

Basis of reporting

FOR THE SGS GROUP



SGS

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1. PURPOSE OF THIS DOCUMENT

SGS is committed to providing stakeholders with accurate and timely updates on our sustainability activities and performance, and we strive to produce reports that are fair, transparent, balanced and meet the needs of our stakeholders. This document defines the principles and methodologies that guide data collection, analysis and reporting at SGS. Indicators are published in both the SGS Sustainability Report and the SGS Integrated Annual Report. These data are also used for supplementary reporting e.g. Dow Jones Sustainability Indices (DJSI) or CDP.

1.1 REVISIONS

Whenever a modification is required, this document will be revised and assigned a new revision number.

2. REPORTING PRINCIPLES AND EXTERNAL STANDARDS

SGS has published a Sustainability Report since 2008. Following our commitment with the principle of integrated reporting encouraged by the International Reporting <IR> Framework, since 2015 sustainability content has been included in our Integrated Annual Report as we move towards a fully integrated reporting structure.

The SGS Sustainability Report is developed using the guidelines for the AA1000 Accountability Principles Standard, the Global Reporting Initiative (GRI) and SASB.

Our sustainability performance indicators are prepared and reported following the GRI and SASB standards. Where GRI or SASB standards do not provide a methodology for a sustainability performance indicator, or their methodology is not appropriate, the applied methodology is provided in section 4 of this report.

For carbon emissions-related indicators, we follow the Greenhouse Gas Protocol (GHG Protocol) Corporate Standard (financial control approach).

The London Benchmarking Group is used as a guide to define indicators related to community investment.

3. SCOPE

3.1 REPORTING BOUNDARIES

SGS SA and its subsidiaries (the “Group”) operate around the world under the name SGS. The head office of the Group is located in Geneva, Switzerland. SGS is the global leader in testing, inspection and certification services supporting international trade in agriculture, minerals, petroleum and consumer products.

It also provides these services to governments, international institutions and customers engaged in the industrial, environmental and life science sectors.

The scope of the sustainability information contained in SGS Integrated Annual Report and Sustainability Report covers all regions and divisions of the Group for the 2021 calendar year. A full list of SGS’s affiliates can be found on the corresponding SGS Integrated Annual Report. Unless stated otherwise, our annual reported data scope covers the Group business and targets for the period January 1 to December 31.

SGS reports Key Performance Indicators (KPIs) from all of its facilities, subsidiaries, and other business units, as determined by its reporting boundaries.

Under the control approach, SGS endeavors to account for 100 percent of the KPIs from operations over which it has control. It does not account for KPIs from operations in which it owns an interest but not a control. Control is defined in financial terms. For joint ventures, SGS will use an equity accounting basis.

Where we do not have accurate information for a given KPI we will exclude it from accounting and reporting. We will indicate this exclusion in the report. As an example, we currently do not account for district heating and refrigerants in our total carbon dioxide (CO₂) emissions.

3.2 MATERIALITY TOPICS

We have identified and prioritized our most material impacts to the business and to stakeholders across our value chain, and our Annual Reporting suite includes performance data for our direct operations and information on how we are managing the most material issues. For more information on how we define our material issues, please check our [website](#). Sustainability Management System.

The three pillars of our Sustainability Ambitions 2030 (Better Planet, Better Society and Better Governance) are the foundation of SGS’s Sustainability Strategy. Each one is supported by Group-wide policies, global programs and local initiatives. As such, these three pillars are also central to our Sustainability Management System.

The SGS Sustainability Management System provides a mechanism through which we can monitor the delivery of the Group’s Sustainability Strategy and our progress against our Sustainability Ambitions 2030. It also allows us to set and analyze sustainability KPIs that act as our set of controls and provides us with the insights we need to ensure we stay on track in terms of initiatives, activities and results.

3.3 DATA COLLECTION PROCESS

Robust data gathering is important to set targets and monitor performance. More than 60% of our data is collected locally through centralized software (SOLARIS), then reviewed and consolidated in a centralized manner. The remaining data are gathered directly from global functions like the Global Legal & Compliance, Global Procurement and Global Corporate Communications departments.



3.4 REPORTING SCHEDULE

All sustainability data collected through SOLARIS is gathered on a half-year basis. Remaining data is collected once at the end of the year.

3.5 RESTATEMENT OF HISTORICAL DATA

3.5.1 MATERIALITY CONSIDERATIONS

We have set a materiality threshold of 5% at Group level that will trigger recalculations of historical data induced by any of the situations detailed in this section.

3.5.2 CHANGES IN METHODOLOGY OR IMPROVED DATA ACCURACY

Historical data may differ from previous reports due to the availability of more accurate data or improved data reporting, or changes in methodology. Restatement of historical data, including baseline year adjustment, might be required in order to obtain meaningful comparisons and evaluate target achievement. All these variations will be evaluated on an individual basis. As a reference, when these changes induce variations larger than 5%, data will be restated for all previous years including the baseline.

3.5.3 TREATMENT OF ACQUISITIONS AND DIVESTMENTS

Acquired entities must be incorporated into the sustainability reporting scope within 12 months of an acquisition. Divested entities are excluded from further reporting of performance data since the date the divestment took place.

Historical performance data will be evaluated for the acquired/divested entity and metrics materially impacted will be restated. Each year all cumulative variations in a certain metric due to acquisitions and divestments will be assessed. If a net significant change is identified, the metric might be restated for all relevant previous years including the baseline. No restatement will be applied to variations due to organic growth or decline.

3.6 UNAVAILABLE DOCUMENTATION

In the case where information is unavailable, figures should be estimated or extrapolated and “accrued” in the reporting period. For such estimations/extrapolations, affiliates must ensure that all assumptions and calculations are clearly documented. Specific guidelines about how to perform these calculations are provided in our Group Sustainability Manual. Figures will be excluded from the reporting in the following exceptions:

When information is not available at global level or not accurate enough (e.g. refrigerant leakage not provided in facility reports)

When no reliable methodology is available (e.g. emission factors for district heating)

3.7 ASSURANCE

3.7.1 AFFILIATES INTERNAL AUDIT

Each year, about 10% of affiliates are selected to be audited on all data reported and procedures in place to collect and consolidate data. Each audit is carried out by a qualified Sustainability Report Assurance (SRA) auditor.

3.7.2 EXTERNAL AUDIT

External assurance of the sustainability performance indicators and the non-financial performance indicators is an important part of our approach, and our sustainability reporting has been independently assured since 2011. In 2021, we appointed PricewaterhouseCoopers SA to provide independent limited assurance over the sustainability and the non-financial performance indicator reporting.

4. KEY PERFORMANCE INDICATORS

Over 70 KPIs have been defined for the SGS Sustainability Group performance. As previously explained, our methodologies follow the principles of the GRI and SASB standards and the GHG Protocol. Wherever these standards do not provide a methodology for a sustainability performance indicator, the applied methodology is indicated in this section.

4.1 BETTER GOVERNANCE

COMPLIANCE AND INTEGRITY		
INDICATOR	STANDARD	METHODOLOGY
Employees who have signed the code of integrity	GRI 102 – 16	
Total number of breaches ¹ of the code of integrity identified through integrity helplines ² by type of breach and by type of consequence	GRI 102 – 17	<p>¹ A breach of the Code of Integrity is a violation of the Code of Integrity.</p> <p>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.</p> <p>Types of breaches defined:</p> <ol style="list-style-type: none"> 1. Integrity of services 2. Financial records 3. Conflict of interest 4. Employee relations 5. Compliance with laws 6. Environment, health & safety <p>Types of consequences defined:</p> <ol style="list-style-type: none"> 1. Notification of employee 2. Workshop 3. Sanction 4. Termination
Total number of integrity ¹ issues reported through corporate integrity helplines ²	GRI 102 – 17	<p>¹ An integrity issue is a breach of one or more of the 15 SGS Code of Integrity rules.</p> <p>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.</p>
Percentage employees attending the annual integrity training	GRI 102 – 16	
Countries participating in quarterly integrity talks	GRI 102 – 16	
Cases of corruption recorded	GRI 102 – 17	

COMPLIANCE AND INTEGRITY		
INDICATOR	STANDARD	METHODOLOGY
Investigations conducted following reports to helplines	GRI 102 – 17	
Confirmed incidents in which employees were dismissed	GRI 102 – 17	
Cases of discrimination reported via our helplines	GRI 102 – 17	
Fines for non-compliance with regulations	GRI 102 – 17	
PUBLIC POLICY		
INDICATOR	STANDARD	METHODOLOGY
Monetary contributions to trade associations	GRI 415 – 1	
PROCUREMENT AND SUPPLY CHAIN MANAGEMENT		
INDICATOR	STANDARD	METHODOLOGY
Percentage of spend analyzed for sustainability risks	GRI 102 – 9	The assessment identifies potential sustainability risks in our supply chain by evaluating above 50 economic, political, social, environmental and regulatory risks across all countries we operate in.
Tier 1 suppliers ¹ analyzed for sustainability risks	GRI 102 – 9	¹ Includes all active suppliers in the top 30 SGS countries, covering 83% of our spend.
Percentage online-negotiated spend	GRI 102 – 9	
Number of assets sold or redeployed through Equipnet	GRI 102 – 9	

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT		
INDICATOR	STANDARD	METHODOLOGY
SGS spend by category	GRI 102 – 9	The categories used are the following: 1. External services 2. Other OPEX 3. Material and supplies 4. Travel and vehicles 5. CAPEX 6. General repairs and maintenance
SGS spend by region	GRI 102 – 9	
CUSTOMER RELATIONSHIP MANAGEMENT		
INDICATOR	STANDARD	METHODOLOGY
Percentage of customers satisfied with the SGS service	GRI 102 – 44	
DATA SECURITY AND PRIVACY		
INDICATOR	STANDARD	METHODOLOGY
Completion rate of data protection and privacy e-learning	GRI 418 – 1	
Substantiated complaints concerning breaches of data customer privacy	GRI 418 – 1	

4.2 BETTER SOCIETY

TALENT MANAGEMENT		
INDICATOR	STANDARD	METHODOLOGY
Training ratio		Training cost (including hours) as a percentage of employment cost.
Natural turnover	GRI 401 – 1 SV-PS-330a.2	
Percentage of permanent employees	GRI 102 – 8 SV-PS-000.A	
Percentage of casual employees	GRI 102 – 8 SV-PS-000.A	
Percentage new employees hires by gender	GRI 401 – 1	
Engagement Index	SV-PS-330a.3	The Engagement Index is calculated as the average score of respondents who answer two questions (on a scale from one to five) concerning its current situation working at SGS. These two scores are then scaled to 100, and combined through an average, which results in the Engagement Index.
Number of training hours by type	GRI 404 – 2	Types of training defined: 1. Leadership Development Skills Programs 2. Technical and Sales 3. Trainee training 4. Operational Integrity 5. Integrity training 6. Other training
Number of job-related training hours		Job-related training includes Leadership Development Skills Programs, Technical and Sales, Trainee training and Operational Integrity training.
Percentage of employees receiving performance appraisals	GRI 404 – 3	
Percentage of employees covered by collective bargaining agreement	GRI 102 – 41	

DIVERSITY AND EQUAL OPPORTUNITIES		
INDICATOR	STANDARD	METHODOLOGY
Percentage of women in leadership positions (CEO-3)	GRI 405 – 1 SV-PS-330a.1	Leadership positions refer to those managers that are up to 3 levels below the CEO.
Percentage of managers by gender	GRI 405 – 1 SV-PS-330a.1	A manager is defined as an employee with a people-management responsibility and/or Profit & Loss Statement responsibility and/or reports to an OC member, Managing Director or Business Manager.
Percentage of employees by gender	GRI 405 – 1 SV-PS-330a.1	
Diversity on the board and operations council by gender, nationality and age	GRI 405 – 1	
Equal Opportunity Ratio		Ratio of: 1. Females in manager positions as a percentage of total female employees, and 2. Males in manager positions as a percentage of total male employees
OPERATIONAL INTEGRITY		
INDICATOR	STANDARD	METHODOLOGY
Lost time incident rate	GRI 403 – 9	The number of lost time incidents occurring per 200,000 hours worked by full time employee(FTE). Working hours are estimated to be 2,100 hours per year per FTE.
Total recordable incident rate	GRI 403 – 9	Number of lost time, restricted duty, medical treatment incidents and fatalities occurring per 200,000 hours worked by FTE. Working hours are estimated to be 2,100 hours per year per FTE.
Number of hours invested in Operational Integrity training for employees	GRI 403 – 5	
Operational Integrity training hours per employee	GRI 403 – 5, GRI 404 – 1	
Sickness Absence Rate (SAR)		The number of days not worked due to illness as a percentage of the total working days.

OPERATIONAL INTEGRITY		
INDICATOR	STANDARD	METHODOLOGY
Total Absence Rate (TAR)		Total number of days lost due to absenteeism of any kind, not only as a result of work-related injury or disease as a percentage of total working days. This includes individual sick days due to minor illnesses (e.g. the common cold, fevers, and influenza) as well as personal days taken for undisclosed reasons. It does not include scheduled or permitted absenteeism such as holidays, study time, maternity or paternity leave, etc.
Work Related Absence Rate		The number of days not worked due to work related injuries as a percentage of the total working days.
HUMAN RIGHTS		
INDICATOR	STANDARD	METHODOLOGY
Reported number of violations of the rights of indigenous people	GRI 411 – 1	
Reported cases of child labor, forced or compulsory labor, or violation of the right to exercise freedom of association	GRI 408 – 1	
Potential sustainability risks identified in direct operations and supply chain		Sustainability risks are analyzed using a non-financial macro risk assessment. The model analyzes more than 50 potential economic, political, social and environmental risks in our direct operations and supply chain across all countries we operate in. Risk indexes come from different internationally recognized sources such as the IMF or the WRI. These risk indexes are mapped against our revenue and spend in order to identify the level of risk (classified as high, medium and low) in our operations and supply chain.
COMMUNITY		
INDICATOR	STANDARD	METHODOLOGY
Total amount of investment in community	London Benchmarking Group Manual	Amount invested considering: 1. Cash contribution in support of a community 2. Time contribution as the cost of the working hours contributed by employees to a community 3. The value of in kind donations

COMMUNITY		
INDICATOR	STANDARD	METHODOLOGY
Number of community hours	GRI 413 – 1, London Benchmarking Group Manual	
Total number of projects	GRI 413 – 1, London Benchmarking Group Manual	
Number of projects per pillar	London Benchmarking Group Manual	
Percentage of investment per pillar	London Benchmarking Group Manual	
Percentage of investment by form of contribution	GRI 413 – 1	
Impacts of projects	GRI 413 – 1, 2	

4.3 BETTER PLANET

CLIMATE CHANGE		
INDICATOR	STANDARD	METHODOLOGY
Carbon intensity by employee (tonnes/ FTE)	GRI 305 – 4, GHG Protocol	
Carbon intensity by revenue (tonnes/ million CHF)	GRI 305 – 4, GHG Protocol	

CLIMATE CHANGE		
INDICATOR	STANDARD	METHODOLOGY
Total GHG emissions (location-based) (tonnes)	GRI 305 – 1, 2, 3, GHG Protocol	Excludes refrigerant gases emissions due to unavailability of data and district heating emissions due to the unavailability of metered data in China from the heat providers. Electricity emissions are calculated with a location-based method which reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).
Total GHG emissions (market-based) (tonnes)	GRI 305 – 1, 2, 3, GHG Protocol	Excludes refrigerant gases emissions due to unavailability of data and district heating emissions due to the unavailability of metered data in China from the heat providers. Electricity emissions are calculated with a market-based method which reflects emissions from electricity that companies have purposefully chosen. It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims.
Electricity consumption (kWh)	GRI 302 – 1	
Renewable electricity purchased (kWh)	GRI 302 – 1	<ul style="list-style-type: none"> Green electricity purchased by affiliates from electricity suppliers Green electricity purchased by corporate: SGS globally purchases renewable electricity certificates in regions where such tracking instruments are implemented (Guarantees of Origin GO, Renewable Energy Certificates REC, International Renewable Energy Certificates I-REC, Renewable Energy Guarantees of Origins REGO, etc.) <p>We follow the principles of the GHG Protocol Scope 2 guidance.</p>
Renewable electricity produced onsite (kWh)	GRI 302 – 1	
Vehicle fuel energy (kWh)	GRI 302 – 1	
Non-transport fuel energy (kWh)	GRI 302 – 1	
Estimated District Heating energy (kWh)	GRI 302 – 1	Most countries provide figures based on metering, however they represent a small percentage of the total figure. Biggest contributor to district heat consumption is not invoiced based on heat meters (real consumption), but based on the area of the building (using a standard consumption provided by the Chinese government per unit of area), thus not allowing to know the real consumption of each building connected to the district heating grid.
Percentage of cars in SGS global fleet meet the SGS Vehicle Emissions Policy		Number of cars below the emission rate cap, defined in the SGS Vehicle Emissions Policy, as a percentage of total number of cars in the fleet. Other vehicles (such as trucks, motorbikes, etc.) are not included in this disclosure.

CLIMATE CHANGE		
INDICATOR	STANDARD	METHODOLOGY
Percentage of new cars that meet the SGS Vehicle Emissions Policy		Number of new cars below the emission rate cap, defined in the SGS Vehicle Emissions Policy, as a percentage of total number of new cars in the fleet. Other vehicles (such as trucks, motorbikes, etc.) are not included in this disclosure.
Scope 3 – Purchased goods and services (tonnes)	GHG Protocol	Extended input-output analysis (EIOA) methodology based on spends.
Scope 3 – Capital goods (tonnes)	GHG Protocol	Extended input-output analysis (EIOA) methodology based on spends.
Scope 3 – Fuel and energy related activities (not included in Scope 1 & 2) (tonnes)	GHG Protocol	Extended input-output analysis (EIOA) methodology based on spends.
Scope 3 – Wasted generated in operations (tonnes)	GHG Protocol	Quantity of non-hazardous waste generated attributed an emission factor per type.
Scope 3 –Business travel (tonnes)	GHG Protocol	Number of tickets purchased, and estimation of average distance traveled per train fare and air fare (intercontinental or domestic). Emissions factors then applied. Scope limitation: air tickets for contractors working on behalf of SGS not paid directly by SGS are excluded.
Scope 3 – Employee commuting (tonnes)	GHG Protocol	Average commuting distance and the distribution of transport modes correlated to our FTEs and working days per country.
WATER AND WASTE MANAGEMENT		
INDICATOR	STANDARD	METHODOLOGY
Non-hazardous waste generated (kg)	GRI 306 – 2	
Hazardous waste generated (kg)	GRI 306 – 2	
Waste recovered (kg)	GRI 306 – 2	
Water purchased per FTE (m3/FTE)		Amount of water divided by number of total FTEs (including permanent and casual).

4.4 EMISSION AND CONVERSION FACTORS

Our reporting has used the following sources for emission factors:

Scope 2 – Electricity	IEA emission factors 2020; including CH4 and N2O (most current version is always used).
Scope 2 – District heating	Estimated from data provided in IEA emission factors 2014. Exception for China, the emission factor is from the greenhouse gas emissions accounting methods and reporting guidelines for Chinese enterprise - Annex 10 - Companies in other industries.
Scope 1 – Transport and non-transport fuels	2006 IPCC Guidelines for National Greenhouse Gas Inventories; IPCC Fifth Assessment Report.
Scope 3.6 – Business travel	World Resources Institute (2008). GHG Protocol tool for mobile combustion. Version 2.0.

Our reporting has used the following sources for conversion factors of fuel data to energy:

- 2006 IPCC Guidelines for National Greenhouse Gas Inventories; CDP Technical Note: Conversion of fuel data to MWh

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WHEN YOU NEED TO BE SURE

