

We are driving fair and equitable remuneration policies and practices aligned with our sustainability ambitions.

3

The SGS Remuneration report provides an overview of the SGS remuneration model, its principles and programs and the related governance framework. The report also includes details on the remuneration of the Board of Directors and of the Operations Council related to the 2022 business year. The SGS Remuneration report has been prepared in compliance with the ordinance against excessive compensation (OaEC) at listed joint-stock companies, in effect as of 1 January 2014, the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*, revised on 29 February 2016, and the Swiss Exchange (SIX) Directive on Information relating to Corporate Governance, revised on 18 June 2021, and according to the articles of association of SGS SA, as approved by the shareholders at the Annual General Meeting in 2015.

| | | | |
|--|------------|--|------------|
| 1. Introduction by the Remuneration Committee | 104 | 4. Remuneration awarded to the Board Of Directors | 115 |
| 2. Remuneration policy and principles | 105 | 5. Remuneration awarded to the Operations Council members | 117 |
| 2.1. Remuneration general principles | 105 | 5.1. Fixed remuneration | 117 |
| 2.2. Remuneration policy for the executive management | 105 | 5.2. Short-term variable remuneration | 118 |
| 2.3. Remuneration governance | 105 | 5.3. Long-term variable remuneration | 120 |
| 2.3.1. Remuneration committee | 106 | 5.4. Total remuneration | 121 |
| 2.3.2. Shareholders' engagement | 106 | 5.5. Remuneration mix | 122 |
| 3. Remuneration model | 107 | 5.6. Other compensation elements | 122 |
| 3.1. Structure of remuneration of the Board of Directors | 107 | 5.6.1. Severance payments | 122 |
| 3.2. Structure of remuneration of the Operations Council | 108 | 5.6.2. Other compensation to members or former members of governing bodies | 122 |
| 3.2.1. Fixed remuneration: annual base salary | 108 | 5.6.3. Loans to members or former members of governing bodies | 122 |
| 3.2.2. Fixed remuneration: benefits | 108 | Report of the statutory auditor | 123 |
| 3.2.3. Short-term variable remuneration | 108 | | |
| 3.2.4. Long-term variable remuneration | 112 | | |
| 3.2.5. Remuneration mix | 114 | | |
| 3.2.6. Shareholding ownership guidelines | 114 | | |
| 3.2.7. Employment contracts | 114 | | |
| 3.2.8. Timeline of remuneration | 115 | | |

1. Introduction by the Remuneration Committee

On behalf of the Remuneration Committee, I am pleased to present the SGS Remuneration report for the year ended in December 2022.

I would like to start by thanking Shelby du Pasquier for his valuable contribution during his tenure as Chair of the Remuneration Committee and express my sincere gratitude for his support and advice since I took over the role. I would also like to thank my colleagues for their engagement throughout the year; there were many challenges to overcome and accompanying opportunities to be seized.

Our aim going forward is to further strengthen our attractiveness and retention power towards our existing and future talents, driving fair and equitable remuneration policies and practices aligned with our sustainability ambitions, our diversity, inclusion and well-being initiatives, and our purpose of enabling a better, safer and more interconnected world.

During 2022 the Committee reviewed the remuneration of the Board of Director members, with two main drivers: from one side, align their remuneration level to the prevalent market practices of the Swiss listed companies of similar size, and from the other side deliver part of the remuneration in restricted shares, in support of the newly introduced shareholding requirement. Details on the Board of Directors' new remuneration levels and vehicle, and shareholding requirement, are disclosed in section 3.1. and 4. of this report.

In 2022 the transition of the long-term incentive for Operations Council members and selected senior managers, from one grant every three years to a system with annual grants, was completed and, after the 2021 transition plan, the first annual plan was granted. Details on the 2022 grant are disclosed in section 5.3. of this report.

The Committee reviewed and approved the contractual terms and conditions, including remuneration, of one new member of the Operations Council, appointed during 2022; the changes in the composition of the Operations Council are disclosed in section 4. of the Governance Report.

Since 2015, the Board of Directors has implemented the consultative vote on the remuneration report and the binding vote on compensation amounts at the Annual General Meeting. The Committee received significant support in its activities and direction through positive votes at the Annual General Meeting 2022, and will continue with the same 'say-on-pay' vote structure at the forthcoming Annual General Meeting 2023:

- Consultative vote on the remuneration report
- Binding vote on the prospective maximum remuneration amount of the Board of Directors until the next Annual General Meeting
- Binding vote on the retrospective short-term variable remuneration amount of the Operations Council members for the business year 2022
- Binding vote on the prospective maximum fixed remuneration amount of the Operations Council members for 2024
- Binding vote on the prospective maximum value of the grants awarded under the long-term incentive plan to the Operations Council members in 2023

On the following pages, you will find detailed information about our remuneration model, its principles and programs, and the remuneration awarded to the Board of Directors and the Operations Council related to the business year 2022. I hope that you find this report informative. The Committee has sought to promote a remuneration environment that is fully aligned with the purpose and the strategy of the group, its short-term and long-term performance, the interests of our shareholders, and relevant market practices and trends.

I look forward to your support on the 2022 annual remuneration report at the Annual General Meeting.

Sami Atiya

Chair of the Remuneration Committee

The table below summarizes the votes of the Annual General Meeting on the remuneration matters in the last five years.

| (% of votes for) | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------|-------|-------|-------|--------------|
| Consultative vote on the remuneration report | 89.79 | 94.50 | 93.05 | 92.70 | 83.94 |
| Binding vote on the prospective maximum remuneration amount of the Board of Directors | 98.72 | 98.09 | 98.13 | 95.51 | 97.81 |
| Binding vote on the prospective maximum fixed remuneration amount of the Operations Council members | 75.61 | 80.28 | 95.58 | 94.37 | 96.11 |
| Binding vote on the retrospective short-term variable remuneration amount of the Operations Council members | 95.97 | 97.17 | 97.39 | 96.95 | 97.02 |
| Binding vote on the value of the grants awarded under the long-term incentive plan to the Operations Council members ¹ | 96.63 | – | – | 96.40 | 96.88 |

1. Until 2020, the SGS Long-Term Incentive plan provided a grant every three years.

2. Remuneration policy and principles

2.1. Remuneration general principles

The general principles of remuneration of the members of the Board of Directors and the members of the Operations Council are defined in the articles of association (Art. 28, Art. 29, Art. 30, Art. 31 and Art. 32; link to the SGS articles of association: <https://www.sgs.com/en/-/media/sgscorp/documents/corporate/sgs-legal-status-en-fr.cdn.en.pdf>).

The remuneration of the members of the Board of Directors is defined with two main objectives: (i) to compensate their activities and responsibilities as the highest governing body of the group and their participation in the committees established within the Board of Directors, and (ii) to guarantee their independence in exercising their supervisory duties towards the executive management.

The remuneration of the members of the Operations Council is defined with two main objectives: (i) to attract and retain the best talents available in the industry, and (ii) to motivate them to create and protect long-term sustainable value for our shareholders and society.

The members of the Board of Directors receive a fixed remuneration only.

The members of the Operations Council receive a fixed remuneration and a variable remuneration linked to short-term and long-term results.

| Remuneration component | Board of Directors (non-executive) | Operations Council (executive) |
|----------------------------------|------------------------------------|--------------------------------|
| Fixed remuneration | ✔ | ✔ |
| Short-term variable remuneration | ✘ | ✔ |
| Long-term variable remuneration | ✘ | ✔ |

2.2. Remuneration policy for the executive management

The company's remuneration policy applicable to the executive management (Operations Council members) is defined by the Board of Directors in support of the company's purpose of adding value to society by enabling a better, safer and more interconnected world, its business strategy of profitable growth, and in line with its business principles: integrity, health, safety & environment, quality & professionalism, respect, sustainability, leadership & innovation.

The remuneration system for the Operations Council members operates according to four main principles:

- Market competitiveness
 - Remuneration levels are in line with competitive market practices
- Internal equity
 - Remuneration programs link remuneration to the level of responsibility and the skillset required to perform the job
- Pay for performance
 - A substantial portion of remuneration is directly linked to business and individual performance
- Long-term value creation and alignment to shareholders' interests
 - Part of remuneration is delivered in equity subject to a multi-year vesting period

In line with its anti-discrimination and dignity at work policy, SGS is committed to promoting equal opportunity for all employees and an environment in which all members of the workplace treat all individuals both in the workplace and in other work-related settings at all times with dignity, consideration and respect.

All employment related decisions, including compensation, benefits and promotions, will be solely made on the basis of an individual's qualifications, performance and behavior or other legitimate business considerations. SGS does not tolerate any discriminatory practices, in particular based on age, civil partnership, disability, ethnicity, family status, gender, gender identity, ideological views, marital status, nationality, political affiliation, pregnancy, religion, sexual orientation, social origin or any other status that is protected as a matter of local law.

Method of determination of remuneration levels – benchmarking

SGS is a global company, operating in a broad range of sectors; the determination of the remuneration levels of the Operations Council members must consider both global and local practices. We periodically compare our compensation practices with those of other similar global organizations:

- Competitors in the testing, inspection and certification industry: ALS, Applus+, Bureau Veritas, Eurofins, Intertek, Mistras, Team (the peer group of companies considered for the performance conditions of the long-term incentive plan, see section 3.2.4.)
- The SMI and SMIM-listed companies not belonging to the capital markets, insurance and pharmaceuticals sectors of comparable size.

The elements of executive remuneration benchmarked include annual base salary, other fixed remuneration elements, short-term and long-term incentives, and benefits. To ensure proper benchmarking, we use a proprietary job evaluation methodology. Since half of our Operations Council members are based outside Switzerland, we use information published by reputable data providers, including Mercer and Willis Towers Watson, related to both the Swiss market and the other markets where the Operations Council members are based.

As a reference point, SGS targets the median compensation level of the peer group.

The company has not used external paid advisors to perform salary benchmarks since 2015, relying instead on available market data. No third-party services provider was engaged to perform such benchmark in 2022.

2.3. Remuneration governance

The Annual General Meeting approves every year the maximum aggregate amount of remuneration of the Board of Directors. Within that limit, the Board of Directors is responsible for determining the remuneration of the Chair and the directors. It also decides on the remuneration and terms of employment of the CEO. In addition, the Board of Directors defines general executive remuneration policies, including the implementation and terms and conditions of long-term incentive plans, as well as the financial targets relevant to any incentive plan.

2.3.1. Remuneration Committee

The Board of Directors is assisted in its work by a Remuneration Committee (“the Committee”), which consists of non-executive Directors. The Committee acts in part in an advisory capacity to the Board of Directors, and in part as a decision-making body on matters that the Board of Directors has delegated to the Committee. The Committee reviews regularly, at least once a year, the compensation of each member of the Operations Council (including the CEO) and decides on all matters relating to the remuneration of these executives.

The following chart summarizes the authorization levels for the main decisions relating to the compensation of the Board of Directors and the Operations Council members. When reviewing and deciding on executive remuneration policies, the Committee and the Board of Directors have access to group human resources staff and may use third-party consultants that specialize in compensation matters. In 2022, neither the committee nor the Board of Directors had recourse to such external advisors.

| Subject matter | CEO | Remuneration Committee | Board of Directors | Annual General Meeting |
|--|-----|------------------------|--------------------|------------------------|
| Aggregate remuneration amount of the Board of Directors | | | ● | ● |
| Individual remuneration of the members of the Board of Directors including the Chair of the Board | | ● | ✓ | |
| Aggregate fixed remuneration amount of the Operations Council | | | ● | ● |
| Aggregate short-term variable remuneration amount of the Operations Council | | | ● | ● |
| Setting of annual financial targets for short-term variable remuneration of Operations Council members | ● | | ✓ | |
| Establishment of long-term incentive plans | | ● | ✓ | |
| Aggregate value of the grants awarded under the long-term incentive plan to Operations Council members | | | ● | ● |
| Individual remuneration of the CEO | | ● | ✓ | |
| Individual remuneration of the Operations Council members | ● | ✓ | | |
| Remuneration report | | ● | ✓ | ● |

● Recommendation
 ✓ Approval
 ● Binding Vote
 ● Consultative Vote

The following directors served on the committee during their mandate from Annual General Meeting 2022 to 2023:

- Sami Atiya (Chair)
- Ian Gallienne
- Kory Sorenson

In 2022, the Committee met three times, attended by all members, and handled several matters pertaining to remuneration outside scheduled meetings. The Chair of the Remuneration Committee reports to the Board of Directors after each meeting on the activities of the Committee. The minutes of the committee meetings are available to the members of the Board of Directors. Generally, the Chair of the Board attends the meetings of the Committee, except when matters pertaining to his own compensation are being discussed.

Selected members of the Operations Council, the CEO, the senior vice president of human resources and the global head of total reward may be asked to attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation or performance are being discussed.

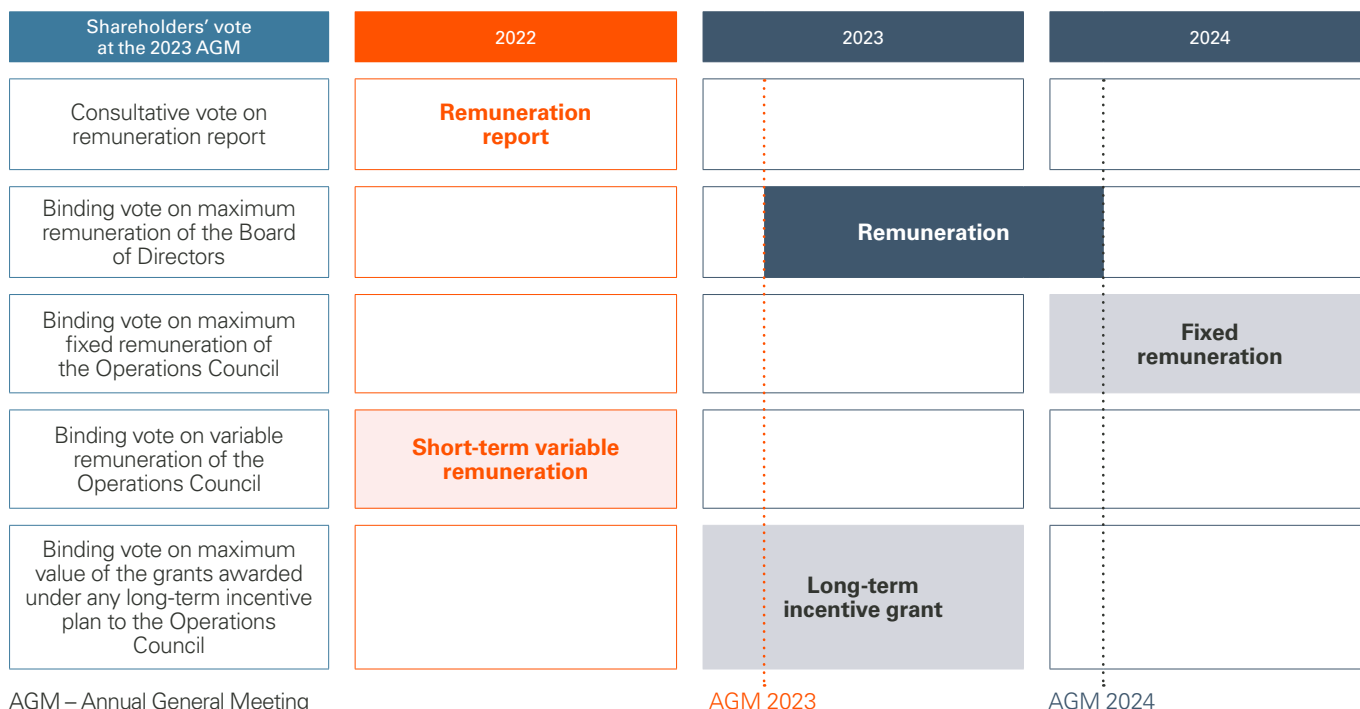
2.3.2. Shareholders' engagement

As has been the case since the 2015 Annual General Meeting, the company will continue to submit the remuneration report to a consultative shareholders' vote at the Annual General Meeting, so that shareholders have an opportunity to express their opinion about our remuneration model.

In addition, as required by the ordinance against excessive compensation (OaEC) for Swiss corporations, the aggregate amounts of remuneration to be paid to members of the Board of Directors and the Operations Council are subject to the approval of the shareholders in form of a binding vote on remuneration. The procedure on the vote is defined in the articles of association and foresees separate votes on (i) the maximum remuneration of the Board of Directors for the period until the next Annual General Meeting, (ii) the maximum fixed remuneration of the Operations Council for the next calendar year, (iii) the variable remuneration awarded to the Operations Council in respect of the previous calendar year, and (iv) the maximum amount to be granted to the Operations Council under any long-term incentive plan during the current calendar year.

A summary of the shareholders' votes on remuneration is described in the chart below:

Shareholders' votes on remuneration summary



The binding votes on the aggregate compensation amounts combined with a consultative vote on the remuneration report reflect our true commitment to provide our shareholders with a far-reaching 'say-on-pay'.

3. Remuneration model

3.1. Structure of remuneration of the Board of Directors

Members of the Board of Directors receive a fixed remuneration only. They are entitled to a fixed annual board membership fee (annual board retainer) and additional annual fees for participation in board committees (committee fees). The annual board retainer of the Chair of the Board includes his or her attendance to any committee of the Board, whether as a voting member or in an advisory capacity. By agreement with the relevant tax authorities, part of the remuneration of the Chair of the Board may be settled as representation fees. Directors do not receive additional compensation for attending meetings and do not receive any variable remuneration.

The table below summarizes the remuneration elements of the members of the Board of Directors.

| | Annual Board retainer | Committee fees (per Committee) | Representation fees (subject to agreement with relevant tax authorities) |
|----------------------|-----------------------|--------------------------------|--|
| Chair | ✔ | ✘ | ✔ |
| Board members | ✔ | ✔ | ✘ |

The remuneration to the members of the Board of Directors is subject to employer social charges according to Swiss legislation.

The amounts of the remuneration elements for the Chair and the other board members are defined by the Board of Directors every year. The maximum total amount is subject to the binding vote of the Annual General Meeting.

In determining the amounts of the compensation elements, the Board of Directors considers the prevailing practices of the Swiss publicly traded companies belonging to the SMI or SMIM indexes, with market capitalization of similar size, and not belonging to the capital markets, insurance and pharmaceuticals sectors.

For the mandate Annual General Meeting 2022 to 2023, the Board of Directors reviewed the remuneration of its members, and defined the following changes:

- An increase of the board retainer for the Chair and the board members, to align with prevalent practices of Swiss publicly traded companies of similar size (see section 4. of this report for the new amounts)
- A new remuneration settlement scheme, with a portion of remuneration to be settled in restricted shares
- The introduction of shareholding requirements

The aggregate amount of the new board remuneration was submitted to the Annual General Meeting for approval.

Each board member will receive 25% of the annual board retainer in the form of shares restricted for a period of three years ending on the third anniversary of their award. The restricted shares will be awarded after the Annual General Meeting during which the board member is elected to their position. The number of restricted shares awarded will be determined by dividing the cash value of 25% of the annual board retainer by the average closing share price during the 20-day period following the payment of the dividends after the Annual General Meeting. Fractions will be rounded down to the nearest whole number; the balance, if any, will be settled in cash, payable with the next installment of the fees. Such restricted shares may not be sold, donated, pledged or otherwise disposed of to third parties during the three year restriction period. In case of change of control or liquidation, or in case a member of the board ceases to exercise their mandate following death or permanent disability, the restriction period of the shares lapses. The shares remain restricted in all other instances.

The portion of remuneration settled in cash is paid in two installments, in June and December of the calendar year.

Members of the Board of Directors do not hold service contracts and are not entitled to any termination or severance payments.

They do not participate in the company's benefit schemes and the company does not make any contributions to any pension scheme on their behalf.

Board members are required to accumulate during their tenure a number of shares equivalent in value to two years of remuneration.

3.2. Structure of remuneration of the Operations Council

The members of the Operations Council receive a fixed remuneration and a variable remuneration linked to short-term and long-term results.

The fixed remuneration includes an annual base salary and benefits, in the form of employer’s contributions into pension funds, health insurances, life and disability insurances, other contributions and

allowances according to local practices in their country of employment, and in the form of benefits in kind.

The variable remuneration consists of a short-term incentive, settled 50% in cash and 50% in equity, and a long-term incentive, settled in equity.

The table below summarizes the various components of the remuneration of the Operations Council members.

| Remuneration element | Remuneration vehicle | Drivers | Performance measures | Purpose | Plan period |
|------------------------------|--|---|---|---|---|
| Fixed remuneration | | | | | |
| Annual base salary | Cash | Position and experience, market practice (benchmarking) | n/a | Attract and retain key executives | Continuous |
| Benefits | Contributions to pension plans and insurances, other contributions, allowances, benefits in kind | Market practice | n/a | Protect executives against risks, attract and retain | Continuous |
| Variable remuneration | | | | | |
| Short-term incentive | 50% cash 50% restricted shares | Annual financial performance, individual performance against leadership competency model and ESG ¹ metrics | Group revenue, group NPAT ² , group ROIC ³ , group free cash flow, regional and division profit, regional and division NWC ⁴ , leadership multiplier | Pay for performance | 1-year performance period 3-year deferral period |
| Long-term incentive | Performance share units (PSUs) | Long-term financial and non-financial performance | Relative TSR ⁵ , ESG ¹ metrics | Reward for long-term performance, align compensation with the interests of the shareholders | 3-year performance period |

1. ESG: environmental, social and governance. 2. NPAT: net profit after tax. 3. ROIC: return on invested capital. 4. NWC: net working capital. 5. TSR: total shareholder return.

The remuneration of the members of the Operations Council is subject to employer social charges, according to the legislation in force in their country of employment.

3.2.1. Fixed remuneration: annual base salary

The base salaries of the CEO and each Operations Council member are reviewed annually based on market data for similar positions in those companies and geographies against which the group benchmarks itself. In addition to individual performance and contribution and business performance and results, the deciding body considers the scope and complexity of the areas of responsibility of the position, skillsets, experience required to perform the job, and relevant market practice in the industry.

3.2.2. Fixed remuneration: benefits

Benefits include the employer’s contributions to pension plans, the employer’s contributions to insurances for health, life, disability and other risks, other cash contributions and allowances, and benefits in kind. They are awarded in accordance with prevailing practices in the country of employment of the members of the Operations Council.

Swiss-based Operations Council members participate, on the same basis as other Swiss employees of the group, in the company’s pension scheme. Each participant can choose between three levels of employee contributions (“standard”, “plus 2” and “maxi”), defined based on the participant’s age; the company contributes an amount equal to one and a half times the participant’s contribution at the “standard” level. Flexibility is granted to employees who wish to fund a potential retirement before the normal age, and to those who wish to continue working after the age of 65.

3.2.3. Short-term variable remuneration

The CEO and the other members of the Operations Council are eligible for a performance-related annual incentive (the “short-term incentive”). The short-term incentive is designed to reward the CEO and the other members of the Operations Council for the annual financial performance of the group and its businesses, and for the demonstration of leadership behaviors in line with the SGS competency model and the group’s sustainability ambitions.

The short-term incentive plan is reviewed annually to ensure its alignment with the group’s business strategy and value to society ambitions. For the performance year 2022, only a minor change in the KPIs compared to 2021 was implemented: for the executive vice presidents, heads of divisions, 10% of the incentive opportunity is now linked to the division net working capital, replacing the division operating free cash flow, to ensure better consistency between divisions and regions in managing the net working capital.

The table below summarizes the short-term incentive components for the CEO and the other members of the Operations Council.

| Short-term incentive component | CEO | Other Operations Council members |
|--------------------------------|-----|----------------------------------|
| Annual financial performance | ✓ | ✓ |
| Leadership behaviors | ✓ | ✓ |

The target incentive is expressed as a percentage of the annual base salary and varies depending on the role. For the CEO, the target incentive amounts to 100% of annual base salary, while the target incentive for the other members of the Operations Council varies between 65% and 90% of annual base salary.

The table below summarizes the annual incentive opportunity for the CEO and the other members of the Operations Council.

| | CEO | Other Operations Council members |
|--|---------------|----------------------------------|
| Incentive frequency | Annual | Annual |
| Minimum incentive opportunity as % of base salary | 0% | 0% |
| as % of target incentive opportunity | 0% | 0% |
| Target incentive opportunity as % of base salary | 100% | 65-90% |
| Maximum incentive opportunity as % of target incentive opportunity | 250% | 250% |
| as % of base salary | 250% | 162.5-225% |

Annual financial performance

Each year, an annual business plan is derived from the long-term strategic plan and sets the business objectives to be achieved during the year.

The key performance indicators used in the short-term incentive to measure the annual financial performance of the group and its businesses include measurements of growth (top-line contribution), profitability (bottom-line contribution), cash generation and efficient use of capital, and thus reflect the financial performance of the company in a balanced manner. Those financial metrics are cascaded consistently throughout the organization to ensure collective alignment. The CEO and the heads of corporate functions (SVPs) are measured on the financial performance of the group, while the other members of the Operations Council are measured on the financial performance of the group and on the financial performance of their own division (EVPs) or region (COOs).

At the beginning of each year, based on a recommendation by the CEO, the Board of Directors sets the target values of the key performance indicators used in the short-term incentive, in line with the annual business objectives.

The table below summarizes the key performance indicators applicable to the CEO and the other members of the Operations Council.

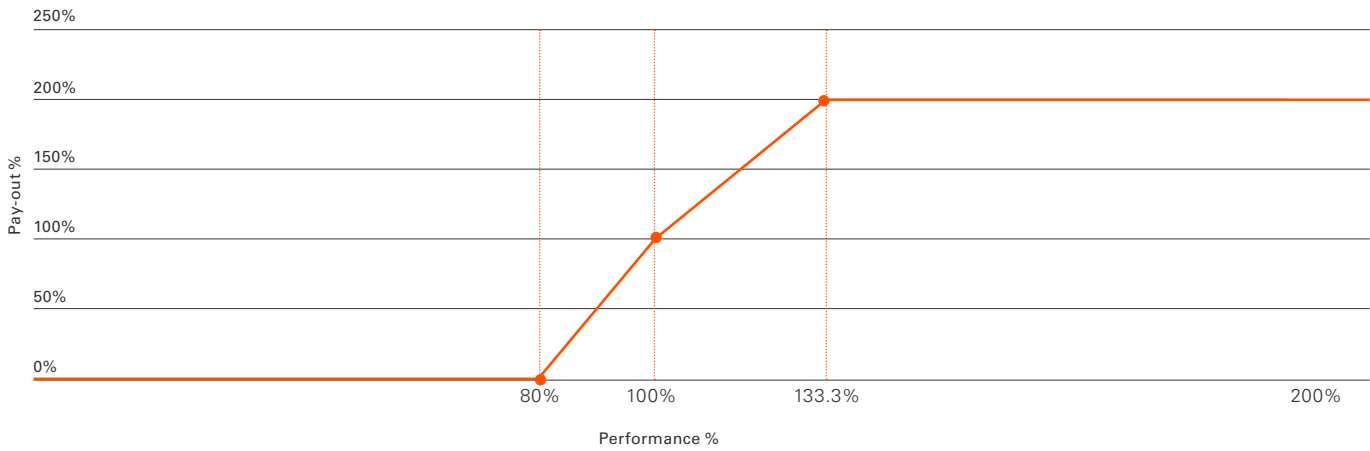
| | | CEO | Heads of Corporate Functions (SVPs) | Heads of Divisions (EVPs) | Heads of Regions (COOs) |
|-------------------------|-----------------------------|---------------------------------------|---------------------------------------|---------------------------|-------------------------|
| Group results | Profitability (bottom-line) | Group NPAT 25% | Group NPAT 25% | Group NPAT 25% | Group NPAT 25% |
| | Growth (top-line) | Group revenue 25% | Group revenue 25% | Group revenue 25% | Group revenue 25% |
| | Efficient use of capital | Group ROIC (Organic) 25% | Group ROIC (Organic) 25% | | |
| | Cash generation | Group free cash flow (organic) 25% | Group free cash flow (organic) 25% | | |
| Division results | Profitability (bottom-line) | | | Division profit 40% | |
| | Cash generation | | | Division NWC 10% | |
| Regions results | Profitability (bottom-line) | | | | Regional profit 40% |
| | Cash generation | | | | Regional NWC 10% |

For each key performance indicator, a pay-out curve is defined according to the following principles:

- A threshold (minimum level of performance to trigger a pay-out, and below which the pay-out is zero), a target (expected level of performance that triggers a pay-out equivalent to the target incentive), and a maximum (level of performance that triggers the highest pay-out, and above which the pay-out is capped) are defined
- The lowest pay-out (triggered by the threshold performance) and the highest pay-out (triggered by the maximum performance) are defined
- The pay-out for performances between threshold and target and between target and maximum are calculated by linear interpolation

The chart below shows the pay-out curves for the group net operating profit after taxes (NPAT), group revenue, group return on invested capital (ROIC), group free cash flow (FCF), divisional profit, regional profit.

Bottom-line, top-line, ROIC and FCF performance (pay-out curve)

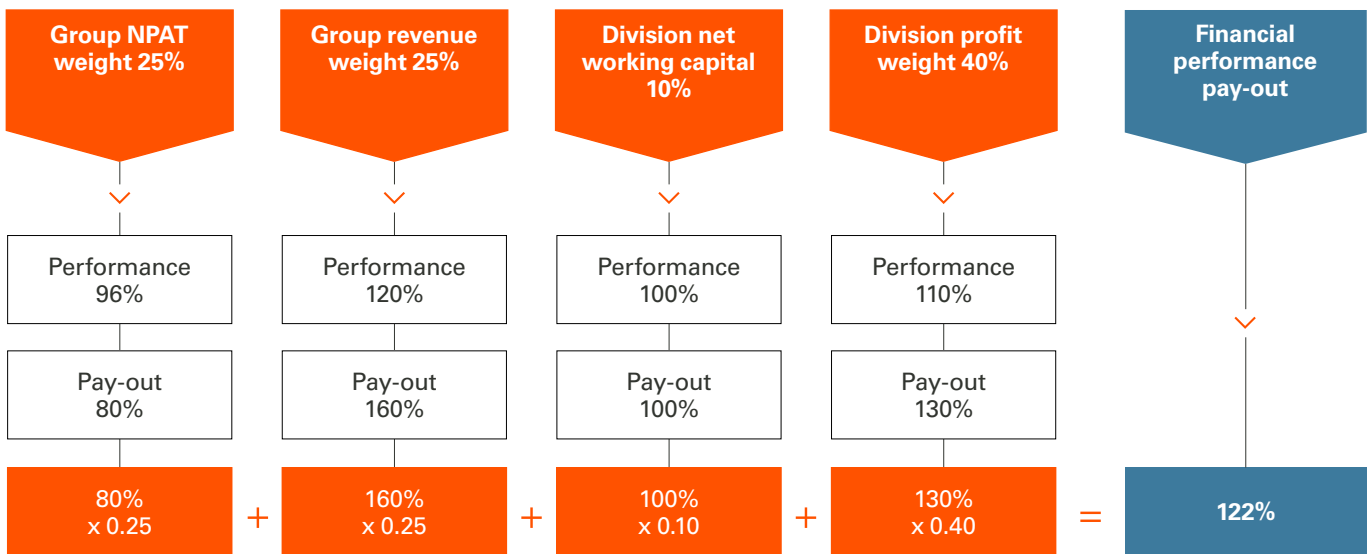


The pay-out curve for regional and divisional net working capital (NWC) is defined by the CEO at the beginning of the performance year together with the objectives for each performance metric.

At the end of the performance period, the results for each key performance indicator are assessed against the pre-defined target and the pay-out curve to determine a pay-out factor. The weighted average of the pay-out factors of each key performance indicator corresponds to the overall financial performance pay-out factor.

An example of the calculation of the financial performance pay-out factor for an executive vice president is described in the chart below.

Financial performance pay-out factors for an executive vice president



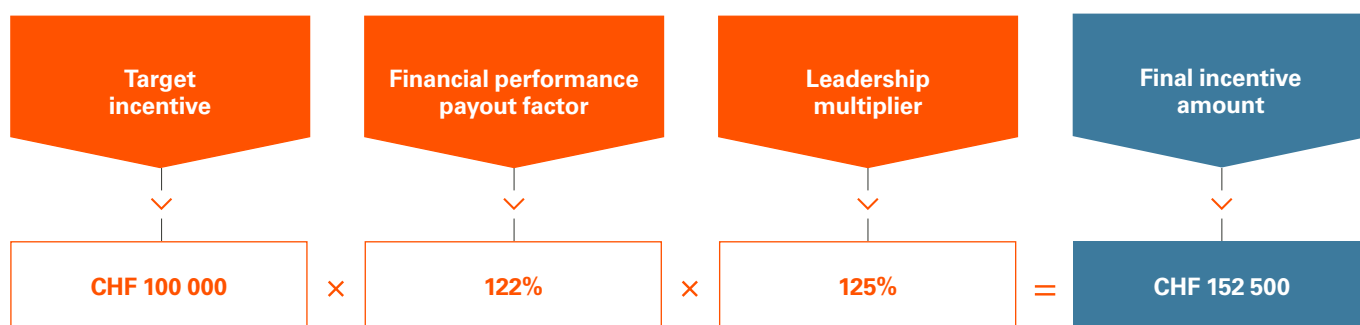
Leadership multiplier

The members of the Operations Council are also rewarded for the demonstration of leadership behaviors in line with the SGS competency model and with the SGS sustainability ambitions. These criteria encompass a broader range of values than the three metrics used for the determination of vesting of the long-term incentives (LTI). Their final incentive amount is calculated by multiplying the financial performance pay-out factor by a leadership multiplier.

The leadership multiplier is determined for each executive based on an assessment of their behaviors against: i) the leadership competency model of SGS in the areas of innovation, people management and change management, and ii) environmental, social and governance (ESG) metrics aligned with the group’s sustainability ambitions. The assessment of the CEO is conducted at year end by the Board of Directors, while the assessment of the other members of the Operations Council is conducted by the CEO and approved by the Remuneration Committee. The assessment leads to a leadership multiplier that can range between 70% and 125%.

An example of the calculation of the final incentive amount for an OC member is described in the chart below.

Final incentive amount for an OC member



Settlement of the short-term incentive

Once the final incentive amount is determined, it is settled 50% in cash and 50% in restricted shares, to strengthen the link between the compensation of executives and the interests of the shareholders.

The cash component is paid and the restricted shares are allocated after the shareholders' approval at the Annual General Meeting of the following year.

The number of restricted shares to be allocated is determined by dividing 50% of the final incentive amount by the average closing share price during the 20-day period following the payment of the dividends after the Annual General Meeting, and the result is rounded up to the nearest integer. They are restricted for a period of three years during which they may not be sold, transferred, or pledged. In case of change of control or liquidation or termination of employment following retirement, death or disability, the restriction period of the shares lapses. The shares remain restricted in all other instances.

The group does not issue new shares to be allocated to employees for equity-based compensation plans, but uses treasury shares instead, acquired through share buyback programs. Detailed information on the overhang and burn rate are disclosed in note 29.

Termination of employment

In case of termination of employment for any reason except for cause, if the last day of employment is on or after December 31 of the respective business year, the executive is eligible to the full annual incentive payment. The annual incentive is paid fully in cash after the approval at the Annual General Meeting.

In case of termination for cause before the date of payment, irrespective of whether the last day of employment is before or after December 31 of the respective business year, the executive has no entitlement to receive any annual incentive payment.

In case of resignation, and if the last day of employment is before December 31 of the respective business year, the participant has no entitlement to receive any annual incentive payment.

If employment ceases due to death or disability before December 31 of the respective business year, the annual incentive payment is calculated pro-rata (calendar days) based on the Board of Directors' best estimate of the performance on the last day of employment. The annual incentive is paid fully in cash shortly after the last day of employment, as soon as administratively possible.

In case of retirement or termination not for cause before December 31 of the respective business year, the annual incentive payment is calculated pro-rata (calendar days) based on actual performance at the end of the performance year, and it is paid fully in cash after the approval at the Annual General Meeting.

The table below summarizes the rules in case of termination of employment.

| Termination reason | Last day of employment before December 31 | | | | Last day of employment between December 31 and AGM | | | |
|--|---|--------------------------------|------------------------------------|-----------------|--|-----------------------------|------------------------------------|-----------------|
| | Incentive opportunity (target incentive) | Incentive pay-out | Payment date | Payment vehicle | Incentive opportunity (target incentive) | Incentive pay-out | Payment date | Payment vehicle |
| Termination for cause | Zero | Zero | – | – | Zero | Zero | – | – |
| Resignation | Zero | Zero | – | – | Full | Based on actual performance | After AGM approval | 100% cash |
| Death or disability | Pro-rated on calendar days | Based on estimated performance | Shortly after the termination date | 100% cash | Full | Based on actual performance | Shortly after the termination date | 100% cash |
| Retirement, termination not for cause | Pro-rated on calendar days | Based on actual performance | After the AGM approval | 100% cash | Full | Based on actual performance | After AGM approval | 100% cash |

AGM – Annual General Meeting

Clawback provisions

A clawback policy applies to any variable remuneration awarded to the members of the Operations Council. Under this policy, the company may reclaim the value of any variable incentives paid, in cash or shares, in the following cases: i) any fraud, negligence or intentional misconduct was a significant contributing factor to the company having to restate all or a portion of its financial statements; ii) a serious violation of the SGS internal regulations and/or code of integrity; iii) any violation of law within the scope of employment at the company.

3.2.4. Long-term variable remuneration

The CEO and the other members of the Operations Council are eligible to a performance-related long-term incentive (the “long-term incentive”). The long-term incentive is designed to motivate the leadership team to achieve the long-term objectives of the group and to align their remuneration with the interests of the shareholders.

The long-term incentive consists of a grant of performance share units (PSUs). As of 2021, PSUs grants are done every year, in line with prevalent market practices.

The value of the grants, defined as the number of PSUs granted multiplied by the average share price of the 20 trading days preceding the grant date, is expressed as a percentage of the annual base salary and varies depending on the job.

The value of the grant is 167% of the annual base salary for the CEO, and between 100% and 133% of the annual base salary for the other members of the Operations Council.

The table below summarizes the value of the incentive opportunity for the CEO and other OC members.

| | | CEO | Other Operations Council members |
|-------------------------------------|--------------------------------------|--------|----------------------------------|
| Incentive frequency | | Annual | Annual |
| Minimum incentive opportunity value | as % of base salary | 0% | 0% |
| | as % of target incentive opportunity | 0% | 0% |
| Target incentive opportunity value | as % of base salary | 167% | 100-133% |
| Maximum incentive opportunity value | as % of target incentive opportunity | 150% | 150% |
| | as % of base salary | 250% | 150-200% |

The PSUs granted under the long-term incentive vest after a performance period of three years, conditionally upon the achievement of pre-defined performance objectives and subject to continuity of employment of the beneficiaries during the vesting period.

The long-term incentive plan is reviewed annually to ensure its alignment with the group’s business strategy and value to society ambitions. No change in the structure of the long-term incentive plan was implemented in 2022; the only difference compared to the 2021 transition plan was in the size of the grants. Details on the value of the 2022 grants in comparison with the 2021 grants are disclosed in section 5.3. of this report.

Performance conditions

The performance conditions of the long-term incentive consist of the following key performance indicators:

- Relative total shareholder return (rTSR¹) (relative SGS performance compared with the peer group), accounting for 80% of the incentive opportunity
- Environmental, social and governance (ESG) metrics, accounting for 20% of the incentive opportunity

The TSR of the group will be compared to the TSR of a group of seven peer companies, selected by the Board of Directors as the main listed competitors on the testing, inspection and certification industry. The intention of indexing performance against a peer group of companies is to reward the relative performance of the company, where market factors that are outside the control of the executives are neutralized.

The list of the peer group companies is illustrated in the table below.

| | | | |
|----------|---------|----------------|----------|
| ALS | Applus+ | Bureau Veritas | Eurofins |
| Intertek | Mistras | Team | |

The vesting level for the TSR is defined as follows: 150% vesting if SGS is ranked first among the eight companies (including SGS) composing the peer group, 125% vesting if SGS is ranked second, 100% vesting if SGS is ranked third, 50% vesting if SGS is ranked fourth, and zero vesting if SGS is ranked fifth or worse.

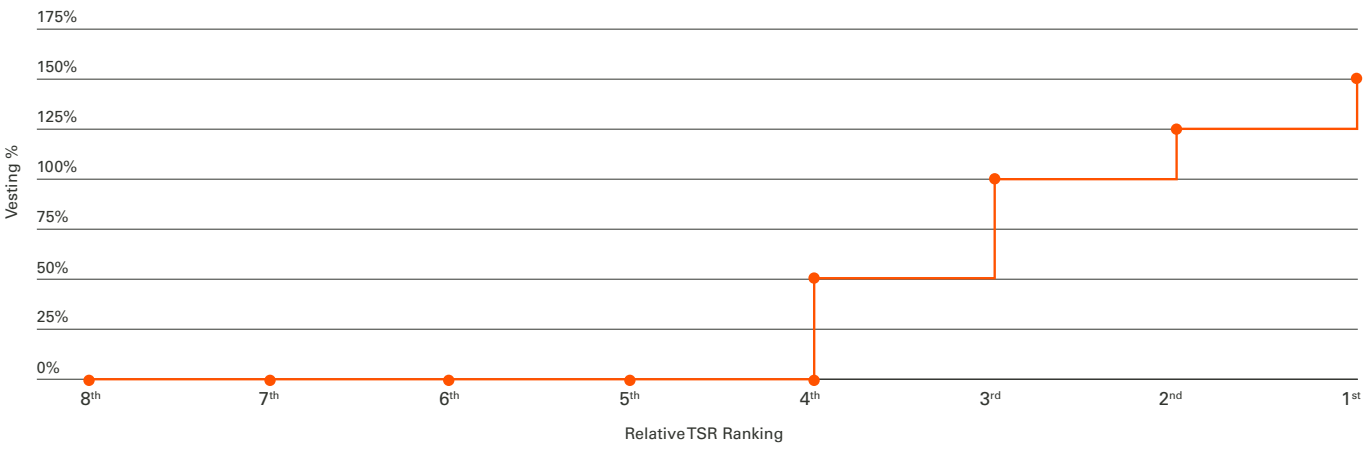
The ESG metrics have been selected by the Board of Directors in line with the company’s sustainability ambitions, in the areas of diversity and inclusion (women in leadership positions), health and safety (lost time incident rate) and environment protection (greenhouse gas (GHG) emissions).

The vesting level for the ESG metrics is defined based on the company’s achievements against pre-defined performance levels and can range between zero (in case the performance of two of the metrics is below target) and 150% (in case the performance of all three metrics is at maximum or above).

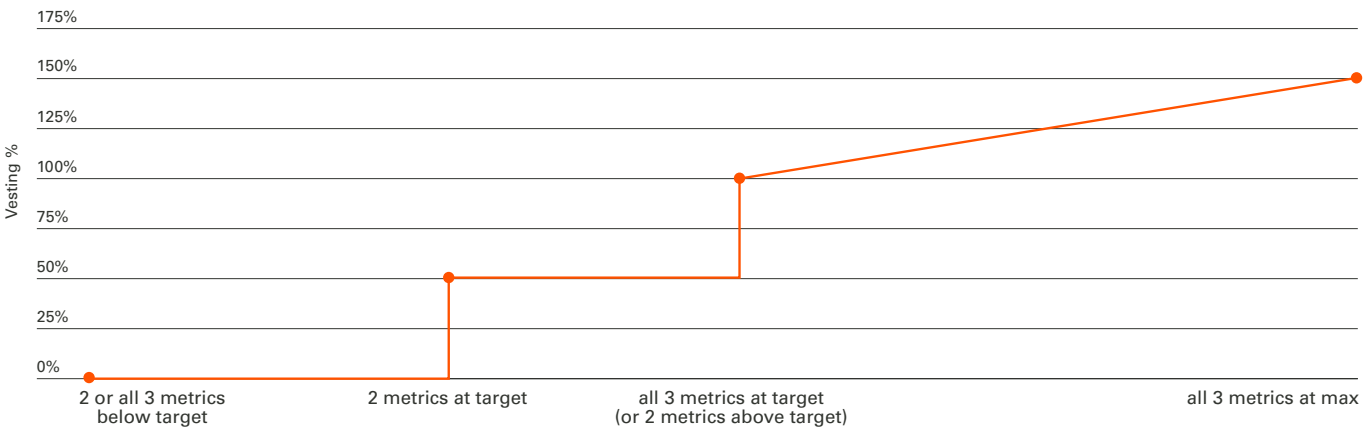
1. Total shareholder return: (Ending stock price – Beginning stock price) + Sum of all dividends received during the measurement period.

The graphics below summarize the key performance indicators of the long-term incentive and their vesting levels:

Relative TSR vesting formula



ESG metrics vesting formula



The overall vesting level of the PSUs granted will be calculated as a weighted average of each of the respective vesting levels for relative TSR (80%) and ESG metrics (20%), and ranges between 0% and 150%.

Settlement of the long-term incentive

At the end of the vesting period, the PSUs vest, subject to the performance conditions and the continuity of employment condition, and shares are allocated to the participants based on the overall vesting level.

The number of shares to be allocated at vesting is calculated by multiplying the number of PSUs granted by the overall vesting level, the result being rounded up to the nearest integer.

| | | | | |
|------------------------|---|--------------------------------|---|---------------------------------------|
| Number of PSUs granted | × | Overall vesting level (0-150%) | = | Number of shares allocated at vesting |
|------------------------|---|--------------------------------|---|---------------------------------------|

The Group does not issue new shares to be allocated to employees for equity-based compensation plans, but uses treasury shares instead, acquired through share buyback programs. Detailed information on the overhang and burn rate are disclosed in note 29.

Termination of employment

In case of termination of employment, all unvested PSUs are as a rule immediately forfeited without value and without any compensation, except in the following cases:

- In case of termination of employment as a result of disability or retirement, unvested PSUs vest on a pro-rata basis, based on the number of full months of the vesting period that have expired until the termination date. The shares are allocated after the regular vesting date and the vesting level is determined based on the performance during the entire regular performance period. There is no early allocation of the shares
- Upon termination of employment as a result of death, unvested PSUs will vest immediately on a pro-rata basis, based on the number of full months of the vesting period that have expired until the termination date. The vesting level is based on an estimation of performance by the Board of Directors
- In the event of a corporate transaction or liquidation, unvested PSUs vest immediately. The vesting level is based on an estimation of performance by the Board of Directors

The table below summarizes the vesting rules in case of termination of employment:

| Termination reason | Vesting rule | Vesting time and shares allocation | Vesting level |
|--------------------------------------|-----------------------------|------------------------------------|---|
| Retirement or disability | Vesting on a pro-rata basis | At regular vesting date | Based on actual performance |
| Death | Vesting on a pro-rata basis | Immediate | Based on an estimation of performance by the Board of Directors |
| Corporate transaction or liquidation | Full vesting | Immediate | Based on an estimation of performance by the Board of Directors |
| Other reasons | Forfeiture | – | – |

Malus and clawback provisions

A malus and clawback policy applies to any long-term incentive grant awarded to the members of the Operations Council. Under this policy, the company may forfeit any unvested equity compensation and/or reclaim the value of any vested equity compensation granted under a long-term incentive plan, in the following cases: i) any fraud, negligence or intentional misconduct was a significant contributing factor to the company having to restate all or a portion of its financial statements; ii) a serious violation of the SGS internal regulations and/or code of integrity; iii) any violation of law within the scope of employment at the company.

3.2.5. Remuneration mix

The part of remuneration at risk (short-term incentive and long-term incentive) for the CEO represents, at target, 73% of their total remuneration. The part of remuneration settled in equity instruments (restricted shares and PSUs) represents, at target, 59% of their total remuneration.

For the other members of the Operations Council, the part or remuneration at risk represents, on average, 64% of their total remuneration. The part of remuneration settled in equity instruments represents, on average, 50% of their total remuneration.

The long-term incentive is considered at its annualized value.

The part of the fixed remuneration linked to benefits is not considered in this analysis.

The charts below show the remuneration mix for the CEO and the other members of the Operations Council in three cases: at minimum (both short-term and long-term incentives at zero pay-out), at target (both short-term and long-term incentives at 100% pay-out) and at maximum (both short-term and long-term incentives at maximum pay-out).

3.2.6. Shareholding ownership guidelines

A shareholding ownership guideline (SOG) in force since 2015, requires the members of the Operations Council to own at least a certain multiple of their annual base salary in SGS shares, as follows:

- CEO: three times the annual base salary
- Other members of the Operations Council: two times the annual base salary

In the event of a substantial drop in the share price, the Board of Directors has the discretion to modify the SOG.

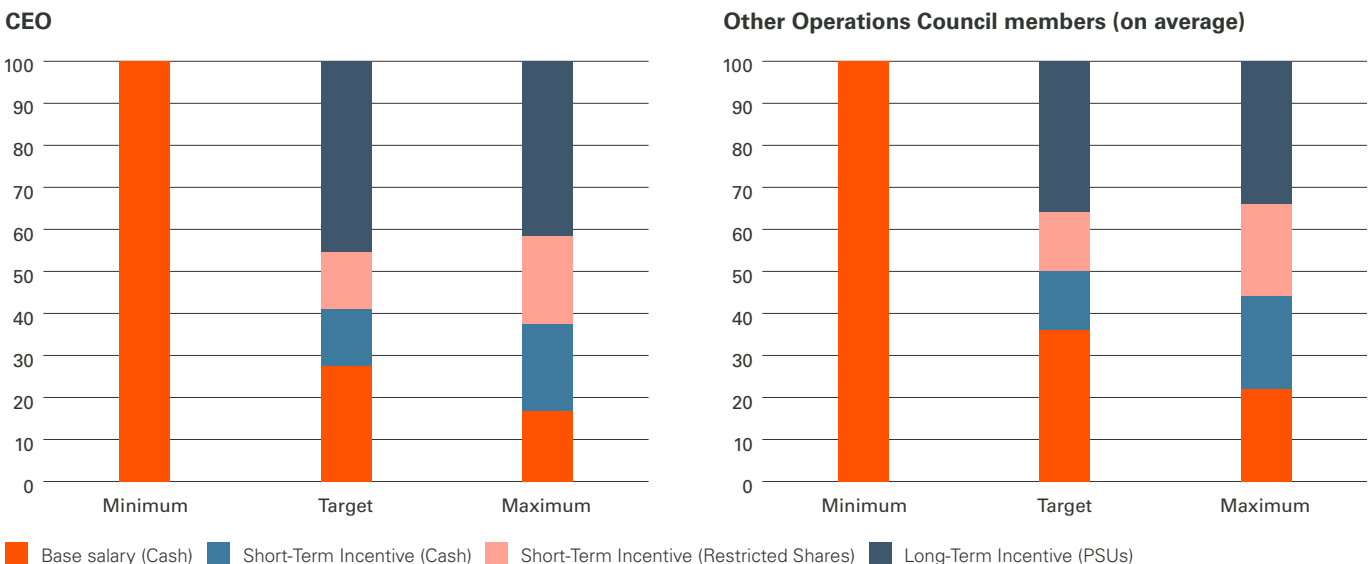
The determination of equity amounts against the SOG is defined to include vested shares allocated under the short-term and long-term incentive plans and other shares that are owned by the Operations Council member directly or indirectly (by “closely related persons”).

The Remuneration Committee reviews compliance with the SOG on an annual basis. Until the minimum requirement is met, 25% of the shares allocated under the short-term incentive plan and all shares allocated upon vesting of the PSUs under the long-term incentive plan will be blocked.

3.2.7. Employment contracts

Employment contracts of the Operations Council members have no fixed term and can be terminated at any time by either party, provided a notice period of six months is respected. For the CEO, the notice period is 12 months. The executive contracts do not provide for any severance payments (beyond the minimum legally required in the country of employment) and are subject to applicable legislation in the country of employment.

Remuneration mix for the CEO and other Operations Council members in three cases (%)



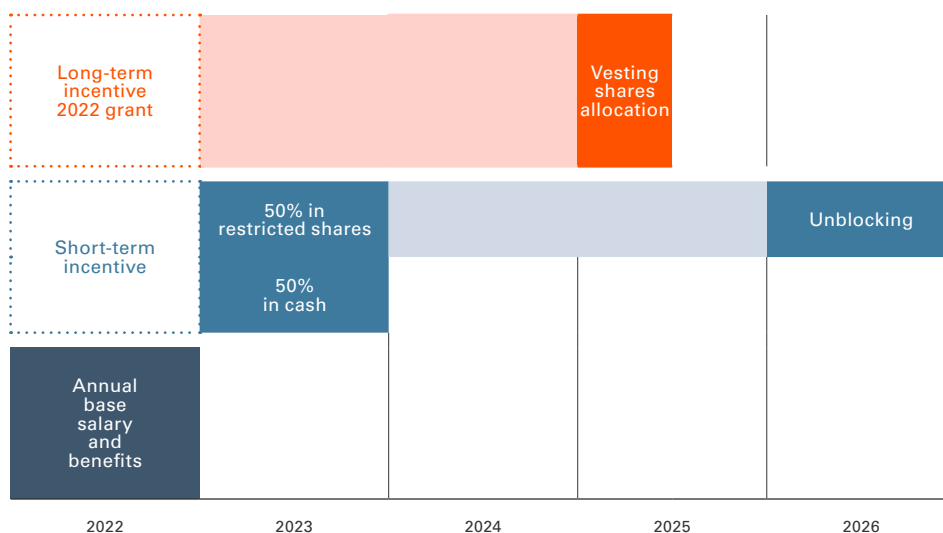
3.2.8. Timeline of remuneration

The following chart outlines the timeline of payment of each remuneration element that was earned in 2022:

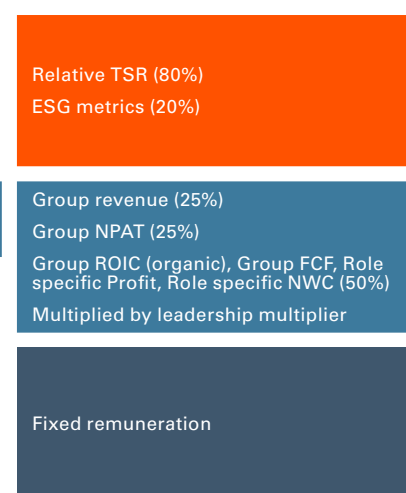
- The annual base salary is paid during 2022
- The cash portion of the short-term incentive is paid in March 2023, shortly after the Annual General Meeting
- The share portion of the short-term incentive is allocated in April 2023 and will be unblocked in April 2026
- The PSUs granted under the long-term incentive in 2022 will be earned over the performance period from 2022 to 2024 and will vest, subject to performance conditions and continuity of employment, in February 2025

Timeline of remuneration

Timeline (performance period, time of payment)



Performance KPIs



Shareholding Ownership Guideline

4. Remuneration awarded to the Board of Directors (audited)

As explained in section 3.1. of this report, The Board of Directors reviewed the remuneration of its members, to align with prevalent market practices of Swiss publicly traded companies.

For the mandate from Annual General Meeting 2022 to 2023, the annual board retainer is CHF 665 000 for the Chair of the Board and CHF 200 000 for the other Board of Directors members; this represents an increase of 33% compared to the prior mandate (board retainer was CHF 500 000 for the Chair and CHF 150 000 for the other members). The Chair of the Audit Committee is entitled to an additional fee of CHF 70 000; directors serving as Audit Committee members are entitled to an additional fee of CHF 50 000 (unchanged from the prior mandate). The Chair of the Remuneration Committee is entitled to an additional fee of CHF 40 000; directors serving as Remuneration Committee members are entitled to an additional fee of CHF 30 000 (unchanged from the prior mandate). The Chair of the Sustainability Committee is entitled to an additional fee of CHF 30 000; directors serving as Sustainability Committee members and directors serving on the Nomination Committee are entitled to an additional fee of CHF 30 000 (during the prior mandate, directors serving on the Governance & Compliance Committee were entitled to an additional fee of CHF 30 000).

| (CHF thousand, gross) | Board Retainer | Audit Committee fee | Remuneration Committee fee | Nomination Committee fee | Sustainability Committee fee |
|-----------------------|----------------|---------------------|----------------------------|--------------------------|------------------------------|
| Chairmanship | 665 | 70 | 40 | – | 30 |
| Membership | 200 | 50 | 30 | 30 | 30 |

The total remuneration of the Board of Directors for the mandate from Annual General Meeting 2022 to 2023 is equal to CHF 2 655 000, within the amount approved by the Annual General Meeting 2022 (CHF 2 700 000).

Each board member receives 25% of the annual board retainer in the form of shares restricted for a period of three years ending on the third anniversary of their award; the remaining portion is settled in cash. The cash part is paid partly in the current fiscal year and partly in the next fiscal year, on a pro-rata temporis basis. The restricted shares are awarded in the current fiscal year, after the Annual General Meeting during which the board member is elected to their position.

The total remuneration of the Board of Directors for the mandate from Annual General Meeting 2021 to 2022 was equal to CHF 1 880 000, within the amount approved by the Annual General Meeting 2021 (CHF 2 300 000).

Each board member could choose to receive up to 50% of his/her remuneration settled in shares or restricted shares. Two board members decided to receive a portion (25% and 50%) of their remuneration in restricted shares; the remaining portion was settled in cash. The cash part was paid partly in 2021 fiscal year and partly in 2022 fiscal year, on a pro-rata temporis basis. The shares or restricted shares were granted in 2022 fiscal year, after the publication of the 2021 Group results.

The table below details the remuneration elements and the settlement vehicle of the directors for the mandate Annual General Meeting 2022 to 2023.

| (CHF thousand, gross) | Chairmanship | Board membership | Audit Committee membership | Remuneration Committee membership | Nomination Committee membership | Sustainability Committee membership | Total remuneration | To be settled in cash | To be settled in restricted shares ¹ |
|-----------------------|--------------|------------------|----------------------------|-----------------------------------|---------------------------------|-------------------------------------|--------------------|-----------------------|---|
| C. Grieder | 665 | – | – | – | – | – | 665 | 500 | 165 |
| S. Atiya | – | 200 | – | 40 | 30 | – | 270 | 220 | 50 |
| Ph. Cheung | – | 200 | – | – | – | 30 | 230 | 180 | 50 |
| P. Desmarais, Jr. | – | 200 | – | – | – | – | 200 | 150 | 50 |
| I. Gallienne | – | 200 | – | 30 | 30 | – | 260 | 210 | 50 |
| T. Hartmann | – | 200 | 50 | – | – | – | 250 | 200 | 50 |
| S. R. du Pasquier | – | 200 | – | – | – | – | 200 | 150 | 50 |
| K. Sorenson | – | 200 | 70 | 30 | – | 30 | 330 | 280 | 50 |
| J. S. Vergis | – | 200 | 50 | – | – | – | 250 | 200 | 50 |
| Total | 665 | 1 600 | 170 | 100 | 60 | 60 | 2 655 | 2 090 | 565 |

1. Restricted shares were granted during fiscal year 2022.

The table below details the remuneration elements and the settlement vehicle of the directors for the mandate Annual General Meeting 2021 to 2022.

| (CHF thousand, gross) | Chairmanship | Board membership | Audit Committee membership | Remuneration Committee membership | Governance & Compliance Committee membership | Total remuneration | Proportion to be settled in cash | Settled in restricted shares ¹ |
|-----------------------|--------------|------------------|----------------------------|-----------------------------------|--|--------------------|----------------------------------|---|
| C. Grieder | 500 | – | – | – | – | 500 | 100% | – |
| S. Atiya | – | 150 | – | – | 30 | 180 | 100% | – |
| P. Desmarais, Jr. | – | 150 | – | – | – | 150 | 100% | – |
| I. Gallienne | – | 150 | – | 30 | 30 | 210 | 100% | – |
| T. Hartmann | – | 150 | 50 | – | – | 200 | 100% | – |
| S. R. du Pasquier | – | 150 | – | 40 | – | 190 | 75% | 25% |
| K. Sorenson | – | 150 | 70 | 30 | – | 250 | 50% | 50% |
| J. S. Vergis | – | 150 | 50 | – | – | 200 | 100% | – |
| Total | 500 | 1 050 | 170 | 100 | 60 | 1 880 | | |

1. Restricted shares were granted during fiscal year 2022.

The remuneration of the Board of Directors is subject to employer social charges according to Swiss legislation.

The following table details the remuneration elements granted to each of the directors for their tenure in fiscal year 2022. It includes both pro-rata temporis elements of remuneration for the mandate Annual General Meeting 2021 to 2022 and pro-rata temporis elements or remuneration for the mandate Annual General Meeting 2022 to 2023.

| (CHF thousand, gross) | Board retainer | Representation fees | Committee fees | Total remuneration | Cash | Restricted shares value | Restricted shares NB | Employer social charges |
|-------------------------|----------------|---------------------|----------------|--------------------|--------------|-------------------------|----------------------|-------------------------|
| C. Grieder | 656 | – | – | 656 | 493 | 163 | 65 | 10 |
| S. Atiya | 197 | – | 60 | 257 | 209 | 48 | 19 | 22 |
| Ph. Cheung ¹ | 163 | – | 23 | 186 | 138 | 48 | 19 | 16 |
| P. Desmarais, Jr. | 197 | – | – | 197 | 149 | 48 | 19 | 14 |
| I. Gallienne | 197 | – | 59 | 256 | 208 | 48 | 19 | 22 |
| T. Hartmann | 197 | – | 49 | 246 | 198 | 48 | 19 | – |
| S. R. du Pasquier | 212 | – | – | 212 | 115 | 97 | 38 | 18 |
| K. Sorenson | 288 | – | 98 | 386 | 213 | 173 | 68 | 32 |
| J. S. Vergis | 197 | – | 49 | 246 | 198 | 48 | 19 | 21 |
| Total | 2 304 | – | 338 | 2 642 | 1 921 | 721 | 285 | 155 |

1. As of the Annual General Meeting 2022.

The following table details the remuneration elements granted to each of the directors for their tenure in fiscal year 2021. It includes both pro-rata temporis elements of remuneration for the mandate Annual General Meeting 2020 to 2021 and pro-rata temporis elements of remuneration for the mandate Annual General Meeting 2021 to 2022.

| (CHF thousand, gross) | Board retainer | Representation fees | Committee fees | Total remuneration | Cash | Restricted shares value | Restricted shares NB | Employer social charges |
|------------------------------|----------------|---------------------|----------------|--------------------|--------------|-------------------------|----------------------|-------------------------|
| C. Grieder | 501 | – | – | 501 | 501 | – | – | – |
| S. Atiya | 150 | – | 30 | 180 | 180 | – | – | 16 |
| P. Desmarais, Jr. | 150 | – | – | 150 | 150 | – | – | 11 |
| A. F. von Finck ¹ | 35 | – | 7 | 42 | 42 | – | – | 4 |
| I. Gallienne | 150 | – | 61 | 211 | 211 | – | – | 19 |
| C. Grupp ¹ | 35 | – | – | 35 | 35 | – | – | 2 |
| T. Hartmann | 150 | – | 50 | 200 | 200 | – | – | – |
| G. Lamarche ¹ | 35 | – | 16 | 51 | 51 | – | – | 5 |
| S. R. du Pasquier | 150 | – | 40 | 190 | 142 | 48 | 18 | 17 |
| K. Sorenson | 110 | – | 68 | 178 | 178 | – | – | 16 |
| J. S. Vergis ² | 116 | – | 39 | 155 | 155 | – | – | 14 |
| Total | 1 582 | – | 311 | 1 893 | 1 845 | 48 | 18 | 104 |

1. Until the Annual General Meeting 2021.

2. As of the Annual General Meeting 2021.

The overall remuneration paid to the Board of Directors in 2022 is higher than the overall remuneration paid in 2021; this reflects the adjustment of the board fees to market conditions (as explained in section 3.1. of this report), the split of the Governance & Sustainability Committee into two separate committees (the Nomination Committee and the Sustainability Committee), and the increase in the number of board members (9 members in the mandate Annual General Meeting 2022 to 2023, 8 members in the prior mandate).

5. Remuneration awarded to the Operations Council members (audited)

This section sets out the remuneration that was paid to the Operations Council as a whole, to the three Operations Council members who make up senior management and to the CEO in 2022. All amounts disclosed in this section include the short-term incentive cash amount and restricted shares that will be granted in April 2023 with respect to performance in 2022 (disclosure according to the accrual principle).

5.1. Fixed remuneration

The table below summarizes the fixed remuneration paid to the Operations Council, senior management and the CEO in 2022.

| (CHF thousand, gross) | Base salary | Other cash allowances | Contributions to pension plans | Other contributions and benefits in kind | Total fixed remuneration |
|---|--------------|-----------------------|--------------------------------|--|--------------------------|
| Operations Council (including senior management) | | | | | |
| Cash (including allowances) | 7 499 | 867 | – | – | 8 366 |
| Contributions and benefits in kind | – | – | 748 | 343 | 1 091 |
| Equity | – | – | – | – | – |
| Total | 7 499 | 867 | 748 | 343 | 9 457 |
| Senior management (including CEO) | | | | | |
| Cash (including allowances) | 2 325 | 142 | – | – | 2 467 |
| Contributions and benefits in kind | – | – | 271 | 21 | 292 |
| Equity | – | – | – | – | – |
| Total | 2 325 | 142 | 271 | 21 | 2 759 |
| Chief Executive Officer | | | | | |
| Cash (including allowances) | 1 200 | 64 | – | – | 1 264 |
| Contributions and benefits in kind | – | – | 112 | 8 | 120 |
| Equity | – | – | – | – | – |
| Total | 1 200 | 64 | 112 | 8 | 1 384 |

The aggregate total fixed remuneration of the members of the Operations Council did not exceed the maximum amount approved by the Annual General Meeting in 2021 (CHF 14 000 000). For 2023, the 2022 Annual General Meeting already approved a maximum aggregate total fixed remuneration for the members of the Operations Council (CHF 12 500 000).

The table below summarizes the fixed remuneration paid to the Operations Council, senior management and the CEO in 2021.

| (CHF thousand, gross) | Base salary | Other cash allowances | Contributions to pension plans | Other contributions and benefits in kind | Total fixed remuneration |
|---|--------------|-----------------------|--------------------------------|--|--------------------------|
| Operations Council (including senior management) | | | | | |
| Cash (including allowances) | 7 599 | 1 019 | – | – | 8 618 |
| Contributions and benefits in kind | – | – | 804 | 340 | 1 144 |
| Equity | – | – | – | – | – |
| Total | 7 599 | 1 019 | 804 | 340 | 9 762 |
| Senior management (including CEO) | | | | | |
| Cash (including allowances) | 2 278 | 145 | – | – | 2 423 |
| Contributions and benefits in kind | – | – | 259 | 22 | 281 |
| Equity | – | – | – | – | – |
| Total | 2 278 | 145 | 259 | 22 | 2 704 |
| Chief Executive Officer | | | | | |
| Cash (including allowances) | 1 200 | 64 | – | – | 1 264 |
| Contributions and benefits in kind | – | – | 112 | 9 | 121 |
| Equity | – | – | – | – | – |
| Total | 1 200 | 64 | 112 | 9 | 1 385 |

The decrease in fixed remuneration compared with 2021 reflects the change in the composition of the Operations Council.

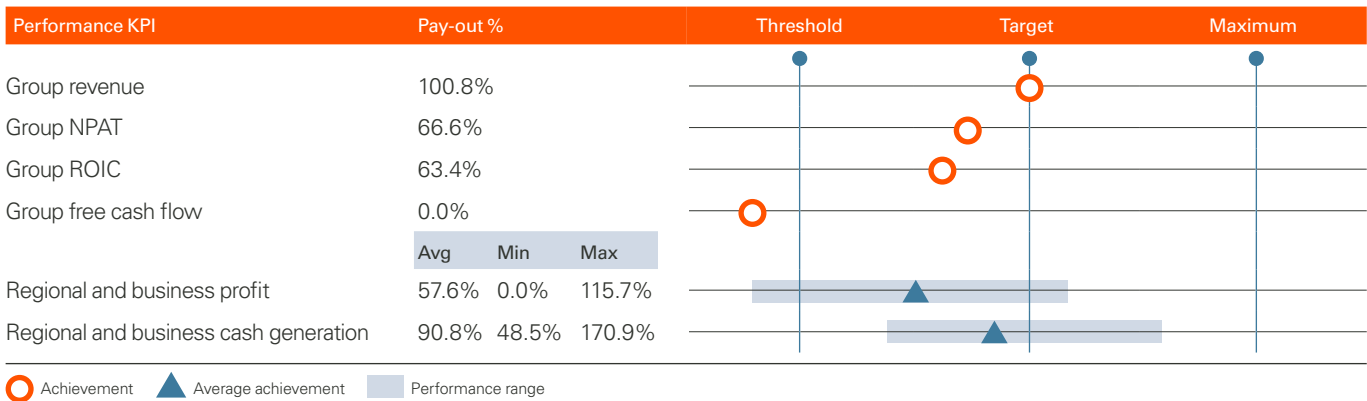
5.2. Short-term variable remuneration

The short-term variable remuneration of the members of the Operations Council is determined by the achievement of financial targets and by their leadership behaviors.

In 2022, the achievement of financial targets at group level, in the businesses and in the regions ranges from 74.8% to 123.6% (2021: 88.0% to 133.3%).

The chart below summarizes the 2022 performance achievements against targets for the financial objectives (revenue, profitability, cash generation and capital efficiency) used in the short-term incentive. No adjustment to the targets was made to account for the Covid-19 related lockdown in China and for the geopolitical crisis in Eastern Europe.

2022 performance achievements against targets



The overall short-term incentive pay-out amounts to 63.5% of the target incentive opportunity for the CEO (2021: 121.9%) and ranges from 49.4% to 113.1% of the target incentive opportunity for the other members of the Operations Council (2021: 79.1% to 157.1%). For the purpose of the short-term incentive, targets and performance achievement are measured at constant currency exchange rates. The table below details the 2022 short-term incentive for the CEO.

CEO 2022 STI pay-out

| KPI description | Group financial KPIs | | | | Pay-out |
|-------------------------------|-----------------------|--------------------|--------------------|-------------------|---------|
| | Revenue (CHF million) | NPAT (CHF million) | ROIC (organic) (%) | FCF (CHF million) | |
| Target | 6 623 | 630 | 20.5 | 677 | |
| Actual | 6 642 | 588 | 19.0 | 507 | |
| Actual vs Target % | 100.3% | 93.3% | 92.7% | 74.8% | |
| Pay-out % | 100.8% | 66.6% | 63.4% | 0.0% | |
| Weight | 25% | 25% | 25% | 25% | |
| Financial KPIs pay-out % | | | | | 57.7% |
| Leadership multiplier | | | | | 110% |
| Total pay-out % | | | | | 63.5% |
| Pay-out (CHF thousand, gross) | | | | | 762 |

In settlement of the equity portion of the short-term incentive 2022, SGS restricted shares will be allocated to the members of the Operations Council in Q2 2023, after the approval of the total short-term incentive amount by the Annual General Meeting (in Q2 2022, 1 378 restricted shares were granted in settlement of the equity portion of the short-term incentive 2021). The number of restricted shares to be allocated is calculated by dividing the equity portion of the short-term incentive by the average closing price of the share during a 20-trading day period following the payment of the dividends after the Annual General Meeting, rounded up to the nearest integer, and are restricted for a period of three years.

The table below summarizes the short-term variable remuneration awarded to the Operations Council, senior management and the CEO for the 2022 performance year, and its comparison with the incentive opportunity.

| (CHF thousand, gross) | Minimum | Target | Maximum | Actual short-term variable remuneration |
|---|---------|--------------|---------------|---|
| Operations Council (including senior management) | | | | |
| Cash (including allowances) | – | 3 106 | 7 765 | 2 216 |
| Contributions and benefits in kind | – | – | – | – |
| Equity | – | 3 106 | 7 765 | 2 216 |
| Total | – | 6 212 | 15 530 | 4 432 |
| Senior management (including CEO) | | | | |
| Cash (including allowances) | – | 1 080 | 2 700 | 662 |
| Contributions and benefits in kind | – | – | – | – |
| Equity | – | 1 080 | 2 700 | 662 |
| Total | – | 2 160 | 5 400 | 1 324 |
| Chief Executive Officer | | | | |
| Cash (including allowances) | – | 600 | 1 500 | 381 |
| Contributions and benefits in kind | – | – | – | – |
| Equity | – | 600 | 1 500 | 381 |
| Total | – | 1 200 | 3 000 | 762 |

The total short-term remuneration amount will be submitted for approval to the Annual General Meeting of 2023, and the settlement for both the cash and the equity part will be implemented shortly after.

The table below summarizes the short-term variable remuneration awarded to the Operations Council, senior management and the CEO for the 2021 performance year, and its comparison with the incentive opportunity.

| (CHF thousand, gross) | Minimum | Target | Maximum | Actual short-term variable remuneration |
|---|---------|--------------|---------------|---|
| Operations Council (including senior management) | | | | |
| Cash (including allowances) | – | 3 195 | 7 988 | 3 783 |
| Contributions and benefits in kind | – | – | – | – |
| Equity | – | 2 893 | 7 233 | 3 448 |
| Total | – | 6 088 | 15 220 | 7 231 |
| Senior management (including CEO) | | | | |
| Cash (including allowances) | – | 1 059 | 2 648 | 1 296 |
| Contributions and benefits in kind | – | – | – | – |
| Equity | – | 1 059 | 2 648 | 1 296 |
| Total | – | 2 118 | 5 295 | 2 592 |
| Chief Executive Officer | | | | |
| Cash (including allowances) | – | 600 | 1 500 | 732 |
| Contributions and benefits in kind | – | – | – | – |
| Equity | – | 600 | 1 500 | 732 |
| Total | – | 1 200 | 3 000 | 1 464 |

The total 2021 short-term remuneration amount was approved by the Annual General Meeting of 2022, and the settlement for both the cash and the equity part were implemented shortly after.

The decrease in short-term variable remuneration compared to 2021 reflects the lower achievements against the financial targets.

5.3. Long-term variable remuneration

In 2022, the group implemented a long-term incentive plan for the performance period 2022-2024. Under the long-term incentive plan 2022-2024, a total of 3 296 performance share units (PSUs) were granted to the members of the Operations Council; this includes 1 301 PSUs granted to senior management, of which 769 granted to the CEO.

The PSUs awarded under the long-term incentive 2022-2024 vest after the three-year performance period 2022-2024, in early 2025, subject to the performance conditions (relative total shareholder return and environmental, social and governance metrics; see section 3.2.4. of this report for detailed explanations on the performance conditions) and to continuity of employment of the beneficiaries during the vesting period.

The number of PSUs granted is calculated by dividing the value of the grant, as disclosed in section 3.2.4. of this report, by the average closing price of the share during a 20-trading day period preceding the grant date, rounded up to the nearest integer.

A cash long-term incentive plan was implemented in 2022 for one Operations Council member who was newly appointed, as part of his total compensation. This incentive mirrors the long-term incentive PSUs plan 2021-2023, with the exact same vesting and performance conditions, from the date of the appointment to 31 December 2023.

In 2021, the group implemented a long-term incentive plan for the performance period 2021-2023. Under the long-term incentive plan 2021-2023, a total of 6 003 performance share units (PSUs) were granted to the members of the Operations Council; this includes 2 462 PSUs granted to senior management, of which 1 481 granted to the CEO. The 2021-2023 long-term incentive plan was a transition plan, from the past practice (until the 2018-2020 plan), with one grant every three years, to the new practice, with one grant every year.

A cash long-term incentive plan was implemented in 2021 for one Operations Council member who was newly appointed, as part of his total compensation. This incentive mirrors the long-term incentive PSUs plan 2021-2023, with the exact same vesting and performance conditions, from the date of the appointment to 31 December 2023.

The table below summarizes the value of the long-term variable remuneration awarded to the Operations Council, senior management and the CEO in 2022.

| | Number of PSUs granted | Total value of the grant ¹ (CHF thousand, gross) |
|---|---------------------------|--|
| Operations Council (including senior management) | | |
| Cash (including allowances) | – | 618 |
| Contributions and benefits in kind | – | – |
| Equity | 3 296 | 8 577 |
| Total | 3 296 | 9 195 |
| Senior management (including CEO) | | |
| Cash (including allowances) | – | – |
| Contributions and benefits in kind | – | – |
| Equity | 1 301 | 3 386 |
| Total | 1 301 | 3 386 |
| Chief Executive Officer | | |
| Cash (including allowances) | – | – |
| Contributions and benefits in kind | – | – |
| Equity | 769 | 2 001 |
| Total | 769 | 2 001 |

1. The value of the grant for the equity part is defined as the number of PSUs granted multiplied by the average closing price of the share during a 20-trading day period preceding the grant date.

The table below summarizes the value of the long-term variable remuneration awarded to the Operations Council, senior management and the CEO in 2021.

| | Number of PSUs granted | Total value of the grant ^{1,2} (CHF thousand, gross) |
|---|---------------------------|--|
| Operations Council (including senior management) | | |
| Cash (including allowances) | – | 382 |
| Contributions and benefits in kind | – | – |
| Equity | 6 003 | 16 216 |
| Total | 6 003 | 16 598 |
| Senior management (including CEO) | | |
| Cash (including allowances) | – | – |
| Contributions and benefits in kind | – | – |
| Equity | 2 462 | 6 651 |
| Total | 2 462 | 6 651 |
| Chief Executive Officer | | |
| Cash (including allowances) | – | – |
| Contributions and benefits in kind | – | – |
| Equity | 1 481 | 4 001 |
| Total | 1 481 | 4 001 |

1. The value of the grant for the equity part is defined as the number of PSUs granted multiplied by the average closing price of the share during a 20-trading day period preceding the grant date.

2. The 2021-2023 LTI plan is a transition plan between the past practice (one grant every three years) and the new practice (annual grant); the value of the grant is two thirds of the past plans, while as of 2022 the value of the grant is one third of the past plans.

5.4. Total remuneration

The tables below present all components of the remuneration earned in 2022 and 2021 by the Operations Council, senior management and the CEO. The employer social charges are reported separately in the last column of the table.

Total remuneration 2022

| (CHF thousand, gross) | Total fixed remuneration | Total short-term variable remuneration | Total 2022 remuneration before LTI | Total long-term variable remuneration | Total 2022 remuneration | Employer social charges |
|---|-----------------------------|---|--|--|----------------------------|-------------------------------|
| Operations Council (including senior management)¹ | | | | | | |
| Cash (including allowances) | 8 366 | 2 216 | 10 582 | 618 | 11 200 | – |
| Contributions and benefits in kind | 1 091 | – | 1 091 | – | 1 091 | 1 390 |
| Equity | – | 2 216 | 2 216 | 8 577 | 10 793 | – |
| Total | 9 457 | 4 432 | 13 889 | 9 195 | 23 084 | 1 390 |
| Senior management (including CEO)² | | | | | | |
| Cash (including allowances) | 2 467 | 662 | 3 129 | – | 3 129 | – |
| Contributions and benefits in kind | 292 | – | 292 | – | 292 | 418 |
| Equity | – | 662 | 662 | 3 386 | 4 048 | – |
| Total | 2 759 | 1 324 | 4 083 | 3 386 | 7 469 | 418 |
| Chief Executive Officer | | | | | | |
| Cash (including allowances) | 1 264 | 381 | 1 645 | – | 1 645 | – |
| Contributions and benefits in kind | 120 | – | 120 | – | 120 | 220 |
| Equity | – | 381 | 381 | 2 001 | 2 382 | – |
| Total | 1 384 | 762 | 2 146 | 2 001 | 4 147 | 220 |

1. 18 FTE (Full-Time Equivalent).

2. 3 FTE.

Total remuneration 2021

| (CHF thousand, gross) | Total fixed remuneration | Total short-term variable remuneration | Total 2021 remuneration before LTI | Total long-term variable remuneration ¹ | Total 2021 remuneration | Employer social charges |
|---|--------------------------|--|------------------------------------|--|-------------------------|-------------------------|
| Operations Council (including senior management)² | | | | | | |
| Cash (including allowances) | 8 618 | 3 783 | 12 401 | 382 | 12 783 | – |
| Contributions and benefits in kind | 1 144 | – | 1 144 | – | 1 144 | 2 637 |
| Equity | – | 3 448 | 3 448 | 16 216 | 19 664 | – |
| Total | 9 762 | 7 231 | 16 993 | 16 598 | 33 591 | 2 637 |
| Senior management (including CEO)³ | | | | | | |
| Cash (including allowances) | 2 423 | 1 296 | 3 719 | – | 3 719 | – |
| Contributions and benefits in kind | 281 | – | 281 | – | 281 | 878 |
| Equity | – | 1 296 | 1 296 | 6 651 | 7 947 | – |
| Total | 2 704 | 2 592 | 5 296 | 6 651 | 11 947 | 878 |
| Chief Executive Officer | | | | | | |
| Cash (including allowances) | 1 264 | 732 | 1 996 | – | 1 996 | – |
| Contributions and benefits in kind | 121 | – | 121 | – | 121 | 518 |
| Equity | – | 732 | 732 | 4 001 | 4 733 | – |
| Total | 1 385 | 1 464 | 2 849 | 4 001 | 6 850 | 518 |

1. The 2021-2023 LTI plan is a transition plan between the past practice (one grant every three years) and the new practice (annual grant); the value of the grant was two thirds of the past plans, while as of 2022 the value of the grant will be one third of the past plans.
 2. 19 FTE (Full-Time Equivalent).
 3. 3 FTE.

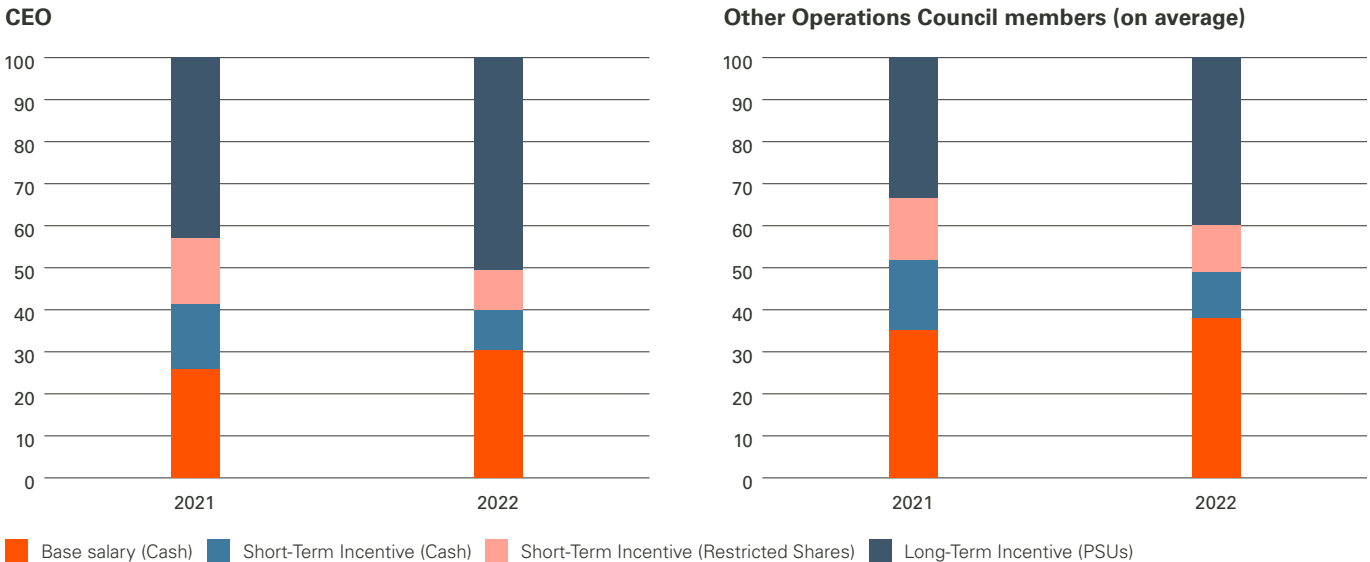
5.5. Remuneration mix

In 2022, the part of remuneration at risk (short-term incentive and long-term incentive) for the CEO represents 70% of the total remuneration (2021: 74%); the part of remuneration settled in equity instruments (restricted shares and PSUs) represents 60% of the total remuneration (2021: 59%). For the other members of the Operations Council, the part of remuneration at risk represents, on average, 62% of the total remuneration (2021: 65%); the part of remuneration settled in equity instruments represents, on average, 51% of the total remuneration (2021: 48%). The long-term incentive of 2021 is considered at the individual’s annualized value.

The part of the fixed remuneration linked to benefits is not considered in this analysis.

The charts below show the remuneration mix for the CEO and for the other members of the Operations Council in 2022 and 2021.

Remuneration mix of the CEO and other Operations Council members (%)



5.6. Other compensation elements

5.6.1. Severance payments

No severance payments were made in 2022 to members of the Operations Council (unchanged from prior year).

5.6.2. Other compensation to members or former members of the governing bodies

In 2022 no other payment was made to any member or former member of the governing bodies (unchanged from prior year).

5.6.3. Loans to members or former members of the governing bodies

As at 31 December 2022, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies or related parties (unchanged from prior year).

Report of the statutory auditor

to the General Meeting of SGS SA

Geneva

We have audited the remuneration report of SGS SA for the year ended 31 December 2022. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 4 and 5 (pages 115 to 122) of the report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of SGS SA for the year ended 31 December 2022 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Guillaume Nayet

Audit expert
Auditor in charge

Louise Rolland

Geneva, 22 February 2023

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