement by 2030.

SGS SUPPLIER CODE OF CONDUCT

- Defines our non-negotiable minimum standards and specifications for our supply chain and responsible sourcing
- Applies to all new, critical and high risk suppliers, who are required to adhere to it
- Invites suppliers to work with SGS to identify and develop continuous improvements
- Meets the requirements of the International Bill of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work
- Covers the areas aligned to SGS' sustainability pillars: Professional Excellence, People, Environment and Community
- Is supported by a confidential helpline for raising concerns about issues related to the Code



To find out more, see **SGS Supplier Code of Conduct**

STRATEGIC PILLARS

- | | | |
|----|--|--|
| 1. | COST AND CASH FLOW LEADERSHIP | |
| 2. | GLOBAL SOURCING SOLUTIONS | |
| 3. | SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN | |
| 4. | CONTRIBUTION TO INSPECTION AND LABORATORIES OF THE FUTURE PROGRAM | |

“If we manage our suppliers across the world in a way that they share SGS values and principles, we are making a difference to sustainability.”

Juergen Nelis
Vice President Global Procurement & Supply Chain, SGS



For more information, see our **2020 Integrated Annual Report**

Supply chain management continued

GRI

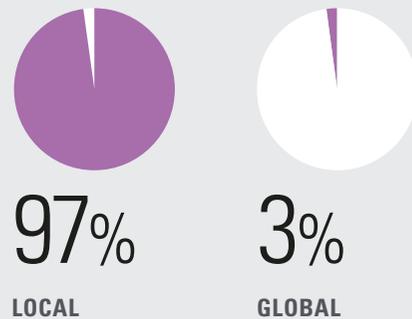
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- 412-3
- 414-1
- 414-2

LOCAL AND GLOBAL SOURCING APPROACH

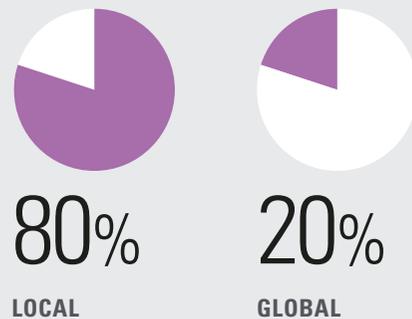
Our supply chain is diverse and covers over 100 countries from large industrial to small developing countries. We source products and services from global suppliers giving us the benefits of financial resilience, quality and security of supply. At the same time, we buy up to 80% from regional and local suppliers that meet our business and sustainability requirements. These suppliers are often flexible and competitive, and the communities we operate in are directly benefiting from our partnerships.

LOCAL VERSUS GLOBAL

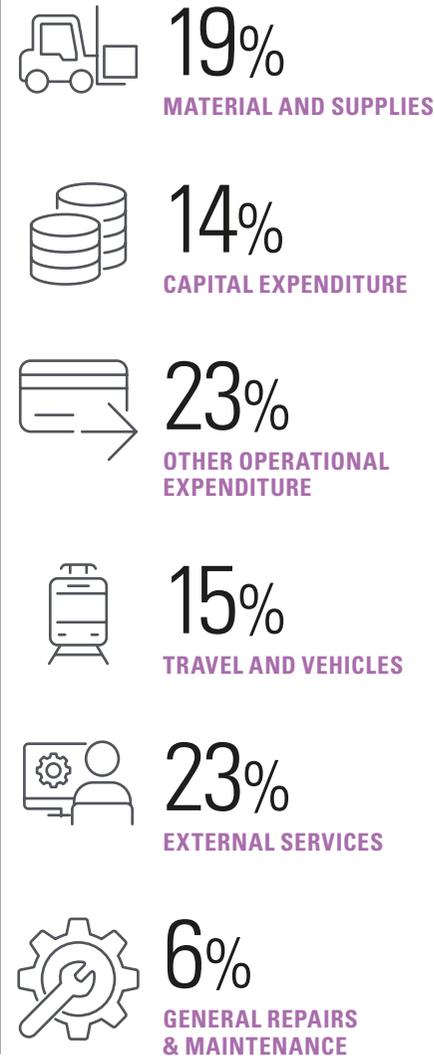
SUPPLIERS



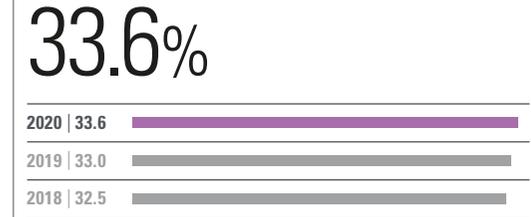
SPEND



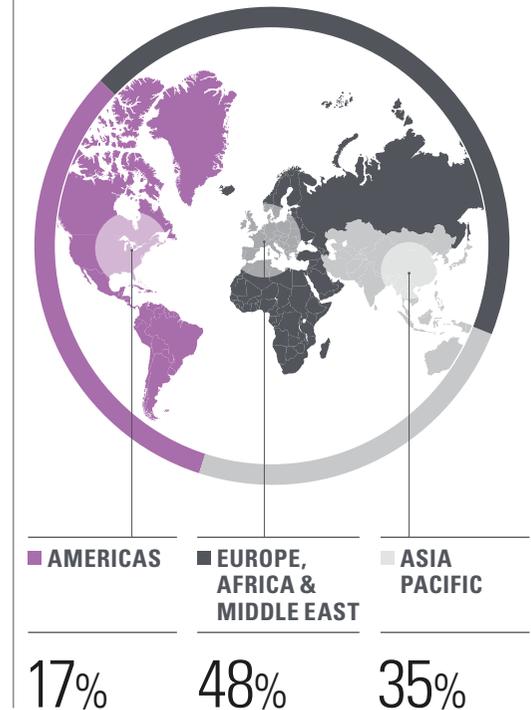
SPEND BY SGS CATEGORY



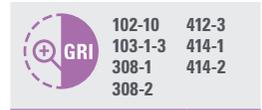
SPEND VERSUS REVENUE



SPEND BY SGS SUPRA-REGION



Supply chain management continued



We are committed to doing business with other companies that share our values and beliefs. For effective sustainable supply chain management, we must secure buy-in from our suppliers to uphold our high standards.

Over the past three years, we have assessed around 4 000 suppliers globally, which represents approximately one third of our yearly spend. This has required enormous effort, with suppliers spread over 30 countries and speaking multiple languages.

EMBEDDING OUR CODE OF CONDUCT

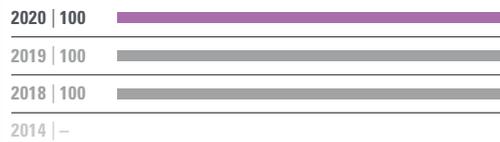
We found that using a Self-Assessment Questionnaire to assess local suppliers' compliance with our standards, as we have done in the past, is time and resource intensive. In 2020, we explored alternative ways of addressing the issue of ensuring a sustainable supply chain and embedding these values into our existing processes.

Besides the assessment of our existing suppliers to ensure local suppliers' compliance with SGS standards we have embedded the values and principles into our main points of interaction with suppliers. These include supplier selection, supplier creation (qualification and registration into our systems) and ordering. Suppliers automatically sign up to our Code of Conduct when following the SGS procurement process. In addition, in high and medium risk countries for example in Africa and Asia, we have proactively requested 1 300 suppliers to sign our Code of Conduct. To select these high and medium risk countries we use a macro risk analysis of environmental, economic and social factors.

OUR PERFORMANCE

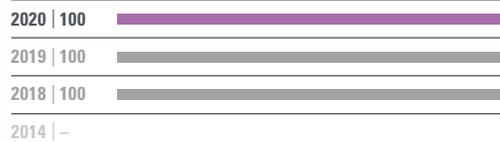
100%

of spend analyzed for sustainability risks



100%

tier 1 suppliers⁶ analyzed for sustainability risks



46%

of spend sourced online



6. Includes all active suppliers in the top 40 SGS countries, covering 81% of our spend

EXISTING SUPPLIERS ASSESSMENT PROCESS

<h3>1. SEGMENTATION OF COUNTRIES BY LEVEL OF RISK</h3> <p>24 high- and medium-risk countries (29 510 suppliers) and 16 low-risk countries (35 937 suppliers)</p>	<h3>2. ELIMINATION OF LESS CRITICAL SUPPLIERS</h3> <p>Based on spending thresholds and product groups, defined for each country risk level</p>	<h3>3. EVALUATION AT COUNTRY LEVEL</h3> <p>5 903 tier 1 suppliers across 40 countries were defined as the final high-risk target group</p>	<h3>4. SAQ DEPLOYMENT AND RESULTS ANALYSIS</h3> <p>More than 4 000 suppliers completed our SAQ since its deployment in 2018</p>	<h3>5. GOVERNANCE AND MITIGATION PLANS</h3> <p>58 suppliers flagged for potential non-compliance or breaches since 2018, and need engagement for governance and mitigation</p>
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EXISTING SUPPLIERS ANALYSIS

	2019			2020		
	LOW RISK	HIGH & MEDIUM RISK	TOTAL	LOW RISK	HIGH & MEDIUM RISK	TOTAL
Number of countries (Tier 1)	16	14	30	16	24	40
Spend (%)	50%	33%	83%	41%	40%	81%
Tier 1 suppliers ¹	37 873	29 341	67 214	35 937	29 510	65 447
Suppliers analyzed by macro risk assessment (%)	100%	100%	100%	100%	100%	100%
Suppliers after country level review	1 982	2 530	4 512	1 982	3 921	5 903
Suppliers with actions taken ²	690	2 163	2 853	690	3 554	4 244

1. SGS considers Tier 1 suppliers as those in the top countries
 2. Supplier with actions. Self-Assessment Questionnaire submission

Supply chain management continued



SUPPLIER ASSESSMENT

Strategic suppliers are those that are most important to our business. Taking a different approach to that used for our local suppliers, we ask strategic suppliers to complete a questionnaire requesting financial and procurement information and more in-depth sustainability information.

We also ask them to provide third-party validation and to detail the actions they are taking to improve their sustainability performance. Based on this assessment, we prioritize groups or certain suppliers for partnership sustainability initiatives.

NEW SUPPLIER SELECTION

Engaging with new suppliers gives us the opportunity to establish sustainability as a pre-condition of our relationship with them. Our Group-wide Procurement Policy requires sustainability criteria to be evaluated as part of our supplier selection, sourcing and contracting processes.

In our standard supplier contract template, we state our expectation that our suppliers act in accordance with environmental, health, safety and employment policies, comply with relevant standards and legislation, continuously improve processes and encourage their contractors and subcontractors to follow the same practices.

Our Code of Conduct is directly embedded in our terms and conditions, so it is automatically accepted by each new supplier, regardless of country, market, technology, product or service. These criteria for doing business with SGS are continuously being developed further so that suppliers can be better compared based on their compliance with our sustainability standards.

DIVERSITY AND INCLUSION IN OUR SUPPLY CHAIN

We are constantly reviewing and improving our supplier selection criteria. SGS North America, for example, has launched a Supplier Diversity Program to promote diversity among its supply chain and improve the growth and well-being of underrepresented groups in the communities where we operate. In 2020 the process has started with the identification of existing diverse suppliers and the creation of a supplier portal where suppliers meeting diversity criteria can register to become part of the procurement database.



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CASE STUDY: CONSOLIDATED PROCUREMENT BRINGS MULTIPLE BENEFITS

THE CHALLENGE

Due to our huge global footprint and multiple business lines, we purchase products and services from a large number and variety of suppliers. Trading with so many suppliers means that it is a challenge to ensure sustainability standards in the supply chain meet the high standards of our operations and our Code of Conduct.

OUR SOLUTION

To continuously improve supply chain integrity and certainty, as well as quality, service and competitiveness, we have selected 12 supplier partners with whom to create fully integrated relationships. This follows our trend in recent years, of focusing on consolidating procurement by purchasing from a smaller number of trusted suppliers, helping us to stay more interconnected with our supply chain.

Our Strategic Supplier Relationship Management program enables us to develop meaningful relationships, and to share knowledge, best practice and lessons learnt across the network. In addition, suppliers get an immediate response to questions and are able to access senior stakeholders.

NEXT STEPS

We have invested time and effort in our partnership initiatives, as illustrated by our response to the Covid-19 pandemic, digitization in our laboratories, and the introduction of Artificial Intelligence (AI) tools. In our Travel and Fleet category, we are introducing electric vehicles to contribute towards meeting our sustainability targets, and are working to reduce the need for, and impact of business travel. In IT, we are reusing or recycling computer hardware. In supply-chain management, we are rolling out vendor management inventory in a number of locations to optimize distribution.

We have committed significant resources to our Strategic Supplier Relationship Management Program, and we expect this to be a major contribution to the achievement of our innovation and sustainability goals in 2021, and beyond.

“By committing to long-term supplier relationships we have created trust, which is the foundation of any meaningful relationship.”

Juergen Nelis
VP Global Procurement & SCM

Our world class facilities

Our global network of best-in-class facilities provides certification and quality verification services to customers worldwide. To ensure the highest standards, each year we invest CHF 400 million to ensure they are kept up-to-date with state-of-the-art equipment. Through our aspiration to implement a World Class Services program, we are also creating efficiencies and increasing sustainability through process optimization in laboratories, field operations and offices.

OVERVIEW

We are committed to ensuring that our facilities meet world class standards. Our World Class Services (WCS) methodology is a continuous improvement approach designed to foster a culture which improves safety, quality and efficiency, and eliminates any type of waste and losses. Our goal is to achieve zero accidents, zero waste, zero defects and zero breakdowns. This benefits us and our customers, for example by enabling us to deliver higher testing quality and quicker turnaround times.

To date, 20 of our sites have adopted the WCS methodology, along with other selected initiatives including process reorganization, workflow optimization and automation. We have also extended the use of robotics process automation solutions in a range of activities, to reduce human error and improve the quality of our services, resulting in a notable improvement in productivity.

We value our customers' feedback regarding our services. Each year as part of our Laboratory Excellence Program, we ask our laboratory customers to complete a survey about their experience and service from our laboratories. We then use their response to put in place relevant improvements.

INNOVATING FOR THE FUTURE

As part of our Laboratories of the Future program, we continuously seek out and invest in new innovations that have the potential to enhance sustainability in our operations – including from our employees. Through our Idea Challenges, we crowdsource ideas from across the business. Our Innovation Ecosystems then promote the development of their ideas into practical solutions. In 2020, we began to pilot the use of incubators to support this innovation development.

“Being part of SGS means that we use the most state-of-the-art equipment available. It’s great to be part of a company that invests so much in the future, and where innovation and creativity are encouraged.”

Filippo Rota
VP Strategic Transformation



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: ADOPTING WORLD CLASS SERVICES IN SHANGHAI

Shanghai CCL lab passed its first external audit for World Class Services with flying colors, due to the outstanding commitment, expertise and passion of our people. This achievement recognizes the systematic improvements made to eliminate waste and losses by applying best-in-class methods and standards, making our laboratories run even better.



For further information, see **page 22** of our **2020 Integrated Annual Report**



See our **film** on World Class Services, Shanghai

OUR PEOPLE

HOW HAS SGS' APPROACH TO ITS PEOPLE IN 2020 CONTRIBUTED TO MAKING THE WORLD BETTER, SAFER AND MORE INTERCONNECTED?

"Our value to society is part of our DNA, and it all begins with the way we treat our people."

Alain Denielle

Corporate Vice-President, Environment, Health & Safety
Business Continuity and Integrity Programs

Empowering our people to succeed	52
Talent acquisition and retention	53
Keeping our people safe	55
Diversity and inclusion	59
Training and development	61
Engagement and well-being	63
Rewarding talent	66

Empowering our people to succeed



Purpose-driven leadership is about creating a safe, diverse and inclusive environment where our employees are treated fairly and with respect, and are empowered to succeed and grow.

OUR APPROACH

Our people are integral to our business and our success. Our ability to attract and retain a diverse workforce, characterized by equal opportunities and prospects for advancement, is fundamental to our ability to operate.

We recognize that workforce expectations have evolved considerably over the last years, and will continue to do so. Today's talent is looking for growth, opportunities to shine, variety, flexibility, mobility and security. Increasingly, people want to work for a company that is purpose-driven and where they can add value to society.

SGS' Human Resources strategy aims to prepare our Company for the evolving expectations of future generations of employees. We anticipate that employees will want to change jobs and locations more frequently in the coming decade. This increased mobility, and new flexible ways of working – including remote working – will have an important impact on working processes, knowledge retention and succession planning for SGS, and our strategy reflects this.

There are five elements to our human resources 'Talent Experience' approach: talent attraction and retention, employee engagement and well-being, talent development, knowledge management, and remuneration.

Our Talent Management strategy relies on promoting performance management, leadership development, succession planning and employee capability building. It is implemented at all levels of the organization in partnership with our leaders, business managers and operations teams, to support SGS' business priorities and growth strategy.

As an equal opportunities' employer, we strive to treat everyone fairly, as illustrated by our Code of Conduct which sets out the requirements that protect people against discrimination in our workplace.

SGS HR FIVE STRATEGIC PILLARS

1. HUMAN RESOURCES ALIGNMENT GLOBALLY AND REGIONALLY
2. COMPETITIVE AND TRANSPARENT TALENT ACQUISITION
3. INTEGRATED TALENT MANAGEMENT APPROACH
4. STRENGTHENING EMPLOYEE CAPABILITIES
5. PROMOTING GROUP-WIDE CAREER DEVELOPMENT OPPORTUNITIES

OUR PERFORMANCE

WOMEN IN LEADERSHIP POSITIONS (CEO -3)

28.7%



Talent acquisition and retention



Our talent acquisition goal is simple – to attract the best and the right people to work at SGS, now and into the future. Having found the right talent to meet our needs, we ensure they are properly onboarded regarding our values, culture and business processes, and engaged to deliver their best. We then seek to retain them by providing a work environment in which they can grow.

OUR APPROACH

We actively seek out the right talent to meet our current needs, while engaging with talent communities to identify talent we may need in the future. Our structured and candidate-centric approach enables us to rely on talent intelligence to ensure that we increase our hiring velocity and quality, to ensure our continued business success. Our Recruitment Academy provides 100+ of our recruiters and 400+ managers with the knowledge they need to leverage technology and talent intelligence, and collaborate to ensure SGS’ hiring success.

We also put great emphasis on matching talent to value, with a full program in place to help us identify and fill strategically-essential roles. We continually evolve our HR strategy and framework to both meet the demands and optimize the skills of an increasingly globalized workforce.

Finally, we rely on systematic and meaningful onboarding programs – Shine and Shine ‘fast track’ – to ensure that our new recruits are effectively engaged and successfully integrated into our business. We have digitized our onboarding process, making it more accessible and interactive for all employees, especially during Covid-19 lockdowns.

OUR PROGRESS AND PERFORMANCE

Our recruitment goals are supported by a range of programs and initiatives. In 2020, we rolled out our new e-recruitment tool, SmartRecruiters, to 23 affiliates. This has already helped to enhance the speed of hiring, the quality of hires, improve communication with managers, and promote collaborative hiring. It has also helped ensure a positive candidate experience and promote our employer brand.

Structured, data and intelligence-driven talent attraction and acquisition is also helping us ensure unbiased decision-making during the recruitment process, and increase employee diversity.

In 2020, we were joined by 18 546 new recruits across our business, 37% of them female. Our natural turnover of employees was 10.1%, well within our Sustainable Ambition target of no more than 15%.

OUR PERFORMANCE

PEOPLE LEAVING OF THEIR OWN WILL²

10.1%



EMPLOYEES AROUND THE WORLD (FULL-TIME EQUIVALENT END OF PERIOD)

91 698



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: SGS JAPAN – ONLINE TALENT ACQUISITION

In light of Covid-19, SGS Japan switched to online candidate interviews and assessments. Benefits included expanded geographic coverage and making it easier for employees in the field to be involved in the hiring process. This provided candidates with a more well-rounded insight into life at SGS, and reduced turnaround time from application to offer.

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

Talent acquisition and retention continued



OUR TALENT AND ACQUISITION PROGRAMS

We have developed a number of programs to support our approach to talent acquisition, from enhanced training for our recruiters and employing innovative recruitment tools, to ensuring our new recruits are set up for success at SGS.

RECRUITER TRAINING

Our Recruiter Academy provides our HR professionals with training on recruitment best practice.

Sample topics:

- Talent sourcing techniques
- Employer branding
- Recruitment practices
- Negotiation techniques



SGS EMPLOYER BRANDING

BE 100% YOU, our employer branding campaign, promotes SGS to potential employees.

Communication objectives:

- Raise awareness and communicate our employer value propositions
- Engage millennials
- Strengthen our 2021 business plan

Deployed through:

- Website
- Social media channels



NEW EMPLOYEE HIRES

37%

6 862 women

63%

11 684 men

18 546

total

eRECRUITMENT

eRecruitment optimizes processes and facilitates proactive talent sourcing and acquisition across the SGS network. We do this through our SmartRecruiters systems, and through our strategic partnership with LinkedIn. SGS has over 784,000 LinkedIn followers.

We post:

- Job vacancies
- Employee testimonials
- Event promotions
- Information about the Company



EMPLOYEE ONBOARDING

Our global onboarding program, Shine, helps new recruits integrate into life at SGS.

Benefits to SGS and employees:

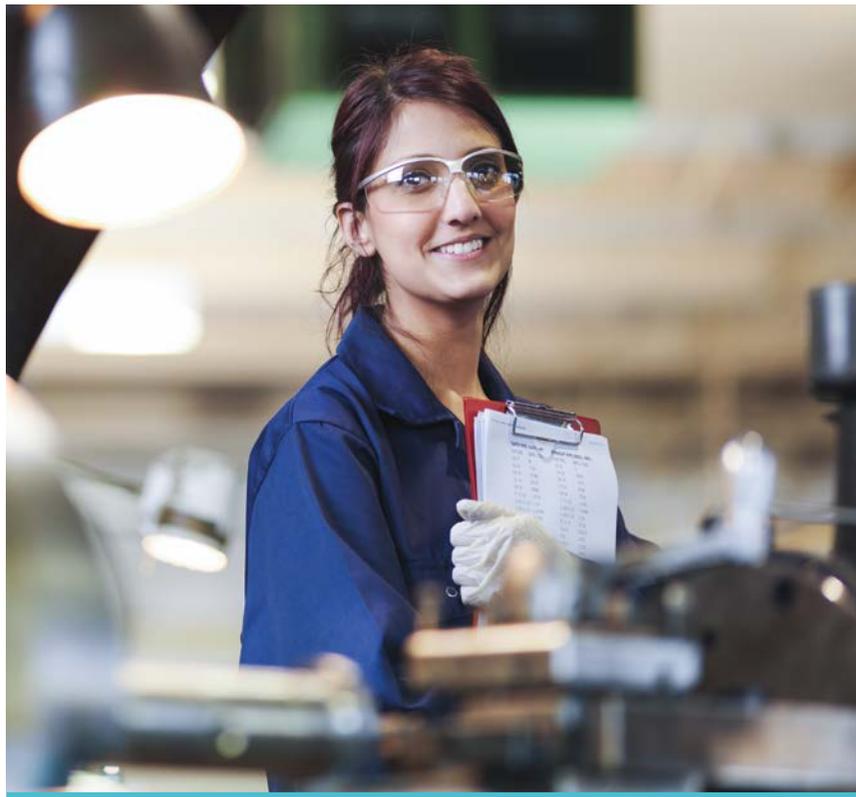
- Supports employees in their first three months at SGS
- Builds knowledge of SGS' operations, services, principles, values and aims
- Helps new hires establish their internal network
- Capitalizes on new employees' knowledge and enthusiasm
- Reduces employee turnover
- Tracks progress through regular formal and informal reviews with managers, to identify additional employee needs

Keeping our people safe

103-1-3
403-1
403-2
403-3

GRI

Safety in the workplace, which we call Operational Integrity, is a top priority both to protect our employees and drive our business success. We encourage a ‘no-harm’ culture that prioritizes employee health & safety, alongside environmental protection.



OUR APPROACH

To achieve our Operational Integrity (OI) Global Mission of zero accidents and zero harm to our people, we organize our work in eight pillars. (See [page 56](#) for detail). In 2020, we added digitalization.

We set long-term safety objectives for each area, and report on incidents in our Crystal reporting system. We also have a Group-wide OI Management System that supports improvements aligned with internationally-recognized standards on health, safety and the environment.

At ground level, we regularly host Safe Talks for all employees, and hold an annual Safety Month. In 2020, these were held virtually due to Covid-19 restrictions. Our peer-to-peer safety observation program encourages positive reinforcement to promote safe behaviors. In 2020, we introduced a new eLearning training for all employees to echo our ‘rules for life’, and used hard-hitting posters to remind people of the consequences of not following OI rules.



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: KEEPING OUR PEOPLE SAFE DURING COVID-19

The global Covid-19 pandemic required us to respond quickly and creatively to ensure both our people’s health and well-being, and our business continuity.

From the very beginning, we took steps to make sure that our people understood the severity of the situation, and the measures we were putting in place to protect their safety. One such step was an eLearning module about Covid-19, explaining the virus and the steps we would have to undertake in response. We also kept our customers informed, sharing statements to reassure them about the safety of our people and continuity in providing services.

Our business continuity officers partnered with local IT teams to quickly put in place the necessary measures to enable our staff to work remotely. In some cases, this required expanding our networks and obtaining additional licenses. Provision was rapidly made for key employees across the globe to seamlessly work from home.

For those who could not work at home, we organized shifts so that they could safely work onsite.

As the pandemic continued, we issued weekly reports on the number of Covid-19 cases among our employees and the number of sites closed – whether fully or partially. At global, regional and local level, our crisis management teams provided practical assistance. To overcome the initial shortage of personal protective equipment (PPE), we created a central hub for masks in each country in which we operate. We also shared information with staff about well-being, stress management, ergonomics and even about working with kids in the background!



See our [film](#) on keeping our people safe and engaged during the Covid-19 pandemic

Keeping our people safe continued



OUR EIGHT OPERATIONAL INTEGRITY PILLARS

1.



COMMUNICATION

We aim to educate all SGS employees in the importance of OI, and make them aware of the support available to them in contributing towards our OI goals. Communication initiatives include the 15 life-saving principles of our Rules for Life, and our Annual Safety Month campaign, which in October 2020 focused on the topic ‘Zero Tolerance for Non-Compliance’.

2.



RESOURCES AND SKILLS

We regularly review our OI expertise across the Group, to ensure that our people have the high level of skills required. Using our Incident Investigation Compliance Scores, we help countries to identify where OI resources need to be improved. We also provide all OI employees with online tools to help them stay up-to-date with our Group OI requirements.

3.



AUDITS AND COMPLIANCE

Our OI Management System defines the criteria to be met to comply with our own requirements and with the local laws and regulations. To ensure compliance, we audit regions and countries centrally, while local OI managers audit our laboratories, offices and facilities. The audit results go into our performance reports, along with incidents and hazards information captured in Crystal.

4.



LEADERSHIP

Our leaders have an integral role to play in achieving our OI goals and promoting a culture in which all employees understand how important OI is to our business. Guided by our OI Lead Adviser app, they conduct frequent site visits, engaging in safety-related conversations with staff and assessing local OI conditions firsthand. Their performance scores contribute to the OI Cultural Index.

5.



TRAINING AND AWARENESS

Each role at SGS requires specific OI knowledge to support the safety and well-being of our employees. To raise their awareness about what knowledge is important and to provide the technical training required, all employees across our operations and corporate sites are given training onsite standard operating procedures, along with regular training sessions on Group OI Management Systems and Rules for Life.

6.



KEY PERFORMANCE INDICATORS

Having key performance indicators in place enables us to analyze our OI performance across the Group, and evaluate if action needs to be taken. All OI employees around the world are expected to provide monthly local incident and risk indicator data, which is captured in our OI Crystal system. This data is assimilated into regulatory and customer-mandated reports, quarterly key performance indicator analyses and trends identification.

7.



HEALTH, SAFETY & ENVIRONMENTAL (HSE) RISK ASSESSMENTS

Risk assessments provide us with critical insight that enables us to take corrective actions where needed. All site managers are expected to perform risk assessments and to develop associated action plans. Employees have the right to stop work at any time, without reprisal, if they consider there to be a health, safety or environmental risk. Any such instances are reported through our Crystal OI system.

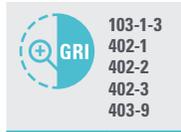
8.



DIGITALIZATION

With so many processes, programs and regulations and obligations, KPIs, sites and people, we need robust IT support. We continue to enhance our digital reporting system, Crystal, and in 2020 added tools for hygiene and chemical management, along with new apps and platforms for data inspection. We have also built a dedicated mobile app for job inspectors and lab technicians to use when carrying out a ‘last minute risk assessment’.

Keeping our people safe continued



BETTER | SAFER | MORE INTERCONNECTED

OUR PROGRESS AND PERFORMANCE

In 2020, we defined criteria which our OI managers around the world used to identify 'critical' and 'important' sites across our operations. This process resulted in 500 sites being identified as critical or important, giving us the insight needed to now work on enhancing safety and resilience. One issue highlighted is the need to enhance fire safety. We have since hired a new fire prevention officer, and are working on developing a fire prevention strategy.

More than 122 sites, covering more than 14,800 employees, have now achieved certification in occupational health and safety standard ISO 45001 (OSHAS 18001) and/or environmental management standard ISO 14001.

We are continually striving to improve our results against our 2020 Sustainability Ambitions we are within our target of halving our Lost Time Incident Rate (LTIR) and Total Recordable Incident Rate (TRIR); in 2020, our LTIR and TRIR have decreased by 62% and 68%, respectively.

We recognize that the reduction in lost time incidents in 2020 may in part be attributable to more people working from home, and a greater focus generally on issues of health and well-being because of the pandemic.

While we are able to look back at yet another year of injury rates well within our target, it is with deep regret that we report the loss of one life in our operations in 2020. Any fatality is unacceptable and we will continue to work toward achieving our goal of zero harm.



CASE STUDY: HELPING TO PREVENT WORKPLACE INJURIES

SGS Australia hosts monthly Operational Integrity talks on topics such as safety, environmental sustainability, wellness and integrity. In July 2020, all staff were invited to a live virtual 'Talking Safety' meeting where guest speaker, James Wood, spoke about his own personal experience of having a workplace injury. The talk received incredible feedback from employees, and as such, we have decided to make the 'Talking Safety' series part of our Safety Awareness Program.



BETTER | SAFER | MORE INTERCONNECTED

LOST TIME INCIDENT RATE (LTIR)³

(200 000 hours)

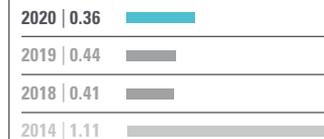
0.23



TOTAL RECORDABLE INCIDENT RATE (TRIR)³

(200 000 hours)

0.36



2.5 MIO

hours invested in OI training for SGS employees

27.9 hours

Operational Integrity training (per employee) against a target of 15 hours

3. Against 2014 baseline



CASE STUDY: LOCAL TEAMS LEAD THE WAY

Our local teams responded to the pandemic with creativity and innovation, modifying their operations to ensure employee safety and business continuity. Here are just a few examples:

In Peru, our team developed a new application called 'SGS Health Track' to help manage risks and prevent the spread of Covid-19 through a real-time assessment of the health of workers.

As employees in Switzerland returned to work, our team there quickly produced more than 450 liters of sanitizing solution, in accordance with the World Health Organization (WHO) guidelines, for all in-country sites.

Our Latin American colleagues were quick to activate their Crisis Management Committee, who designed and implemented the 'Business Continuity Plan - Covid-19' which included testing and monitoring of employee symptoms, and webinars in which healthcare professionals shared important information.

Keeping our people safe continued

GRI
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HEALTH & SAFETY INITIATIVES

We focus on proactive Leadership, Education and Discipline (LED) activities, each of which delivers achievements against one of our eight OI pillars.

OI CULTURAL INDEX

To help support decision-making, we monitor our progress against OI objectives through our OI Cultural Index (OICI). Each country reports on these indicators, which covers 14 elements, providing us with an overview that we review twice a year.

MULTI-TIERED AUDITING

Our auditing strategy is to take a multi-leveled audit approach, beginning with annual site audits by the in-country team. Audits are entered into our OI management system, which is then reviewed by the central OI team to assess both country and regional performance.

OI TRAINING

Our OI training suite includes face-to-face courses, supervisor-led toolbox talks, Safe Talks (regular safety meetings on key topics) and eLearning modules (some in multiple languages), a 12-module OI Awareness eLearning course for all business and site managers, and dedicated OI training days for Chief Operating Officers and Executive Vice Presidents. Where needed, we also run courses on specific issues. For example, in countries with a high level of road safety risk, we install in-vehicle monitoring systems, and provide employees with associated training.

BEHAVIOR-BASED SAFETY

We use positive reinforcement to change risky behaviors and improve safety performance, through our Behavior-Based Safety (BBS) peer-to-peer observation program.

INDUSTRIAL HYGIENE

We strive to protect our employees from disease and fatalities. We use the Chemwatch chemical management tool in 57 languages. We are also upgrading our Crystal reporting platform with tools for hygiene and chemical management, as well as new apps and platforms for data inspection.



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: ENHANCING DRIVER SAFETY IN THE UAE AND SAUDI ARABIA

In an initiative designed to reduce driving risks, SGS UAE and Saudi Arabia have rolled out the Brightmile app. The goal is to monitor compliance with Rules for Life related to transportation safety, namely: follow speed limits, manage fatigue and 'engine on, cell phone away'. The app provides instant feedback to drivers on their performance in five key driving behaviors: harsh acceleration, risk, speeding, fatigue, and distraction.

DROP IN LOST TIME INCIDENT RATE (LTIR) SINCE 2014

62%

DROP IN TOTAL RECORDABLE INCIDENT RATE (TRIR)

68%



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: NEW SAFETY ASSESSMENT APP INFORMS BETTER DECISIONS

Prior to starting a job, SGS employees or contractors are encouraged to stop and carry out a three-minute assessment of the environment and working conditions, using the Check Status app. Asking questions such as: 'What could happen if I proceed? Would I be completely safe? Do I have the correct working equipment, tools, training and protection to perform the job?' helps the employee to make an informed decision to proceed, proceed with caution or, if known risks are present and not controlled, to invoke a Stop Work Authority (SWA).

Check Status provides the critical last level of review necessary to address any risk in working conditions or in the environment before work begins. The app enables employees and contractors to conduct a check quickly and easily. Available in local languages, teams can create or edit their own 'operations' and 'checkpoints', to address local situations and risks. Any SWA situation is automatically reported as a hazard record in the Crystal hazard/risk module, and a digital SWA card supports direct calls to the relevant supervisor to discuss a solution, or even escalate a matter to Global operational integrity contacts.

Diversity and inclusion



As a global organization with over 89 000 employees worldwide, we recognize the value that diversity brings to our business. Our workforce is characterized by diversity of nationality, culture, religion, age, sexual orientation and gender.

OUR APPROACH

As set out in our SGS Business Principles, Code of Integrity and Human Rights Policy, we do not tolerate any form of discrimination. As a diverse employer, we value the skills, knowledge and cultural diversity that local people bring to our organizations and as such, we actively seek to engage them within our teams.

Our managers undergo annual training in principles of non-discrimination through a number of programs. Targets are set and monitored locally according to local conditions, regulations and ethnic makeup.

We actively manage discrimination risks and closely monitor our performance on gender equality. Unless local laws specifically require us to, we are committed to avoid positive discrimination, but rather recruit the best candidate for the job, removing bias due to a documented, data driven decision-making approach. We are also committed to offer equal remuneration and development opportunities to all our employees.

OUR PROGRESS AND PERFORMANCE

To make sure we are increasing the diversity of our hiring, in 2020 we trained 100+ recruiters on recruitment best practices and talent acquisition, and 400+ managers in recruitment, interviewing and diversity best practices. We are also measuring the gender diversity of our applicants.

Many affiliates have accelerated the move towards embracing diversity and inclusion. In Australia, for example, we have achieved 50/50 gender diversity and ethnic minorities are well represented. (See case study on [page 60](#))

We have local programs aimed at increasing the number of women in managerial and leadership roles. Regarding the gender pay gap, we have simplified and increased transparency around remuneration, and we are also introducing equal benefits for men and women taking time off to look after a new baby.

In 2020, a diverse working group made up of HR, sustainability and business team members established a new strategy for SGS' diversity and inclusion, which will be communicated early 2021.

DIVERSITY BALANCE

CHIEF EXECUTIVE OFFICER-3*



28.7%

WOMEN

71.3%

MEN

MANAGERS



33.1%

WOMEN

66.9%

MEN

EMPLOYEES



35.5%

WOMEN

64.5%

MEN

* -3 indicates three positions below the CEO

BOARD OF DIRECTORS AND OPERATIONS COUNCIL



1

WOMAN



26

MEN



14

NATIONALITIES

0

UNDER 30 YEARS OLD

8

30-50 YEARS OLD

19

OVER 50 YEARS OLD

Diversity and inclusion continued



DIVERSITY AND INCLUSION PROGRAMS

To support our commitment to fair treatment for all and ensuring diversity and equal opportunities, we have implemented a number of programs. This begins at recruitment, and our online eLearning for recruiters places a strong emphasis on diversity and equal opportunities.

We run programs to increase the number of women in managerial and leadership roles at a local level.

The program has helped to support women from being an assistant in a remote location to a laboratory manager, or even a country-level manager. We use information from all relevant projects to assess and analyze our efforts, and share learnings.

We also have ethnic diversity-focused initiatives in several countries. For example, in South Africa, we participate in the Yes4Youth initiative. This gives unemployed black youth a dignified first chance at work so that they can contribute to their families, households and communities.



BETTER | SAFER | MORE INTERCONNECTED



We're focusing on building bold leadership to drive the cultural change. For example, one of our managers in Energy Minerals, has a particular focus on engaging Aboriginal and Torres Strait Islander people. He has reached out to local schools and communities to attract new employees. We have also used traineeships to help provide education to diverse groups.

We have achieved gender balance in executive roles and are working to targets to increase the percentage of females in non-manager and manager roles, as well as to increase representation of diverse groups in our workforce.

NEXT STEPS

Among our next steps, we are supporting our managers to continue their journey on becoming bold inclusive leaders through training, role modeling and recognizing their achievements. We are creating allied networks, and are reviewing and identifying ways in which we can remove barriers for employment for people with disabilities and carer responsibility. We will continue to measure progress and redesign action plans to continue furthering our journey.

CASE STUDY: EMBEDDING DIVERSITY AND INCLUSION INTO OUR CULTURE

THE CHALLENGE

At SGS Australia, we recognized that we could do more to recruit and retain high-quality employees from diverse backgrounds, in order to remain a leader in our field, and we wanted to ensure that SGS is a great place to work for all our employees. Our customers are also increasingly interested in making sure that we have a comprehensive diversity and inclusion strategy in place.

We surveyed our workforce to understand who, where and what our underrepresented groups were. The diversity data survey set the baseline data and also provided us with employee feedback so we can build on our action plans.

Among our actions, we launched the Inclusion Council enabling employees to work with us on achieving our targets and identifying areas of opportunity. We are raising awareness across the business of our vision of 'Be 100% You'. And we made policy changes such as removing the qualifying period for paid parental leave and relaunched our flexible work policy.

OUR SOLUTION

In 2020, we launched a new diversity and inclusion strategy, focused on five main areas – gender, LGBTIQ+, Culture (Including Aboriginal and Torres Strait Islander people), disability and overall inclusion.



See our [film](#) on the diversity and inclusion strategy at SGS Australia

Training and development



By giving our people training and development opportunities, we not only support them to grow as individuals and team members; we also maintain our own quality standards.

OUR APPROACH

Talent development is part of SGS' HR strategy and is implemented at all organizational levels. We tailor our talent development programs to suit local market conditions, business needs, and employee expectations, ensuring that our highly-skilled and engaged talents are equipped to meet the needs of our customers across the globe.

We follow the 70:20:10 model of training and development, meaning that 70% should come from learning in the flow of work, 20% should come from social learning and 10% should be in the form of formal education.

We aim to make all our knowledge and training content from across our businesses available to all our employees, and encourage our employees to lead their own development. Our learning management platform, SGS Campus, helps us to advance this learning philosophy and knowledge-sharing culture, giving employees access to content, and the ability to share knowledge and set up training programs from anywhere, using any device.

To ensure we have the right management and leadership skills to meet our future needs, we systematically assess management effectiveness, required skills, and expected behaviors and use a comprehensive framework as a foundation to reinforce our leadership capabilities for the future.

PERFORMANCE MANAGEMENT

Performance management, feedback and recognition are crucial to achieving both employee personal development goals and our business goals. Our performance management process is detailed in our Performance Management Policy. It is the joint responsibility of each employee and their manager, supported by our human resources teams.

We expect employees to be proactive about setting their own performance goals, evaluating their achievements and identifying learning opportunities. Meanwhile, managers must be clear about expectations and deliverables, evaluate, critically discuss and recognize performance, support career management and encourage continuous learning. This process also ensures transparency and fairness in dealing with unsatisfactory performance and identifies and manages development barriers.

In 2020, we continued to move towards a more continuous feedback culture to ensure timely actions and recognition for our employees. We also formed a task group responsible for re-imagining the performance management process. Our aim is to make it more employee-centered and build the coaching capabilities of our managers. We want to make the process more continuous and engaging, adapting it to the current context and ensuring a tighter link between manager and employee.

OUR PROGRESS AND PERFORMANCE

Having introduced our knowledge management platform, SGS Campus, the previous year, in 2020 we worked with SGS internal subject matter experts to capture key knowledge and create engaging training material.

72 000 of our employees can now access more than 1 300 courses available at any time and from anywhere, which will enable us to nurture a knowledge-sharing culture.

Covid-19 has also accelerated the introduction of this learning culture, which is more self-directed, on-demand, shorter and continuous. This will continue to be the focus throughout the coming year. During the course of 2020, a group of over 60 managers, representing a variety of SGS affiliates and business lines, developed a simple and meaningful framework to ensure that we are systematically assessing management effectiveness. This framework will form the foundation on which we will build our strategy for reinforcing SGS' leadership capabilities in the coming years.

Globally, our training ratio in 2020, which measures training cost (including hours) as a percentage of employment cost slightly decreased to 2.51%.

4.3 MIO HOURS

of training completed by SGS employees around the world

86%

of employees received performance appraisals

“Our SGS Campus has been transformed this year. We have significantly improved the employee learning experience and engagement. This has been instrumental to our ability to successfully navigate through Covid-19, when most of our employees were working from home. Our vision for learning is to enable access to all, at any time and from anywhere.”

Luz Hoyos
Global Head of Talent Development

Training and development continued



OUR TRAINING PROGRAMS

Our online employee learning portal, SGS Campus, is our central resource, providing training on more than 15 subjects related to specific roles, systems or management and leadership, available in more than 20 languages.

We continually develop new training modules, covering topics such as Operational Integrity (safety), technical and sales training, our Code of Integrity. We offer training tailored for trainees and new recruits, refresher courses for existing employees, and leadership training for our managers and leaders of the future.

We have also introduced a new tool that enables us to offer bite-sized content in an engaging, interactive way, which has increased adoption and improved the learning experience.

In 2020, to further develop our leaders, we leveraged our partnership with IMD Business School in Lausanne, Switzerland to provide five- and eight-week leadership development courses for 18 of our leaders.

Overall, our approach has been successful in engaging our employees, especially in light of the restrictions of Covid-19, with 72 000 employees accessing training on a monthly basis.

TRAINING AND DEVELOPMENT PROGRAM HOURS

2 483 305 820 126

operational Integrity

technical and sales

97 109 342 497

trainee programs

management and leadership development

70 151 535 992

compliance

other training



Engagement and well-being

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	401-3	403-7
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The well-being of our employees depends on how happy they are at work and the opportunities they have to stay healthy and active. And by engaging them in our business, we inspire them to greater commitment, and motivate them to perform productively and efficiently.

OUR APPROACH

We see employee engagement as essential to talent retention and managing our natural turnover across the Group. Managing this at both global and local levels, we monitor engagement and correlate it to retention and other HR metrics.

Encouraging employee feedback

We value feedback and encourage employees to voice their opinions via our voluntary annual employee engagement survey, Catalyst. Our managers then use this input to launch improvement actions with their teams. As a minimum, each SGS affiliate is required to put in place one action plan for implementation within 6-12 months. We follow up after changes have been implemented to check if improvements have been made.

We require affiliates to communicate best practices globally so that learnings can be shared. We have trained our appointed Catalyst Regional and Country Champions and our Human Resources to act as facilitators, providing support through the overall survey process and action planning phase, and following up on progress.

Well-being at work

We provide well-being initiatives that are globally consistent, but tailored to the needs and resources of local affiliates. These range from health & safety training programs to flexible working hours and semi-retirement plans.

We promote healthy, safe and ergonomic workplaces, and we monitor lighting intensity, noise levels, indoor air quality, humidity and temperature levels in our buildings. We provide training, workshops and occupational healthcare assessments to guide our employees on maintaining a healthy and safe work environment. We also facilitate remote working, which became particularly important in 2020 in light of Covid-19.

We also provide different childcare facilities in many of our affiliates. Some of our offices count with special rooms equipped with armchairs and freezers dedicated to breastfeeding. We also offer our employees the possibility of flexible working arrangements such as flexible check-in and check-out, remote or part-time working to promote work-life balance. Many of our affiliates also provide paid maternity and paternity leave in excess of legally required minimum. For example, SGS Switzerland offers 16 weeks of maternity leave paid at 100% and 5 paid days for paternity leave. SGS Australia offers 8 weeks of paid maternity leave in excess of the local legally required minimums and SGS South Africa, offers 5 paid days while local regulation provides 3 paid days.

SGS CATALYST SURVEY 2020

EMPLOYEE PARTICIPATION

32 262

employees invited

74%

response rate

ENGAGEMENT INDEX

70/100

2020

71/100

2019

68/100

2018

EMPLOYEE REPRESENTATION AND CONSULTATION

We respect our employees' right to have collective representation and to enter into collective bargaining agreements where this is accepted by local law. We strictly adhere to tariff structures and arrangements negotiated with trade unions, while 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 labor markets. 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 dialog with elected employee representatives on relevant transnational issues.

41%

of SGS employees are covered by collective bargaining agreements



Engagement and well-being continued

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	403-8

OUR PROGRESS AND PERFORMANCE

With many employees working from home in 2020, it became all the more important to find ways in which to engage with them, and look out for their well-being. We divided our employee engagement program into two parts. The first was a simplified version of our Catalyst annual global survey for employees, with 10 general questions, followed by a section that affiliates could customize with specific questions relevant to their employees.

We also introduced multiple short surveys using Catalyst Pulse, so that we could get quick feedback from employees in a rapidly changing situation.

In a Covid-19 Catalyst Pulse survey of more than 7 500 employees in 13 countries and one subregion, we had a 63% response rate and received positive feedback on this new approach. These pulse surveys helped affiliates better understand the most critical needs of their employees, the key challenges they were facing while working remotely, and ways in which we could better support them through these unprecedented times.

Some affiliates, including Australia, Peru and Ecuador, went even further, checking on the engagement of their employees and further exploring the employee experience, by running different Catalyst Pulse surveys focused on areas such as Diversity and Inclusion, Manager Effectiveness, and Quarterly Engagement.

“Catalyst, our employee engagement program, enables employees around the world the opportunity to voice their feedback about working for SGS and provides us with actionable insights that can help us build a better experience at all stages of the employee journey. It is important to create a sustainable, effective feedback-insight-action cycle. Engagement needs to be integrated into ongoing conversations and practices. After all, it’s all about action that fuels change.”

Ana Bidaud
Global Employee Engagement Manager



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CASE STUDY: PROMOTING EMPLOYEE WELL-BEING THROUGHOUT THE PANDEMIC

In 2020, our affiliates around the world worked to support the well-being of employees during the pandemic. In Ghana, for example, as well as facilitating remote working, we held weekly update meetings with our employees, and provided Uber services for those without their own car.

In Argentina, our leaders participated in virtual coaching sessions on remote management, while employees received discounts on food, technology products and training, and enjoyed weekly virtual yoga classes.

In Ireland, we offered all SGS employees 7/24/365 access to a free, confidential Employee Assistance Program, which includes counseling, financial management and legal advice.

Engagement and well-being continued

EMPLOYEE RECOGNITION ACTIVITIES



DRAWING CONTESTS AND QUIZZES ABOUT OUR LEADERS



COMMUNITY ACTIVITIES



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CASE STUDY: BRINGING OUR PEOPLE TOGETHER AROUND THE WORLD

THE CHALLENGE

Along with keeping our people safe and ensuring business continuity, one of our major concerns when the Covid-19 pandemic hit was to maintain the well-being and engagement of our employees. Fully aware that many of them were struggling to work from home while caring for their families, we sought to lift their spirits and help them feel less alone during this challenging period.

OUR SOLUTION

We launched two initiatives to reinforce a sense of community. The first, a weekly drawing contest, took place in April, while most countries were in their first lockdown. For five weeks, our employees' children were encouraged to get creative while learning about themes such as nature, careers and environmental protection. They also had to draw Lëss the bear, the SGS mascot.

We received more than 2 000 drawings and distributed prizes throughout our network.

The second initiative, in December, was the SGS People – 15 Day Challenge, hosted by Lëss the bear. We organized several activities for employees, their families and local communities, including a recognition challenge, where employees publicly thanked their colleagues internally through Yammer; a children's drawing contest; a fun fact quiz about some of our global and local leaders; and a fundraiser for local food banks.

Participation was incredible: over 60 countries in the network participated at the same time in one or several initiatives; over 1 000 people praised their colleagues through the corporate social network; we received over 1 500 drawings; over 2 000 people took part in the quiz; and we raised more than CHF 80 000, exceeding our target, which is now being distributed to local foodbanks and other charity organizations.

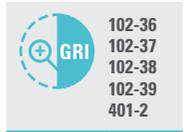
NEXT STEPS

Following the success of these initiatives and the great feedback we received, we are planning to make the SGS People Challenge an annual event, to strengthen our SGS community and make us even more interconnected, bringing our employees closer together.



See our [film](#) on keeping our people safe and engaged during the Covid-19 pandemic

Rewarding talent



Our goal is to offer our existing and future talent a competitive compensation package, to attract, engage, motivate and retain them. We systematically assess the competitiveness of our reward practices in all the markets in which we operate.

OUR APPROACH

We recognize that reward plays a key role in attracting, engaging, motivating and retaining talent at SGS. To ensure that we remain competitive, we benchmark our compensation practices against local markets, and continue to adapt our approach as the employment environment evolves. By using a common job architecture, organized around a common job-grading methodology and a common job catalog, we ensure alignment throughout our businesses and affiliates, and facilitate internal mobility.

As established by our Code of Integrity, we are committed to comply with the applicable legislation in the countries where we operate. This included minimum wages and mandatory social contribution requirements.

Our employees' annual fixed salary and its progression are defined based on their performance, competencies and experience. We also offer benefits such as healthcare plans and occupational pension plans, in accordance with local market practices.

In order to encourage profit sharing and to reward performance, selected SGS employees are eligible for variable remuneration elements in addition to their fixed remuneration.

We offer both short-and long-term incentives to our management team, linked to the financial performance of the Company.

2020 marked the end of a four-year strategic period focusing on margin and cost control. In light of the effects of Covid-19, we implemented conservative and selective pay increase criteria in 2020, and are addressing our approach for 2021.

VARIABLE REMUNERATION Short-Term Annual Incentives

Employees who are eligible for a short-term Incentive plan receive an annual cash incentive, based on Company and individual financial targets and on individual qualitative goals.

Long-Term Incentive Plans

Employees who are eligible for a long-term Incentive plan receive Restricted Share Units (RSUs). In 2020, 286 employees at different levels in the organization who demonstrated outstanding performance were granted RSUs. One RSU gives the participant the conditional right to receive, free of charge, one underlying SGS share at the end of the vesting period (three years), subject to continuity of employment during the vesting period.

In 2020, we have also approved the inclusion of sustainability metrics in the Long Term Incentive Plan. Further information will be publicly available in the coming months.

SGS FIXED AND VARIABLE REMUNERATION

	REMUNERATION ELEMENT	REMUNERATION VEHICLE	PURPOSE
FIXED REMUNERATION	Annual base salary	Cash	Attract and retain key talent
	Benefits	Contributions to pension plans and insurances, other contributions, allowances and benefits in kind	Protect employees against risks, attraction and retention
VARIABLE REMUNERATION	Short-term incentive	Cash	Pay for performance
	Long-term incentive	Restricted Share Units (RSUs)	Reward for long-term performance, retain key talent, align compensation with the interests of the shareholders

CEO AND MEAN EMPLOYEE COMPENSATION RATIO*

2020	2019	2018
25.6%	29.2%	25.6%

* To make the ratio comparable, we have implemented cost of living adjustments using the Purchasing Power Parity conversion rates and it is calculated based only on base salary and bonuses (excluding pension funds and extra hours)



For more information on our remuneration policy, see **page 99** our Integrated Annual Report 2020: www.sgs.com/en/annual-report



ENVIRONMENT

WHAT HAVE WE DONE IN 2020 TO MAKE THE WORLD BETTER, SAFER AND MORE INTERCONNECTED?

“Protecting the environment and tackling climate change is essential to making the world better and safer for everyone. We continually look for ways to reduce our environmental impact, maintain our status as a carbon neutral company, enable a low carbon economy, and ensure that we improve the world for future generations.”

Paula Ordoñez
Global Head of Corporate Sustainability

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Protecting our planet



Protecting the planet is a social, economic and ethical, as well as environmental, imperative. As a recognized sustainability leader, we are committed to minimizing our environmental footprint and delivering sustainable value to society. We follow a carbon neutrality strategy, use resources efficiently and reduce waste.

OUR APPROACH

The world is facing a climate emergency, and natural resources are being used up faster than they can be replenished. Protecting the environment is an ongoing challenge for businesses of all sizes, in all industries, all over the world.

We have set science-based targets, approved by the Science Based Targets Initiative, to ensure that we are cutting our emissions in line with limiting warming to below two degrees. We have been working hard to develop a new strategy that will push us further, towards higher, even more demanding targets in areas like water and waste management.

To help us strengthen our sustainability performance, we establish external partnerships and take part in initiatives, including:

- ✓ RE100
- ✓ Climate Neutral Now
- ✓ Science Based Targets initiatives

Evaluating and managing the risks and opportunities associated with climate change is a priority for SGS, and to this end we are adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We were one of the first companies to sign up for RE100, committing to a transition to using 100% renewable energy. We also support the United Nations Climate Neutral Now initiative, which encourages companies, organizations, governments and citizens to reduce and compensate for their greenhouse gas emissions.

In addition to taking action on climate change, we are monitoring and minimizing our water usage, as well as waste.

Partnerships are critical to our ability to tackle systemic challenges, both within our sector and beyond, to exchange good practices and to improve our sustainability performance.

CORPORATE SUSTAINABILITY TEAM RESPONSIBILITIES

- ✓ Setting strategy for Energy Efficiency in Buildings program
- ✓ Ensuring all affiliates deliver on energy targets and responsibilities
- ✓ Establishing and communicating SGS' Vehicle Emissions Policy
- ✓ Facilitating access to sustainability best practices for the affiliates
- ✓ Embedding climate change risks and opportunities management and TCFD adoption
- ✓ Promoting energy efficiency, water reduction and circular economy projects and awareness-raising initiatives



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CASE STUDY: EMPOWERING EMPLOYEES TO ADD VALUE WITH LËSS

Launched in 2019, our Add Value with Lëss initiative invites employees to follow 'Lëss the bear' and contribute to making our work more efficient and sustainable. We work to raise awareness and change behaviors across our workforce around four 'paws' or pillars: processes; environment; people and quality.

Our aim is to empower employees to drive operational efficiency, reduce time, energy and operational waste, and minimize our environmental footprint.

We will be relaunching this initiative in 2021 with a global communications campaign.

Our carbon neutrality strategy



Our carbon neutrality strategy has three pillars: reducing energy consumption at source, using renewable energy whenever possible, and offsetting residual emissions and offsetting residual emissions. It is based on Science Based Targets Initiative (SBTi) criteria.

OUR PROGRESS AND PERFORMANCE

We measure and report our CO₂ emissions including our direct and indirect carbon emissions across our value chain.

We set a target of achieving a 20% reduction in carbon emission intensity by revenue by 2020, against a 2014 baseline that was achieved far already in previous years.

During 2020, we have continued improving our performance. We achieved A- in CDP's rating for best-practice initiatives against climate change. The annual ranking recognizes SGS's tangible actions to manage climate risks across our operations.

SGS also achieved an A- score in CDP's Supplier Engagement highlighting our commitment to implementing actions to reduce emissions and manage climate risks in our supply chain.

CARBON INTENSITY PER EMPLOYEE^{1,2}

Metric tons CO₂e/FTE

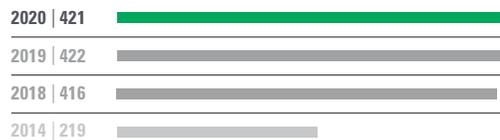
1.4



RENEWABLE ENERGY

GWh

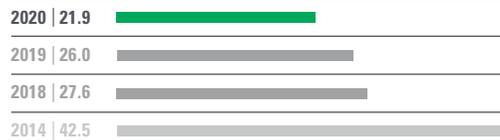
421



CARBON INTENSITY BY REVENUE

Metric tons CO₂e/Million CHF²

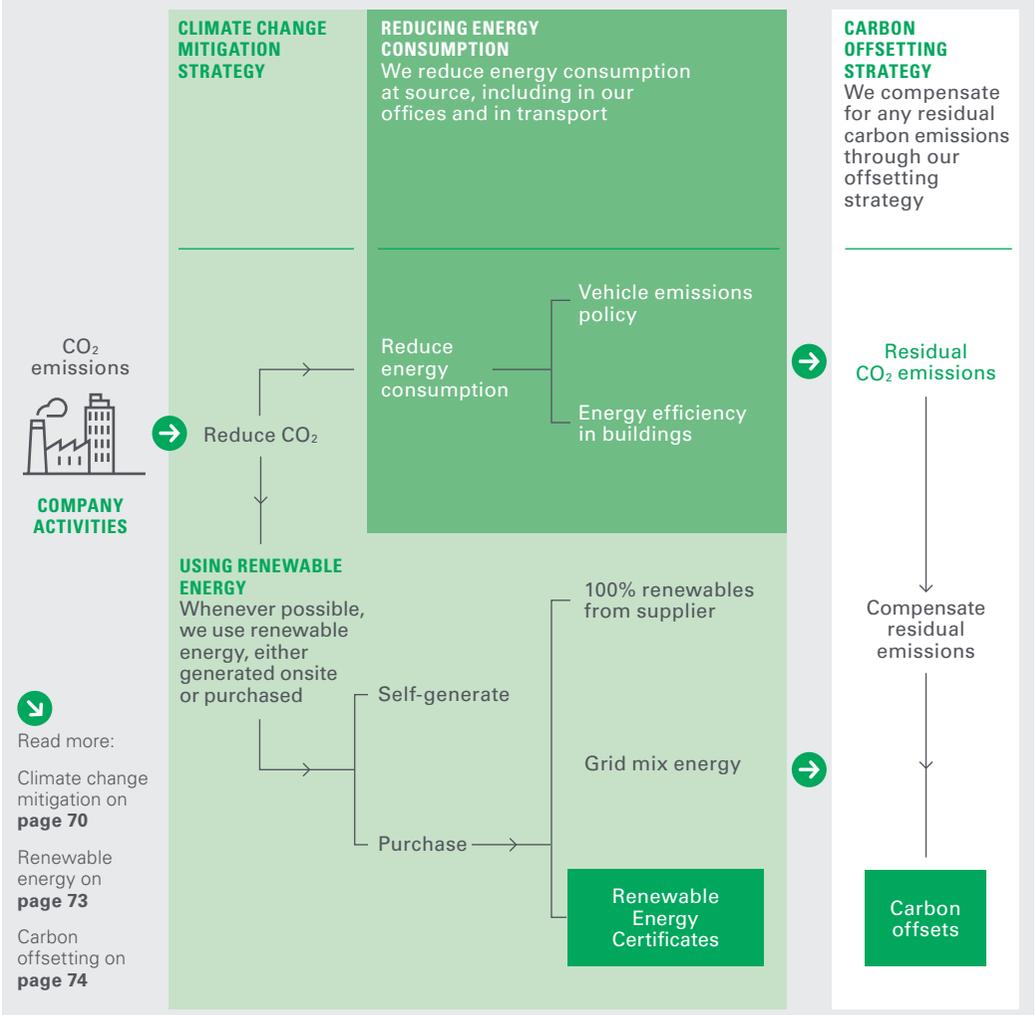
21.9



1. Based against 2014 baseline

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

OUR STRATEGY, BASED ON THESE THREE PILLARS, IS SET CONSIDERING THE SCIENCE BASED TARGETS (SBTi) CRITERIA



Our science-based targets



We have committed to reducing greenhouse gas emissions through the Science Based Targets initiative, which advocates the setting of targets and deadlines in line with climate science in order to future-proof growth.

A science-based target is one that contributes to the limiting of global warming to well below 2°C above pre-industrial levels.

OUR PROGRESS AND PERFORMANCE

The initiative provides 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. These targets are considered science-based if they are in line with the level of decarbonization required to keep the global temperature increase below two degrees Celsius compared to pre-industrial temperatures.

SGS commits to reducing greenhouse gas emissions through the science-based targets initiative under which we have committed to a series of specific targets, in addition to our 2020 targets.

Our progress shows that we are well on track to achieve these targets in the coming years.



“Science-based targets are important for both climate action and businesses. They provide a framework to ensure that a business is taking the action needed to help limit global warming, going beyond incremental cuts to their carbon footprint.”

Victor Parrilla,
Corporate Sustainability Senior Manager

45%¹

reduction in CO₂ emissions for scopes 1, 2 and 3 (business travel)² by 2025

55%¹

reduction in CO₂ emissions for scopes 1, 2 and 3 (business travel)² by 2030

50%¹

reduction in CO₂ emissions for scope3² By 2030

SOURCE EMISSIONS ²	GHG EMISSIONS (tCO ₂ e)
SCOPE 1³	
Fuels emissions (vehicle and non-transport)	98 274
SCOPE 2⁴	
Electricity emissions	11 864
SCOPE 3 EMISSIONS SOURCE	
Purchased goods and services	409 869
Fuel- and energy-related activities (not included in Scope 1 and Scope 2)	173 553
Capital goods	138 991
Employee commuting	90 570
Business travel	12 813
Waste generated in operations	3 654
TOTAL	829 450

1. Against a 2014 baseline
 2. Scopes are defined according to the GHG protocol
 3. Emissions from refrigerants not included due to unavailability of data
 4. Market-based figures. Excludes district heating due to unavailability of metered data. Please refer to our Basis of Reporting

Reducing energy consumption



As a sustainability leader that recognizes the threat posed by global climate change, we are setting the benchmark for reduced energy consumption. Through initiatives such as our Energy Efficiency in Buildings (EEB) program, sustainable transport and Green IT, we are actively reducing our own energy consumption at source. We are also moving away from fossil fuel based sources of energy by transitioning to renewable energy.

IMPROVING ENERGY EFFICIENCY IN BUILDINGS

The energy used in our 2 600 offices and laboratories worldwide accounts for 62% of our global energy consumption. It is therefore a key area of focus for us to reduce energy use.

Our progress and performance

We evaluate and reduce energy consumption in new and existing buildings across the Group through our EEB program. We focus our energy reduction efforts at our highest consumption buildings, and provide action plans setting out steps for them to become more energy efficient.

678 of our buildings are currently covered by our EEB program, accounting for 85% of electricity and 77% of non-transport fuels consumption. This exceeds our 2020 target for the program to cover 80% of our energy consumption. So far, we have identified 471 energy conservation measures through energy assessments in our key facilities. That constitutes the basis of our project pipeline, increasing yearly, to implement the solutions that allow us to increase our energy efficiency.

The SGS Green Building Guidelines support the delivery of our EEB program, providing a rating tool for assessing new buildings. Key performance indicators include a comprehensive range of topics such as energy, water, pollution, transport, building materials and employee well-being.

The guidelines define minimum requirements in the above mentioned areas, setting this way a minimum sustainability performance level for any new building across SGS.

GREEN IT

The amount of energy required to power global IT needs will triple over the next decade. The steps that we are taking to implement our strategy will therefore become increasingly important in the coming years.

Our progress and performance

Our well-established Green IT Policy ensures that we are reducing the impact of IT across our organization, with a focus on energy efficiency, CO₂ emission reductions, and hardware and e-waste management. Our Policy also covers sustainable data centers and migrating servers to the Cloud. We achieved our commitment to migrate 80% of the servers we had in 2018.

To improve the energy efficiency of the remaining data centers, we use dedicated cold aisles instead of air conditioning entire rooms and, in our headquarters in Geneva, we use the removed heat from the cold aisles to warm our offices.

THE EEB PROGRAM

- ✓ Defines common standard for all SGS buildings
- ✓ Provides energy efficiency action plans
- ✓ Puts forward environmental performance improvement measures
- ✓ Includes minimum requirements related to a wide range of topics, such as energy, water and well-being

+670

buildings in EEB program covering over 80% of consumption

83%

of energy consumption from SGS buildings is covered by the EEB program

+470

energy conservation measures identified

95%

total electricity consumption from renewables



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CASE STUDY: USING LED LIGHTING TO SAVE ENERGY IN INDIA

We are continuing to improve the energy efficiency of our buildings in India through this investment in LED Lighting and Sensors, we expect to save about 87 000 units of energy per annum and corresponding reduction in CO₂ emissions. We are installing LED lighting at our new locations. We have also invested nearly INR 1.5 million (approximately \$20 000) in LED Sensors and Lighting Energy Savings projects at four of our existing locations – Ahmedabad, Baroda, Ambattur and Tirupur.

Reducing energy consumption continued



SUSTAINABLE TRANSPORT

Transportation has a significant impact on the environment and climate. As such, our implementation of sustainable transport initiatives is key to our overall approach to tackling climate change.

OUR PROGRESS AND PERFORMANCE

To minimize CO₂ emissions, we have put in place a Vehicle Emissions Policy that promotes the use of low-emission cars in our fleets. Having committed to reducing our vehicle fleet CO₂ emissions every year from 2016 until 2020, we have begun to source more environmentally friendly cars, along with implementing other initiatives (see case study opposite).

Given the significant changes that the car market and regulations are currently undergoing, we have extended our current policy to 2021, while we work on a new policy that will cover our operations from 2022 onwards.

“Arval is pleased to have been able to support SGS in starting the transition to a more sustainable fleet by deploying an end to end assessment and recommendation process with them in key volume markets.”

Mike Greatrex
Arval International Business Development Manager



This sustainable and healthy form of transportation is especially attractive for employees, thanks to the utilization of tax advantages and insurance benefits.

9 921

cars in SGS global fleet

82%

of fleet cars meet our Vehicle Emissions Policy*

289 GWh

vehicle fuels

* We expect to achieve 100% in coming years as we complete the full renovation of our fleet



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CASE STUDY: PROMOTING BETTER, SUSTAINABLE MOBILITY

With more than 89 000 employees, sustainable mobility – whether for professional journeys, commuting or personal travel – is an important topic in terms of SGS’ commitment to promoting environmentally-friendly behaviors and reducing environmental impacts.

In a pilot project by the SGS Global Procurement and Corporate Sustainability teams, six employees in the UK, Spain and France affiliates were loaned electric vehicles, and asked for their feedback after a few weeks. As well as the expected environmental benefits, they reported an excellent user experience, lower costs and even increased access to restricted areas. One challenge identified related to battery range; it became clear that, depending on the type of use and travel distance, a hybrid vehicle would be preferable.

To support the use of electric and hybrid vehicles, we have installed charging points in several SGS offices around the world, including Madrid (Spain), Fairfield (US), Arcueil (France), and Spijkensisse (Netherlands).

In Germany, SGS employees enjoy a subsidized bike leasing program, costing just €15 per month. As well as encouraging more employees to cycle instead of using a car, this initiative is having several other positive effects, including raising sustainability and environmental awareness; health management, resulting in enhanced fitness of employees and reduced sickness; and increased employee retention.

Renewable energy



We are introducing the use of renewable energy into our operations wherever possible. As a signatory to the RE100 initiative, we have pledged to source 100% of our energy requirements from renewable sources, either through onsite energy generation or procurement of renewable energy.

OUR PROGRESS AND PERFORMANCE

We have numerous sites around the world, and renewables are unavailable in certain geographies. Using 100% renewable energy at SGS is therefore a complex challenge. Having reached the point where 95% of the electricity we use is from renewable sources, we have now extended to 2025 our RE100 commitment to source 100% of our energy from renewables, in order to work towards closing the gap.

In 2020, we invested in 407 GWh of renewable energy mechanisms. Where it is not possible to obtain or use such mechanisms, we are exploring the possibility of installing our own plants or signing a Power Purchase Agreement.

USING RENEWABLE ENERGY



INVESTMENT IN RENEWABLE ENERGY INITIATIVES TO REDUCE OUR 2019 CO₂ EMISSIONS¹

AMERICAS

95 GWh

purchased renewable energy

PACIFIC

197 GWh

purchased renewable energy

EUROPE, AFRICA & MIDDLE EAST

115 GWh

purchased renewable energy

1. Includes only energy allowance certificates purchased centrally



Carbon offsetting

While we are working to reduce CO₂ emissions from our operations as much as possible, we compensate for any residual emissions¹ through our carbon offsetting strategy.

This enables us to bridge the gap between our current emission levels and the more sustainable future which we are working hard to achieve, and to assign a clear cost to the carbon we generate – our internal cost of carbon. Each SGS affiliate takes responsibility for their CO₂ emissions and the cost of off-setting them.

OUR CARBON OFFSETTING PROJECTS

We invest in credible and verified carbon off-setting projects that directly benefit communities where we have an impact.

PROJECT	COUNTRY	CERTIFICATION SCHEME	TCO ₂
Small Hydro Kargilik	Turkey	VCS	33 949
Thermal Oxidation	China	CER	29 728
Small Hydro Kalealti	Turkey	VCS	23 000
Nansha Hydro Power Project in Yunnan Province	China	CER	15 152
Small Hydro Keban	Turkey	VCS	15 123
Ribeirinhos Forest	Brazil	VCS	3 000
Kyoga Cookstoves	Uganda	Gold Standard	3 000
TOTAL			122 952

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



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CASE STUDY: ENSURING A BETTER AND MORE DIVERSE ENERGY SUPPLY IN TURKEY

In 2020 we purchased Verified Carbon Units (VCUs) avoiding 23,000 metric tons of CO₂ through the Kalealti Hydropower Plant project in Turkey. The Project is a run-of-river hydropower project located in the Ceyhan basin, Osmaniye province of Turkey. It utilizes the water head of the Savrun River to generate and supply clean, renewable electricity to the grid.

The purpose of the Project Activity is to generate power in an efficient, clean, reliable and sustainable way with utmost respect on social and environmental reflections and to reduce emissions by partially substituting the electricity supply of fossil fuel fired power plants in Turkey. As a result, this project will contribute positively towards sustainable development in Turkey in many different ways, as it will:

- Cover the peak demands with a stable and locally generated electricity
- Reduce the electricity imports of Turkey, the dependency on fossil fuels and increased energy security, lowering supply risks and improving price stability
- Reduce greenhouse gas emissions and air pollutants by displacing electricity from fossil fuel based power plants
- Support local communities by creating new jobs in the region during both construction and operation phases and encouraging investment in the region
- Remediate degraded catchments area of the project to control the soil erosion, resulting in regeneration of natural forests and other ecosystems



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CASE STUDY: OFFSETTING CARBON EMISSIONS IN BRAZIL

In 2020, we purchased Verified Carbon Units (VCUs), avoiding 3 000 metric tons of CO₂ equivalent (CO₂e), from the Ribeirinhos Project, in Brazil's Pará region.

Riverine populations living in this region do not have property title. This leaves land grabbers free to enter illegally and plan illegal deforestation, which contributes to climate change. The Ribeirinhos Project has provided certificates to over 127 households in the region, giving them land tenure security and protecting the area from illegal logging and poaching.

The project has also provided households with one-on-one courses about agroforestry systems, energy efficient cooking stoves, and Capuacu, Pitaya and other fruit production.

Avoiding deforestation and providing energy efficient cooking stoves to the communities has prevented over 40 million tCO₂e during the project lifetime. The project aligns with our commitment to support low carbon economies and empower local communities.



Climate change risks and opportunities

Climate change presents us with opportunities to innovate services for our customers. It may also present various types and degrees of local, regulatory, physical and socioeconomic risks. Mitigating and managing such risks, as well as identifying potential business opportunities, is fundamental to SGS to enable us to maximize our value to society.

In 2020, we continued to adopt the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. This market-driven initiative aims to improve and increase reporting of climate related financial information, around four key elements: Governance, Strategy, Risk Management, and Metrics and Targets. [See our Reporting Standards Appendix for our TCFD Index.](#)

To support climate change risk and opportunity management, and following the recommendations from the TCFD, in 2020 we started conducting a scenario analysis. Through this analysis, while we are engaging with our business lines, whilst we review regulatory, market and physical future trends associated with climate change. We work to understand the implications of climate change on our business and improve our strategic thinking, especially in relation to our services but also in which we operate.

In addition, we identify climate related opportunities which, once analyzed by our relevant business lines, we turn into appropriate strategies.

Strategies related to both our risks and opportunities are defined as either short-term – immediately actioned and completed in the next two years, medium-term – taking two to five years to implement, and long-term – in effect for over five years before completion.

The most tangible risks and opportunities for our organization are:

TRANSITIONAL RISKS

These relate to the extensive policy, legal, technology and market changes required to transition to a low-carbon and climate-resilient future. These potentially have the most impact on our business.

PHYSICAL RISKS

These are risks arising from the tangible effects of climate change on our operations, workforce, markets, infrastructure, raw materials and assets. For example the increased incidence of extreme weather, including storms and precipitation. Physical risks may have direct or indirect operational, strategic, financial and social implications. We do not anticipate that they will impact our business as much as transitional risks.

OPPORTUNITIES

Leveraging our capabilities and expertise, we develop new products and services that help our customers to respond effectively to their transitional and physical risks. By increasing efficiencies in our own business, particularly regarding energy, water and waste, we deliver value to society, while ourselves benefiting from cost savings.

TRANSITIONAL RISKS & OPPORTUNITIES

TYPE: REGULATORY, POLICY AND LEGAL

RISK
Increasing taxes on fuel, energy and carbon
TIMESCALE: CURRENT
IMPACT
Overhead spend (e.g. fuel and electricity costs, carbon tax) increases as a result of global vehicle and non-transport fuel pricing
MITIGATION
Create policies, programs and campaigns to reduce energy usage and carbon emissions, encourage renewable energy generation and purchase, and change employee behaviors

OPPORTUNITY
Development of lower emissions products and services according to emerging regulation
TIMESCALE: CURRENT
IMPACT
Increase revenue through demand for lower emissions products and services
MITIGATION
Provide more services related to Greenhouse Gas Emissions accounting and verification, Product Carbon Footprint and Energy Efficiency services (Energy Audits and testing of electric batteries)

TYPE: TECHNOLOGY, REPUTATION AND MARKET

RISK
Legislation mandating the greater use of renewable energy
TIMESCALE: MEDIUM-TERM
IMPACT
Legal issues based on non-compliance or loss of revenues due to increased fuel sourcing costs
MITIGATION
Purchase of annual renewable energy certificates equivalent to the majority of SGS' electricity consumption, along with country-specific strategies

RISK
Less use of fossil fuels due to economy decarbonization
TIMESCALE: LONG-TERM
IMPACT
Oil and Gas business line revenue affected
MITIGATION
Portfolio of services diversification: to provide tailored solutions to the oil and gas sector, buffering any potential industry deceleration

OPPORTUNITY
Development of lower emissions products and services according to shift in consumer preferences
TIMESCALE: SHORT-TERM
IMPACT
Increase revenue through demand for lower emissions products and services
MITIGATION
Set up competence centers to create expertise and replicate solutions

PHYSICAL RISKS & OPPORTUNITIES

TYPE: ACUTE

RISK
Increased severity of extreme weather events affecting our facilities
TIMESCALE: CURRENT
IMPACT
Business discontinuity and revenue loss, while increasing in insurance premiums in high-risk areas
MITIGATION
Development of Business Continuity guidelines across the Group

RISK
Increased severity of extreme weather events affecting our employees
TIMESCALE: CURRENT
IMPACT
Workforce health, safety and absenteeism etc. affected
MITIGATION
Development of Business Continuity guidelines across the Group

TYPE: CHRONIC

– None identified as critical

IMPACT LEVEL

■ Low ■ Medium ■ High

Responsible use of natural resources



The solutions we implement today for water resource protection and waste management will benefit the long-term health and well-being of our employees and the communities where we operate, as well as adding value to society more widely.

WATER MANAGEMENT

Our global water consumption is relatively low compared with other industries. Our primary use is in our laboratories, although we also use it for drinking, sanitation and food preparation.

We have in place various initiatives that support our goal of monitoring and minimizing the amount of water we consume across our operations. For example, through our Energy Efficiency in Buildings program, we assess water consumption and installations and make site-specific recommendations for water efficiency improvements. In Cape Town, we have identified a risk that our agricultural laboratories may be impacted by the droughts that are increasingly impacting the city. We are therefore implementing plans to manage water and reduce the risk of our services being disrupted, and will put in place an internal audit process to ensure that mitigations have been actioned.

Our Add Value with Löss initiative also encourages employees to use water carefully.

WASTE MANAGEMENT

The relatively little waste we produce tends to be in the form of chemicals, test samples, paper, plastic and organic waste from our offices and laboratories. We are continuing to work to reduce waste and reuse resources. For example, we exchange surplus laboratory equipment across our network through the EquipNet platform, and we donate clean waste samples for charitable purposes, such as the Goonj project in India which turns waste cloth into sanitary products.

The amount of waste produced by our sites is mostly determined by the industry or industries they served. Our mineral and construction businesses, for example, produce a relatively high volume of waste compared to other business lines. Where our services require us to handle hazardous waste, this needs to be disposed of responsibly, without risk to our people, the environment or local communities.

In 2020, we improved our reporting mechanisms and for the first time we will be categorizing the breakdown of our waste into building waste and other waste.

We continue to encourage our people to minimize their waste through our Add Value with Löss initiative, for example by minimizing printing and optimizing use of consumables. We also drew on expertise from external waste management companies to help us reuse and recycle materials in our facilities.



COMMUNITY

HOW IS SGS' COMMUNITY INVOLVEMENT CONTRIBUTING TO A BETTER, SAFER AND MORE INTERCONNECTED WORLD?

“Operating in more than 140 countries around the world, often in remote areas, we have an extensive geographical spread. Our emphasis on supporting our local communities wherever we are is another way we are adding value all over the world.”

Blanca Hurtado
Corporate Sustainability Communications Manager

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Part of our local communities



As part of the communities in which we operate, our goal is to create a positive, measurable and lasting local impact. As well as welcoming local talent and supporting local suppliers, we add value to communities through projects that contribute to the United Nations Sustainable Development Goals (SDGs).

Adding value to society through our community involvement is an essential component of our business strategy. We commit to investing in the communities where we operate under three pillars: empowerment, education and environmental sustainability. These seek to address global priorities related to poverty, equal opportunities, health, education, climate change and environmental degradation.

OUR APPROACH

In delivering our community programs across our three pillars, we take a multi-pronged approach. We invest financially in community projects, either through charitable contributions, long-term investments or pursuing philanthropic sponsorship opportunities. These projects are supported through volunteering, cash investment or in-kind donations like pro-bono work. We deliver community projects in partnership with customers, as well as suppliers. We participate in both short- and long-term initiatives, which are either proactively identified or in response to specific requests for assistance.

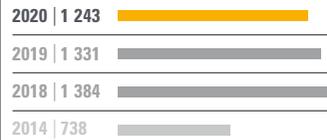
It is important to us to measure the impact our programs have on our communities. As part of our sustainability reporting process, we conduct a biannual community survey, aligned with the London Benchmarking Group criteria, across our network. Our review of project outcomes for 2020 is summarized below.

Our Group Community Policy and Guidelines determine the selection and implementation of our community programs. Responsibility for implementing our Community Policy ultimately rests with our Chief Executive Officer. Our Sustainability Steering Committee oversees the implementation of our social and environmental programs.

Managing Directors are responsible for implementing the Community Policy on the ground in their communities, ensuring that appropriate resources are allocated to manage community investment by all SGS affiliates, which collaborate with local organizations and lead most of the initiatives.

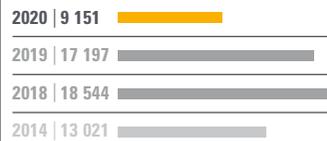
INVESTMENT IN COMMUNITY (thousand CHF)

1 243



COMMUNITY HOURS (number)

9 151



COMMUNITY PROJECTS (number)

323



Part of our local communities continued



The community programs, campaigns and initiatives that we put in place, manage and facilitate have a meaningful impact on our local communities. They also reflect our values as a company and benefit our employees.

By participating in our community projects, employees benefit from opportunities for engagement, upskilling, networking and increased collaboration. Our community programs promote employee engagement, instilling pride in our employees across the world, which in turn strengthens employee motivation and retention.

The impacts of Covid-19 made it more important than ever for us to continue delivering our community support programs.

While the number of volunteering hours we were able to achieve was reduced due to lockdowns, we did see an increase in cash donations from affiliates, which enabled us to maintain our community investment target.

INITIATIVES SGS DELIVERS TO SUPPORT LOCAL COMMUNITIES AND THE PLANET

SGS supports the communities where we operate through a variety of short- and long-term initiatives, both proactively identified and in response to specific requests.

CHARITABLE GIFTS
(31.6%)

CHF 393 082

we make contributions to the community and respond to appeals for help from charities and employees.

COMMUNITY INVESTMENTS
(62.7%)

CHF 779 873

we proactively support community projects that address social or environmental issues relevant to SGS and to the communities in which we operate.

PHILANTHROPIC SPONSORSHIP
(5.7%)

CHF 70 250

we support business-related activities that deliver community benefits and support the success of the SGS business and brand.

CONTRIBUTIONS SGS MAKES TO COMMUNITY PROJECTS

SGS contributes to local community projects by donating cash, time and expertise both in terms of our management and asset-based resources.

IN-KIND CONTRIBUTIONS (10%)

CHF 124 497

we commit our own corporate resources to community activities, including IT, laboratory equipment and our services (pro-bono).

TIME CONTRIBUTIONS (7.9%)

CHF 97 609

we donate SGS employees' paid working time to community organizations or activities, usually through employee volunteering. (Our employees also often contribute time outside of working hours to these activities. These hours are not attributed to SGS.)

CASH CONTRIBUTIONS (78.7%)¹

CHF 978 537

we pay monetary amounts to support communities, organizations and projects. We usually contribute through direct donations to charitable organizations, social sponsorship of cultural events or institutions, or by covering employee expenses for those involved.

MANAGEMENT CONTRIBUTIONS (3.4%)

CHF 42 560

in the process of managing our community activities, we also incur indirect costs, such as expenses arising from communication and travel, and the wages of the employees who organize the community activities.



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: SGS ACADEMY FOR THE COMMUNITY

In many of our communities, we see a vicious cycle whereby people cannot afford an education, so they remain unqualified and therefore cannot find well-paid employment.

Through the SGS Academy for the Community, we provide high-quality technical training free of charge, to people earning less than the average living wage in the communities in which we operate. Each project is managed by the local SGS affiliate.

The aim of this initiative is to support economic development by enhancing individuals' employability and improving their qualifications, so they can seek better paid positions. In deciding what courses to offer, we take into consideration the local employment market for each country.

In 2020, the SGS Academy for the Community continued and completed projects started in 2019. In South Africa, 23 participants completed skills-based training related to food safety – a skill set identified by the Department of Education in South Africa as scarce in the industry.

In Taiwan, 57 people completed training through a project delivering five different courses, tailored to the needs and capabilities of each specific target group. The courses included:

- eCommerce, internet and marketing, for physically disabled people
- Environmental rehabilitation and eco-tour guiding, for unemployed people
- Ecological agriculture, for low income organic farmers
- Elderly care and community service, for people struggling financially
- Handicraft skills and micro-finance management, for people from disadvantaged backgrounds

Similar projects in India and Chile had to be put on hold due to Covid-19 restrictions, but they will be resumed as soon as possible.

1. Cash contributions do not include CHF 58,349 donated by SGS employees

Supporting communities through empowerment

We provide support to our local communities across the world through programs focused on empowerment, environmental sustainability and education.

EMPOWERMENT

Through our programs, we seek to promote economic development, health, gender equality and alleviation from poverty and hunger. By providing access to healthcare, counseling, microcredit and enterprise schemes, we support physical, emotional, intellectual and economic empowerment. These programs support in particular SDG 1, No Poverty.

These programs support in particular:



213

empowerment projects in 2020

52%

of total community investment¹



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: HELPING COMMUNITIES IN THE PHILIPPINES

Following the eruption of the Taal Volcano in January 2020, SGS Philippines provided essential relief aid, helping to make life better for affected local communities. This included distributing food and hygiene kits at an elementary school; feeding 1 000 people, including social workers and government personnel; and providing drinking water to 250 families in the evacuation center. Our staff also volunteered, repacking supplies of food for distribution.

SGS further supported communities in Montalban, Rizal, following the devastating typhoon Ulysses that took place at the end of the year. We donated 200,000 pesos through the Kaya Natin! movement, benefiting 300 families. In addition, our employees raised 56,400 pesos to fund further relief packages, including hygiene kits, food, drinking water and cleaning materials.



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: SUPPORTING COMMUNITIES IN SOUTH AFRICA THROUGH THE PANDEMIC

SGS provided much-needed practical support in South Africa during the pandemic. We donated essential baby items to the Heartlands Baby Sanctuary, along with 40 food hampers that were distributed to 150 people by grass-roots organization, Happy Children Social Community Development.

“Thank you so very, very, very much. We are so delighted and couldn’t thank you enough for your support.”

Heartlands Baby Sanctuary
South Africa

1. Including cash, time and management contributions

Supporting communities through environmental protection

ENVIRONMENTAL SUSTAINABILITY

We have a range of environmental initiatives, including the protection of endangered species, restoring natural habitats and managing waste. These initiatives support in particular SDG 13, Climate Action and SDG 15, Life on Land.

33

Environmental sustainability projects in 2020

6%

of total community investment¹

1. Including cash, time and management contributions

These programs support in particular:



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: TRANSFORMING PLASTIC WASTE INTO FUEL

With plastic pollution increasing, SGS France provides pro bono support for an innovative solution. EARTHWAKE is a not-for-profit that converts plastic waste into diesel. SGS experts, based in Marseille, analyze and check the fuel produced by EARTHWAKE, to ensure it is stable and of good enough quality for use. The fuel is then used in waste collection trucks.

In 2020, EARTHWAKE won the EDF Pulse Start-Up Audience Award for its pioneering work supporting both communities and the environment.



BETTER | SAFER | MORE INTERCONNECTED



CASE STUDY: A FOCUS ON RECYCLING IN PERÚ

Recycling has been at the center of our sustainability efforts at SGS in Perú over the past year. Despite the global pandemic, we have run several recycling initiatives in 2020.

For example, we succeeded in recycling 10 tons of paper, avoiding nearly 20 tons of CO₂ being emitted into the atmosphere. We recycled 8.5 tons of glass and 1.25 tons of electrical and electronic equipment waste (EEEW).

Our recycling initiatives were run in collaboration with a third party, which makes a financial contribution for every ton recycled. These donations go towards improving the health and education of vulnerable children. For instance, our EEEW recycling is benefiting ANIQUEM (the Association of Burned Children), and will cover the cost of therapy for nine children in 2021.

Supporting communities through education

These programs support in particular:



SDG 4 QUALITY EDUCATION




BETTER | SAFER | MORE INTERCONNECTED

EDUCATION

Through our education programs, we improve access to all levels of schooling, and provide employment training schemes and skills workshops. These projects support SDG 4, Quality Education.

77

education projects in 2020

42%

of total community investment¹



CASE STUDY: HELPING POLISH ORPHANS KEEP UP WITH THEIR SCHOOLWORK

Learning remotely through the pandemic was challenging, even for children who have stable parental support. For children in orphanages, remote learning was even more difficult. So our employees volunteered with children and youth at the Katowice orphanage in Poland, providing group and individual tutoring online, to help them do better at school. For some children, the supportive contact with our employees was as important as the help with the schoolwork.

“Your help was very valuable. The amount of material to be processed was enormous! Thank you very much.”

Orphanage employee
Poland



CASE STUDY: SPONSORING SCHOOLS’ INFRASTRUCTURE AND SKILLS DEVELOPMENT IN INDIA

Over 1 000 underprivileged students at four Government schools in Tamil Nadu benefit from direct support by SGS India. Funds have been used to ensure better infrastructure and sanitation facilities, as well as paying computer and English teachers. We have also purchased computers, printers and other equipment for the schools. We now plan to ‘adopt’ a further nine schools.



CASE STUDY: HELPING TO EDUCATE SMALL-SCALE RURAL FARMERS IN RURAL MEXICO

A donation by SGS to Mexican non-profit organization, Educampo, is helping low-income rural producers sustainably increase their productivity, enhancing livelihoods. In 2020, Educampo initiatives directly benefited 852 people, and indirectly benefited a further 2 556. Our donation is supporting Educampo’s Grains program, which provides better organizational support, finance, access to technology and commercial management to small producers of basic grains – specifically those with 1-20 hectare farms. The results are outstanding, with participants earning up to 2.4 times more per hectare.

1. Including cash, time and management contributions

LOOKING FORWARD

GOING FORWARD, HOW WILL SGS ENHANCE ITS CULTURE OF SUSTAINABILITY?

WHAT PLANS DOES SGS HAVE FOR SUSTAINABILITY IN 2021?

“Creating a culture of sustainability requires consistency, logic and forward planning. Our new sustainability strategy, which we will launch in 2021, has all these elements, giving us a new orientation with a purpose-driven leadership.”

Frankie Ng
Chief Executive Officer

Looking forward

84

Looking forward

In the months to come we will announce our 2030 Sustainability Strategy, which we developed during 2020. The strategy will guide our programs and initiatives in the coming years, enabling us to add more value to society and be better prepared to face the challenges of the future.

CREATING VALUE FOR OUR CUSTOMERS

- Further develop SGS Online to service a broader customer audience.
- Digitalize new services.
- Continuously improve our 'Next Normal' solutions program.

PROFESSIONAL EXCELLENCE

- Work on furthering Human Rights compliance in our operations, taking a more proactive approach to risk management.
- Strengthen our approach to information security and data protection in light of our analysis of how our affiliates, functions and businesses use and share information.
- Implement our three-year Procurement and Supply Chain Strategy (2021 to 2023).
- Develop a digital innovation strategy to support our use of digital innovation in automating and enhancing efficiency in our existing operations.
- Conduct a review of our procedure for monitoring, verifying and approving certain high-risk suppliers and business partners, and develop it to include more interviews, regulations and internal audits.

OUR PEOPLE

- Going forward, we have set a target for 2023 to certify all sites with more than 200 full-time employees to the ISO 45001:2018 Occupational Health and Safety Management System and ISO 14001:2015 Environmental Management System. These certifications will be for around 82 sites, will cover approximately 51,000 employees, and will demonstrate our strong Operational Integrity (HSE Management System) which we have implemented all around the globe.
- Roll out SmartRecruiters to a further 15 countries, increase recruitment automation to enhance candidate experience and increase both hiring velocity and quality, and refine our onboarding process to include virtual site tours and management videos.
- Enhance the employee experience by increasingly incorporating digitalization into our HR processes.
- Put in place initiatives that raise awareness around diversity, and proactively enhance our own diversity and inclusion practices.
- Continue to give our employees the resources to develop and grow.
- Ensure our HR community are equipped to access and use our employee engagement tool autonomously and ensure we address employee needs.
- Publish a new strategy which will incorporate a comprehensive focus on talent experience, from talent attraction and retention, through talent development, to employee rewards and incentives, to enable our engaged workforce to contribute to our business success and add value to society.

ENVIRONMENT

- Pursue our energy efficiency strategy for transitioning from country management and short-term efficiency projects, to a multi-site building management system, by 2025.
- Set even more ambitious targets as we continue our work on a new sustainable transport strategy. This will include procurement of more sustainable types of car and using innovative in-car devices to collect data about driver behavior.
- Fully adopt the TCFD recommendations into our risk management framework.
- Invest more in renewable energy and reduce our investment in carbon offsetting projects.
- Continue to work on future programs to embed circular economy into our operations as well as reduce use of plastics.

COMMUNITY

- Take forward our learnings from our experiences of Covid-19.
- Identify suitable online community volunteering opportunities.
- Develop our Community Strategy further and increase our community investment.

ABOUT THIS REPORT



HOW DO WE CONTRIBUTE TO A BETTER, SAFER AND MORE INTERCONNECTED WORLD?

“The first step to creating change is awareness. By increasing transparency and consistently reporting on our sustainability performance, we obtain the information needed to identify where change can be made, and continually enhance our value to society.”

Beatriz Cebrián López
Global Sustainability Manager

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Our reporting approach

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	102-50	

We provide our stakeholders with timely and accurate updates on our sustainability activities and performance. Our goal is to produce a report that is fair, transparent and balanced, and that meets the needs of our stakeholders.

SCOPE AND BOUNDARIES

This Sustainability Report covers all SGS Group regions and business lines for the period 1 January to 31 December 2020. A full list of our affiliates can be found on [pages 193 to 195](#) of our 2020 Integrated Annual Report.

Having identified and prioritized our most significant impacts – both to our business and to stakeholders across our value chain – in this Sustainability Report we include performance data for our direct operations, along with information on how we are managing issues considered to be the most material. [\(See page 15\)](#)

We also disclose our performance over the past five-year period, some of which will have been included in one or more earlier reports. There are cases where, due to enhanced data collection and availability of information, we have been able to improve our historical data.

Where such a data variation is less than 5%, we generally consider it to be immaterial; where a change is deemed significant, this is noted the first time the data appears in this report.

Taking a precautionary approach to sustainability, we seek to prevent even those environmental threats that are not yet scientifically certain to occur.

EXTERNAL STANDARDS

We have published a Sustainability Report annually for the past 11 years. Since 2015, we have also incorporated sustainability content into our Integrated Annual Report, in line with the Integrated Reporting Framework.

This report has been prepared in accordance with the comprehensive option of the GRI Standards, the Sustainability Accounting Standard ('Standard') for the Professional & Commercial Services Industry (SASB) and follows the guidelines for the AA1000 AccountAbility Principles Standard.

SUSTAINABILITY PERFORMANCE INDICATORS

In order to ensure transparent reporting, we report on our sustainability performance indicators in a consistent and accurate way. In preparing the majority of our sustainability performance indicators, we follow the GRI Standards. [See Sustainability Reporting Standards Index](#). Where we use any bespoke indicator that has not been prepared in accordance with the GRI Standards, we describe the relevant methodology in our Basis of Reporting document.

For indicators related to carbon emissions, we follow the Greenhouse Gas Protocol (GHG Protocol) Corporate Accounting and Reporting Standard (taking a financial control approach), and we account for all Kyoto gases (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃).

ASSURANCE

Since 2011, an important part of our approach has been to obtain independent external assurance of our sustainability performance and reporting. In 2018, we appointed Deloitte SA to undertake this task. Their work and conclusions for the reporting period to 31 December 2020 can be found in the Assurance Statement. [\(See pages 93 and 94\)](#)

Glossary of material topics



The SGS Business Materiality Matrix shows the topics that are most material to the SGS Group (see [page 15](#)). Opposite provides a description of each topic:

ADAPTION AND MITIGATION TO CLIMATE CHANGE

Taking into account how climate change impacts our operations (reducing the use of fossil fuels and increasing energy efficiency) and in the design of our business strategy (adapting our business to the physical and transitional impacts of climate change, and the associated disruption to socioeconomic systems).

CUSTOMER RELATIONSHIP MANAGEMENT

Implementing effective processes for interacting with customers, including channels of communication, upholding quality of service and responding to customer needs and complaints.

CYBERSECURITY

Having systems in place to defend computers, servers, mobile devices, electronic systems, networks and data from malicious attacks.

DATA PRIVACY AND PROTECTION

Managing data from our employees, customers and other individuals, according to the relevant regulations in force.

DIVERSE & INCLUSIVE WORKFORCE

Valuing diversity in the workforce and supporting equal opportunities, including tackling discrimination and unconscious bias.

DIVERSITY IN THE EXECUTIVE TEAM

Taking steps to integrate all kinds of diversity, and having specific targets linked to diversity in leadership positions.

EMPLOYEE ENGAGEMENT AND CONSULTATION

Including the workforce in key decisions, and giving them sufficient notice of changes affecting them.

ETHICAL BEHAVIOR

Abiding by the rules of fair competition, where all companies operate on a level playing field, and not tolerating any form of bribery or corruption in business dealings.

EXECUTIVE COMPENSATION LINKED TO SUSTAINABILITY GOALS

Having specific sustainability targets (such as CO₂ emissions reductions, gender gap, etc.) linked to the compensation of the Board of Directors.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Respecting employees' freedoms to associate and to bargain collectively regarding workplace conditions.

GOOD PRACTICE IN CORPORATE GOVERNANCE

Applying market best practices, such as board accountability, independence and skills of the members of the Board, to the corporate governance rules of our organization.

HEALTH & SAFETY

Preventing harm and promoting physical health for employees and contractors.

INNOVATION

Continuously innovating to increase efficiency, adaptability and service value.

LOCAL COMMUNITY INVESTMENT SUPPORT

Actively contributing to local development through local sourcing or hiring, philanthropic investment, and volunteering activities.

PREVENTING AIR POLLUTION

Managing emissions of ozone-depleting substances and other air pollutants that can impact human health and the environment.

PROTECTING BIODIVERSITY

Protecting vulnerable species and the variety of life in natural ecosystems, including maintaining the key ecosystem services (such as clean air) that this biodiversity supports.

RESPECTING HUMAN RIGHTS AND ETHICAL LABOR PRACTICES

Taking steps to understand where human rights issues may arise in the Company or its supply chain, and ensuring no use of child labor or forced labor, or other human rights violation.

RESPONSIBLE MATERIALS USE

Reducing the direct and embodied impacts of materials usage, including reducing the amount of materials we use and making use of recycled or secondary reused materials.

RISK MANAGEMENT AND BUSINESS CONTINUITY

Identifying and managing risks that could impact on the Company, as well as ensuring the resilience of the Company and its business models to economic, environmental, social, political and other disruptions. The management of crisis, such as the Covid-19 pandemic, is included here.

SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN

Sourcing products and services responsibly, and promoting environmental and social standards in the supply chain.

TALENT ATTRACTION AND RETENTION

Ensuring the Company is a desirable place to work, and keeping employee turnover within acceptable levels. This also includes having systems in place to guarantee fair compensation.

TAX AND PAYMENT TO GOVERNMENTS

Creating wealth for society by paying taxes in a timely manner, and avoiding tax avoidance schemes.

TRAINING & DEVELOPMENT

Providing opportunities for employees to upgrade their skills, and conducting regular performance development reviews. This includes transition assistance programs to enhance employability, and the management of career endings due to retirement or termination.

WASTE REDUCTION AND MANAGEMENT

Following the reduce-reuse-recycle waste management hierarchy and moving towards a circular economy.

WATER AND EFFLUENT MANAGEMENT

Managing water as a shared resource, including minimizing pollution and reducing the withdrawal of freshwater by increasing water efficiency.

WELL-BEING AND WORK-LIFE BALANCE

Promoting the health and well-being of our employees, through initiatives including employee benefits, work-life balance, flexible work schemes and other fringe benefits, beyond legal requirements.

Databank

FINANCE	2014*	2018	2019	2020	2020 TARGET
FTE employees (# people)	84 246	97 464	92 661	91 698	
Number of offices and laboratories (# of buildings)	–	+2 600	+2 600	+2 600	
Estimated positive value to society (CHF million)	–	6 176	6 358	6 579	
Revenue (CHF million)	5 360	6 512	6 600	5 604	
Financial income (CHF million)	–	18	286	76	
Salaries and wages (CHF million)	–	3 442	3 357	2 797	
Subcontractors' expenses (CHF million)	–	387	386	352	
Depreciation, amortization and impairment (CHF million)	–	317	548	517	
Other operating expenses (CHF million)	–	1 597	1 460	1 173	
Financial expenses (CHF million)	–	58	79	66	
Dividends paid (CHF million)	–	632	646	623	
Income taxes (CHF million)	–	218	315	237	
Other taxes (CHF million)	–	36	34	33	
Total economic value generated (CHF million)	–	6 724	6 886	5 680	
Total economic value distributed (CHF million)	–	6 668	6 826	5 798	
Economic value retained (CHF million)	–	56	60	(118)	

* 2014 baseline year of our ambition

COMPLIANCE AND INTEGRITY	2014*	2018	2019	2020	2020 TARGET
Code of Integrity reports to helplines:	241	237	211	208	
Total number of integrity issues reported through integrity helplines ¹					
Code of Integrity investigations:	151	67	70	104	
Total number of valid reports investigated ²					
Code of Integrity non-compliances:	42	28	36	17	
Total number of breaches of the Code of Integrity identified through integrity helplines ¹					
Total number of employees signing the Code of Integrity	86 040	100 798	96 301	93 269	
Percentage of employees signing the Code of Integrity	100	100	100	100	100
Approximate hours of training on the Code of Integrity		91 461	89 993	92 150⁴	
Total number of employees trained on the Code of Integrity	80 625	91 461	89 993	92 150⁴	
Percentage of employees trained on the Code of Integrity	93.7	90.7	98.8	98.8⁴	
Percentage of governance body members signing the Code of Integrity	100	100	100	100	
Percentage of governance body members trained on the Code of Integrity	100	100	100	100	
Analysis of risks related to corruption:	100	100	100	100	
Percentage of operations analyzed for risks related to corruption					
Analysis of risks related to corruption:	5	6	7	8	
Total number of operations analyzed for risks related to corruption					
Number and nature of confirmed incidents of corruption identified through corporate helplines¹	4	2	2	0	
Number of confirmed incidents identified through corporate helplines¹ where employees were dismissed	12	7	6	3	
Public legal cases regarding corruption brought against the organization/employees	0	0	0	0	

1. 'Helplines' means channels used by employees and external parties to report suspected violations of the Code of Integrity and submitted online, by phone call, sent via fax, email or post

2. We are working on extending the scope of our reporting in order to include breaches occurring locally and pending cases which are still under review at the time of the reporting. We expect to report on these figures in the coming years

3. Since 2019, this figure represents the percentage of employees trained on the Code of Integrity, from eligible employees

4. 2020 annual integrity training was launched in December 2020. All eligible employees will have completed the training by March 2021

5. All operating companies included in the 2014 Annual Report (p.152-155)

6. All operating companies included in the 2018 Annual Report (p.186-189)

7. All operating companies included in the 2019 Annual Report (p.197-200)

8. All operating companies included in the 2020 Annual Report (p.193-196)

* 2014 baseline year of our ambition

Databank continued



HUMAN RIGHTS	2014*	2018	2019	2020	2020 TARGET
Risks within operations: Operations identified as having a significant risk of incidences of child labor, forced or compulsory labor, or where the right to exercise freedom of association may be violated	0	0	0	0	
Discrimination: Total number of proven incidents of discrimination, and actions taken	0	0	0	0	
Indigenous people's rights: Total number of violations of the rights of indigenous people, and actions taken	0	0	0	0	
Human rights grievances: Number of grievances identified through helplines related to human rights ¹	0	0	0	0	
SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN	2014*	2018	2019	2020	2020 TARGET
Number of global suppliers (as a % of total suppliers)	–	1	2	3	
Spend of local suppliers (as a % of total spend)	–	83	80	80	
Spend of global suppliers (as a % of total spend)	–	17	20	20	
Spend by SGS supra-region – Asia and Pacific (as a % of each region)	–	31	32	35	
Spend by SGS supra-region – Europe, Africa and Middle East (as a % of each region)	–	47	47	48	
Spend by SGS supra-region – Americas (as a % of each region)	–	22	21	17	
Spend by SGS category – Capex (as a % of each category)	–	14	13	14	
Spend by SGS category – External services (as a % of each category)	–	23	23	23	
Spend by SGS category – Material and supplies (as a % of each category)	–	19	18	19	
Spend by SGS category – General repairs and maintenance (as a % of each category)	–	5	6	6	
Spend by SGS category – Travel and vehicles (as a % of total spend)	–	18	18	15	
Spend by SGS category – Other OPEX (as a % of each category)	–	21	22	23	
Spend vs. revenue (as a % of one versus the other)	–	32.5	33.0	33.6	
SGS countries who have tier 1 suppliers (# of companies)	–	30	30	40	
Companies defined as supplier tier 1 (# of companies)	–	59 988	67 214	65 447	
Suppliers after country level review (# of companies)	–	4 803	4 512	5 903	
Suppliers with actions taken (# of companies)	–	925	2 853	4 244	

* 2014 baseline year of our ambition

PUBLIC POLICY	2014*	2018	2019	2020	2020 TARGET
Lobbying, interest representation or similar (in CHF)	–	0	0		
Contributions to local, regional or national political campaigns/ organizations/candidates (in CHF)	–	0	0		
Trade associations or tax-exempt groups (e.g. think tanks) (in CHF) ³	–	860 617	646 252	523 622	
Other contributions (e.g. spending related to ballot measures or referendums) (in CHF)	–	0	0		
Total contributions and other spending (in CHF)	–	860 617	646 252	523 622	
Contribution to industry associations (% of revenue)	–	Under 0.02	Under 0.01	Under 0.01%	
CUSTOMER RELATIONSHIP MANAGEMENT	2014*	2018	2019	2020	2020 TARGET
Customers satisfied with SGS service (as a % of total number of customers)	–	88	91	83	
Group's revenue covered by Voice of the Customer surveys (as a % of total revenue)	–	42	89	48	
Countries participating in Voice of the Customer survey (# of countries)	–	69	67	15	
Responses in Voice of the Customer surveys (# of responses)	–	9 500	9 628	7 990	
INFORMATION SECURITY AND DATA PRIVACY	2014*	2018	2019	2020	2020 TARGET
Number of complaints received from outside parties and substantiated by the organization	–	0	0	0	
Substantiated complaints concerning breaches of data customer policy	–	0	0	0	
Number of complaints from regulatory bodies	–	0	0	0	
Completion rate of data protection and privacy eLearning (as a % of people invited to the eLearning)	–	95	95	98.8 ²	

- 'Helplines' means channels used by employees and external parties to report suspected violations of the Code of Integrity and submitted online, by phone call, sent via fax, email or post
 - 2020 annual integrity training, which includes data protection and privacy e-learning, was launched in December 2020. All eligible employees will have completed the training by March 2021
 - Association of Professional Social Compliance Auditors Inc: CHF 79 413.18; TIC Council: CHF 73 888.61; Economiesuisse: CHF 50 000
IMD International Institute for Management Development: CHF 50 000; STSA Swiss Trading & Shipping Association: CHF 25 000
- * 2014 baseline year of our ambition

Databank continued

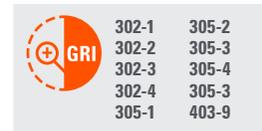


TALENT MANAGEMENT AND EQUAL OPPORTUNITIES	2014*	2018	2019	2020	2020 TARGET
Natural turnover ¹ (% of permanent employees)	12.8	14.6	13.6	10.1	<15.0
Total turnover (% of total permanent employees)	–	23.3	22.6	18.1	
Total turnover female (% of total employees)	–	20.9	20.3	16.0	
Total turnover male (% of total employees)	–	24.6	23.9	19.3	
Casual workers (each kind as a % of total employees)	–	9	9	9	
Permanent workers (each kind as a % of total employees)	–	91	91	91	
Equal opportunity ratio (Female managers/female employees)/ (male managers/male employees) ²	0.84	0.84	0.89	0.90	
New hires male and female (# of employees)	–	23 720	22 824	18 546	
New hires (female) (as a % of each category)	–	34	34	37	
New hires (male) (as a % of each category)	–	66	66	63	
CEO-3 employees (# of CEO-3 employees)	–	1 293	1 291	1,131	
CEO-3 by gender (female) – ‘Women in Leadership’ (% of people by gender)	–	26.4	26.7	28.7	>30.0
CEO-3 by gender (male) (% of people by gender)	–	73.6	73.3	71.3	
Manager employees (# of manager employees)	7 090	8 525	8 076	8 249	
Manager by gender (female) (% of people by gender)	30.0	29.7	32.6	33.1	
Manager by gender (male) (% of people by gender)	70.0	70.3	67.4	66.9	
Number of employees (# of employees)	86 040	100 820	96 301	93 269	
Employees by gender (female) (% of people by gender)	32.5	33.5	35.1	35.5	
Employees by gender (male) (% of people by gender)	67.5	66.5	64.9	64.5	
SGS management Board and Operations Council by gender (female) (# of people by gender)	–	2	1	1	
SGS management Board and Operations Council by gender (male) (# of people by gender)	–	30	30	26	
SGS management Board and Operations Council nationalities (# of nationalities)	–	15	16	14	

TALENT MANAGEMENT AND EQUAL OPPORTUNITIES	2014*	2018	2019	2020	2020 TARGET
SGS management Board and Operations Council by age – Under 30 years old (# of people by ranges of age)	–	0	0	0	
SGS management Board and Operations Council by age – 30 to 50 years old (# of people by ranges of age)	–	6	7	8	
SGS management Board and Operations Council by age – Over 50 years old (# of people by ranges of age)	–	26	24	19	
Sickness absence rate ³ (% of days of sickness absence per total days worked)	1.48	1.54	1.55	1.58	<1.5
Total absence rate (% of days of sickness absence plus days lost per incidents with lost time per total days worked)	1.54	1.56	1.57	1.60	<1.7
Training ratio ⁴ (% of total employment cost spent on training (includes safety training hours))	2.52	3.38	3.24	2.51	1.00
Training hours per FTE ⁴ (# of hours/FTE)	31.8	45.9	49.0	48.8	
Total training hours ⁴ (millions of hours)	2,7	4,4	4,6	4.3	
Performance reviews ⁵ (% of employees receiving regular performance review)	78	90	88	86	100
Collective bargaining ⁶ (% of employees)	34	40	40	41	
Employees invited to participate in SGS Catalyst (# of employees)	–	6 926	19 273	32 262	
Response rate in SGS Catalyst (as %)	–	91	82	74	
Engagement Index (as score out of 100 ⁷)	–	68	71	70	
Actively engaged employees (as %)	–	68	66	65	

1. Employees that leave SGS each year of their own will. As of 2016, NTO is calculated based on permanent (fix-term and open-ended) contracts
 2. EOR = (female managers/female employees) divided by (male managers/male employees). If EOR is 1, then female employees have as many opportunities as male employees to reach a managing position
 3. Days of sickness absence per total days worked
 4. Training and Hours spent cost per Total employment cost, including safety training hours (on a constant currency basis)
 5. Employees receiving regular performance reviews. Methodology has been updated in 2018 to cover percentage of all eligible employees
 6. Employees covered by collective consultation/representation processes
 7. In 2016 and 2017, Engagement Index was calculated as a % of employees answering favorably to the relevant questions. In 2019 we changed our approach and starting measuring this as a score
- * 2014 baseline year of our ambition

Databank continued



OPERATIONAL INTEGRITY	2014*	2018	2019	2020	2020 TARGET
Total Recordable Incident Rate (TRIR) ¹ (occurrences per 200,000 hours)	1.11	0.41	0.44	0.36	<0.55
TRIR reduced (as a % against a 2014 baseline)	–	63	60	68	50
Number of recordable incidents (# of incidents) ²	972	417	432	334	
Lost Time Incident frequency Rate (LTIR) ³ (occurrences per 200,000)	0.60	0.25	0.26	0.23	<0.30
LTIR reduced (as a % against a 2014 baseline)	–	58	57	62	
Number of near misses ⁴ (# of near misses)	2 028	1 523	1 801	1,959	
Safety training hours (# of hours)	1 053 704	2 142 405	2 497 245	2 483 305	
Operational Integrity training per employee (# of hours per employee)	12.6	22.2	26.4	27.9	

1. Number of lost time, restricted duty, medical treatment incidents and fatalities per 200 000 hours worked
 2. Number of lost time, restricted duty, medical treatment incidents and fatalities
 3. Number of lost time incidents per 200,000 hours worked
 4. Event, situation or physical environment with the potential to cause injury, damage or loss to people, property and the environment, but which was avoided by circumstance
- * 2014 baseline year of our ambition

CLIMATE CHANGE	2014*	2018	2019	2020	2020 TARGET
Total CO ₂ e emissions ^{1,2} (CO ₂ e tons)	214 092	167 976	159 848	122 952	
Scope 1 Fuels emissions ² (vehicle and non-transport) (CO ₂ e tons)	108 231	117 455	113 443	98 274	
Scope 2 Electricity emissions ¹ (CO ₂ e tons)	77 082	17 299	16 758	11 864	
Scope 3 Business travel emissions (CO ₂ e tons)	28 779	33 222	29 647	12 813	
Estimated District Heating CO ₂ emissions not included in breakdown of CO ₂ emissions (CO ₂ e tons)	–	6 646	6 788	5 697	
Decrease in total greenhouse gas emissions (as a % against a 2014 baseline)	–	22	25	43	
Total CO ₂ e emissions by source	–	–	–		
Transport fuels (as a % of total emissions)	52	74	73	69	
Non-transport fuels (as a % of total emissions)	12	16	17	22	
Electricity (as a % of total emissions)	36	10	10	9	
Voluntary carbon-offsetting projects (credits purchased by country)	214 092	167 976	159 848	122 952	
Carbon Intensity (people) ^{1,2} (CO ₂ e tons/FTE)	2.6	1.7	1.7	1.4	2.1
Carbon Intensity (revenue) on constant currency basis ^{1,2,3} (CO ₂ e tons / CHF million)	42.5	27.6	26.0	21.9	34.0
Reduction in annual CO ₂ emissions per employee (As a % per full-time equivalent employee against a 2014 baseline)	–	32	34	46	
Reduction in annual CO ₂ emissions by revenue (By revenue against a 2014 baseline)	–	35	39	48	
Total energy consumption by source (Total energy consumption by source)	810 347	944,479	934,291	862 525	
Standard electricity ⁴ (MWh)	131 999	30 165	29 215	19 922	
Renewable electricity ⁵ (MWh)	219 374	416 122	421 593	420 864	
Vehicle fuels energy (MWh)	332 430	367 636	350 774	288 856	
Non-transport fuels energy (MWh)	126 544	130 556	132 709	132 883	

1. District Heating emissions are not included in this figure
 2. Refrigerant gas emissions are not included in this figure
 3. On a constant currency basis
 4. Electricity bought from a non-renewable tariff linked to Energy Attribute Certificates
 5. Electricity bought from local renewable sources of production and through energy attribute certificates
Emissions related to District heating are currently not included in this figure
- * 2014 baseline year of our ambition

Databank continued

	302-1	303-5	305-5
	302-2	305-1	306-1
	302-3	305-2	306-2
	302-4	305-3	306-3
	303-3	305-4	

CLIMATE CHANGE	2014*	2018	2019	2020	2020 TARGET
Total electricity consumption from renewables (% of total consumption)	62	93	94	95	
Total energy consumption per employee (MWh/FTE)	9.7	9.8	9.9	9.7	
Total energy consumption per revenue ¹ (MWh/CHF million)	160.7	155.1	152.0	153.9	
Electricity consumption per FTE (MWh/FTE)	4.2	4.6	4.8	4.9	
Electricity consumption per revenue ¹ (KWh/CHF million)	69.7	73.3	73.3	78.7	
Buildings covered by EEB program (# of buildings)	–	628	676	678	
Energy consumption from buildings covered by EEB program (% of total energy consumed)	–	62	77	83	
Energy conservation measures identified (# of measures identified since beginning)	–	295	446	471	
Buildings assessed onsite through EEB program since beginning (# of buildings)	–	33	44	44	
Employees involved in the Add Value With Löss (# of employees)	–	–	24 449	24 449	
Countries that have rolled out the Add Value With Löss campaign to date (# of countries)	–	–	16	16	
Cars in SGS global fleet (# of cars)	10 088	11 084	10 754	9,921	
Cars who meet our Vehicle Emissions Policy (as a %)	–	69	76	82	
New cars who meet our Vehicle Emissions Policy (as a %)	–	95	85	87	
Total scope 3 emissions (CO ₂ e tons)	766 938	917 736	917 839	829 450	
Purchased goods and services (CO ₂ e tons)	359 860	433 699	441 064	409 869	
Fuel and energy related activities (not included in Scope 1 and Scope 2) (CO ₂ e tons)	166 896	196 186	206 484	173 553	
Capital goods (CO ₂ e tons)	121 536	147 498	137 633	138 991	
Employee commuting (CO ₂ e tons)	87 367	103 804	99 082	90 570	
Business travel (CO ₂ e)	28 779	33 222	29 647	12 813	
Waste generated in operations (CO ₂ e tons)	2 500	3 327	3 929	3 654	

1. On a constant currency basis

* 2014 baseline year of our ambition

WATER AND WASTE MANAGEMENT	2014*	2018	2019	2020	2020 TARGET
Water purchased (million of m ³)	1.98	1.97	1.90	1.72	2.31
Water use/FTE (annual water purchased per employee (m ³ /FTE))	23.7	20.4	20.1	19.3	
SGS employees who had sufficient, safe and physically accessible drinking water (as a % of total employees)	–	92	93	93	
SGS employees who had access to sufficient sanitary facilities with proper drainage systems (as a % of total employees)	–	92	93	93	
SGS employees who had access to water for washing and personal hygiene (as a % of total employees)	–	92	93	93	
SGS employees who had access to sanitary installations and clean washrooms (as a % of total employees)	–	92	93	93	
Total waste generated (metric tons)	43 467	48 536	54 032	49 570	59 570
Hazardous waste generated (Total weight of hazardous waste generated (metric tons))	10 602	10 920	11 651	9 989	
Non-hazardous waste generated (Total weight of non-hazardous waste generated (metric tons))	32 865	37 616	42 381	39 581	
Total number of environmental incidents including spills (Total number of environmental incidents including significant spills)	51	64	74	48	

COMMUNITY	2014*	2018	2019	2020	2020 TARGET
Investment in community ¹	738	1 384	1 331	1 243	959
Donations to community organisations and voluntary groups (CHF thousands on constant currency basis)					
Total community projects (# of projects)	217	462	441	323	
Community hours (# of hours dedicated to community – SC0130)	13 021	18 544	17 197	9 151	
Empowerment projects in community (# of projects)	–	242	251	213	
Education projects in community (# of projects)	–	143	110	77	
Environmental projects in community (# of projects)	–	77	80	33	
Total community investment in empowerment projects (As a % of total community investment)	–	52	54	52	
Total community investment in education projects (As a % of total community investment)	–	32	31	42	
Total community investment in environmental projects (As a % of total community investment)	–	16	15	6	

1. Since 2018, Investment in community includes philanthropic sponsorships, and since 2019 it also includes the value of in-kind donations

* 2014 baseline year of our ambition

Independent assurance statement from our auditors



Independent limited assurance statement by Deloitte SA to SGS SA in accordance with ISAE 3000 (Revised) over the sustainability disclosures and declarations of the application of the Global Reporting Initiative (“GRI”) Standards at a comprehensive level in the preparation of the 2020 Sustainability Report.

WHAT WE LOOKED AT: SCOPE OF OUR WORK

SGS SA (“SGS”) has engaged us to perform limited assurance over the sustainability disclosures and declaration of the application of the GRI Standards at a comprehensive level (“the Subject Matter”) presented in the SGS Sustainability Report for the year ended 31 December 2020 (“the Report”). The Subject Matter is to be prepared in accordance with the SGS Basis of Reporting document (Version 1) dated 16 February 2021, which is based on the principles of the Global Reporting Initiative (GRI) Standards and is available to users on request.

WHAT STANDARDS WE USED: BASIS OF OUR WORK AND LEVEL OF ASSURANCE

Our limited assurance engagement on the Subject Matter was conducted by a multi-disciplinary team of sustainability and assurance specialists in accordance with the International Standard for Assurance Engagement (ISAE) 3000 (Revised), issued by the International Auditing and Assurance Standards Board.

To achieve limited assurance, ISAE 3000 requires that we review the processes and systems used to compile the areas on which we provide limited assurance. This standard requires that we comply with the independence and ethical requirements and to plan and perform our assurance engagement to obtain sufficient appropriate evidence on which to base our limited assurance conclusion. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. This is designed to give a similar level of assurance to that obtained in a review of interim financial information. This provides less assurance and is substantially less in scope than a reasonable assurance engagement.

INHERENT LIMITATIONS

The process an organisation adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature can be subject to variations in definitions, collection and reporting methodology with no consistent, accepted standard. This may result in non-comparable information between organisations and from year to year within an organisation as methodologies develop.

WHAT WE DID: KEY ASSURANCE PROCEDURES

To form our conclusions, we undertook the following procedures:

- Interviewed selected SGS management and those with operational responsibility for sustainability performance to critically evaluate the reporting process, criteria and key controls;
- Interviewed SGS management to understand the design of controls and functionality of the group sustainability information management and reporting databases used to manage sustainability data at a corporate level (‘Solaris’ and ‘Crystal’),

and performed selected systems integrity tests to assess the accuracy of information generated by the systems;

- Determined potential material quantitative and qualitative sustainability key performance indicators and disclosures from the 2019 Report, by considering criteria such as the outputs of the company’s materiality process; peer reporting; susceptibility of misstatement due to error or fraud; whether a misstatement or control deficiency was noted in the prior-year; indicators or disclosures related to estimates and estimation methods; changes in calculation methods from prior-year;
- For the determined sustainability key performance indicators (selected as per the methodology noted above and presented in Table 1 below) and a sample of related disclosures we undertook the following procedures:
 - Interviewed management and checked documentation to understand and test the reporting boundary and group consolidation and validation checks for complete, accurate and appropriate presentation of the information;
 - tested the operating effectiveness of key data validation review and sign-off controls;
 - conducted trend analyses on full year data to identify and query anomalies in reported data;
 - conducted sample-based substantive testing of Operational Integrity and Human Rights to assess the accuracy of data classification, in line with the group Reporting Criteria; and
 - completed a check of the quantitative and qualitative disclosures in the Report related to the selected sustainability key performance indicators against our understanding of the sustainability governance, management structures, and performance over the year.

- Selected a sample of qualitative disclosures significant to the subject matter throughout the Report, and tested SGS’ assertions against underlying evidence. As noted above, this also includes testing material qualitative disclosures which relate to the performance of the selected sustainability key performance indicators denoted in Table 1;
- Checked that the Report included a GRI content index and, for each of the general disclosures and topic-specific disclosures, verify that an appropriate disclosure has been made and that they have been reported in accordance with the GRI Standards guidance, to comply with the target level ‘comprehensive’ compliance;
- Checked that the GRI disclosures and related explanations provided by management are in line with our understanding of the basis of reporting and performance of the business during the year;
- Where necessary, made recommendations to SGS management based on findings identified during the assurance that required improvement; and
- Our work did not include reviewing the Value to Society model presented on pages 23-27 of the Report. Our review of Value to Society information presented in the Report was limited to testing a sample of significant qualitative assertions through obtaining supporting evidence to assess the existence of any claims, but did not review or assess the adequacy of SGS’s basis for reporting the value to society information; nor assessed the accuracy of the underlying information or assumptions of sources used.

Independent assurance statement from our auditors continued



TABLE 1: SELECTED SUSTAINABILITY KEY PERFORMANCE INDICATORS

- ✓ Number and nature of confirmed incidents of corruption identified through corporate helplines (absolute number)
- ✓ Number of Public legal cases regarding corruption brought against the organization/ employees (absolute number)
- ✓ Total number of integrity issues reported through corporate helplines (absolute number)
- ✓ Natural turnover (%)
- ✓ Women in leadership positions (CEO-3) (%)
- ✓ Total recordable incident rate (%)
- ✓ Lost time incident frequency rate (%)
- ✓ Total number of fatalities (absolute number)
- ✓ Total greenhouse gas emissions (Scope 1, 2, and 3) (thousand tonnes CO₂e)
- ✓ Total energy consumption by source (GWh)
- ✓ Operations identified as having a significant risk of incidences of child labor, forced or compulsory labor, or where the right to exercise freedom of association may be violated (absolute number)

WHAT WE FOUND: OUR ASSURANCE CONCLUSION

Based on our procedures described in this report, nothing has come to our attention that causes us to believe that the Subject Matter in the Report for the year ended 31 December 2020 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

EMPHASIS OF MATTER

We draw attention to **page 86** of the Report that explains that the Subject Matter has been prepared in accordance with the SGS Basis of Reporting, which is based on the Global Reporting Initiative (GRI) Standards. The Basis of Reporting sets out the methodology of bespoke indicators not prepared in accordance with the GRI Standards. One bespoke indicator is the Scope 1 GHG inventory which excludes direct emissions from refrigerants consumption. As disclosed in the SGS Basis of Reporting, management note that sufficient data is not practicably available to make a reasonable estimation for the refrigerants emissions given the high annual variability of refrigerant consumption. A disclosure has therefore been provided on **page 70** of the SGS 2020 Sustainability Report as a caveat to the Scope 1 inventory exclusion. This emphasis of matter did not modify our assurance opinion, as stated above.

OUR INDEPENDENCE AND COMPETENCE IN PROVIDING ASSURANCE TO SGS

We complied with Deloitte's independence policies, which address and, in certain cases, exceed the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants in their role as independent auditors, and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality, and from any involvement in the preparation of the report. We have confirmed to SGS that we have maintained our independence and objectivity throughout the year and in particular that there were no events or prohibited services provided which could impair our independence and objectivity. We have applied the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our team consisted of a combination of Auditors with professional assurance qualifications and professionals with a combination of sustainability reporting and subject matter experts including many years' experience in providing sustainability report assurance.

ROLES AND RESPONSIBILITIES

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

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


Matthew Sheerin
Partner


Aurélie Darrigade
Director

Deloitte SA

Deloitte.

23 February 2021

Get in touch

If you would like further information or to provide feedback on any of the topics in this report, please do not hesitate to get in touch.

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