When you need **to be sure**

SGS 2023
Integrated
Report

SGS

Who we are

SGS brings together global teams of highly qualified experts providing specialized testing, inspection and certification solutions across nearly every industry.

See how we're
Enabling progress
Watch our highlights film

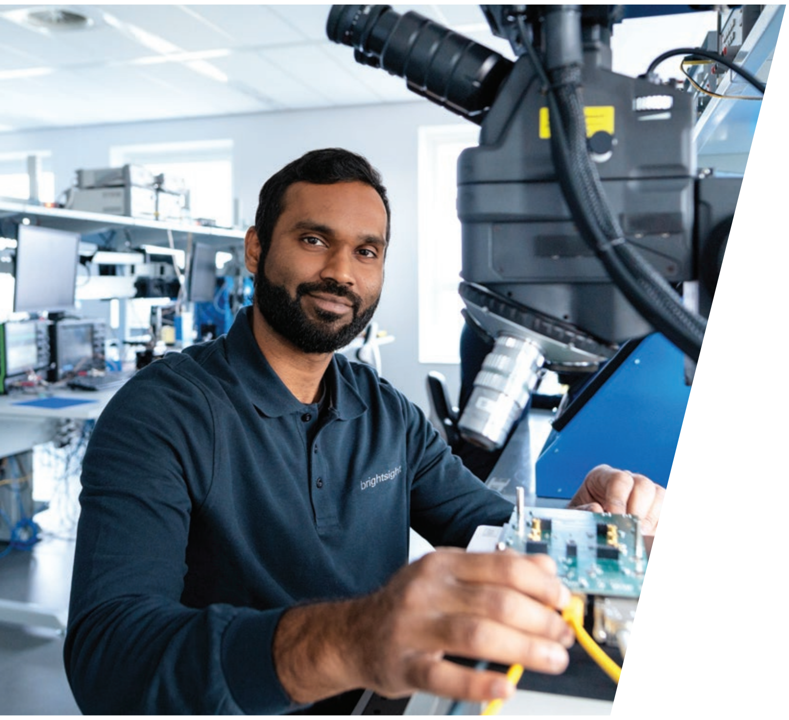
What we do

We operate in the Testing, Inspection & Certification (TIC) sector and provide quality and safety control services:

Testing products ensures they meet health, safety, and regulatory standards.

Inspection controls quantity and quality to help our customers meet regulatory requirements.

Certification provides assurance that products, processes, systems, or services meet standards and regulations.



Our societal impact

Our activities build trust and make a positive contribution to the communities in which we operate. We support you, our stakeholders, when you need to be sure.

IFC images
Laboratory technician, Health & Nutrition, Germany
Inspector, Natural Resources, Peru
Security evaluator, Connectivity & Products, Netherlands

In this report

Our integrated reporting approach
The Integrated Reporting framework <IR> aims to create transparency. For the fourth consecutive year we have integrated our financial, operational and sustainability information in a single report – measuring our financial and non-financial performance across the six <IR> capitals.

www.sgs.com/en/annual-report

Introduction to SGS Group

We provide specialized testing, inspection and certification services in 116 countries and deliver them through five business lines. Connectivity & Products, Health & Nutrition, Industries & Environment and Natural Resources sit under testing and inspection while Business Assurance (prev. Knowledge) represents our certification business.

Testing & Inspection

Industries & Environment

We enable organizations to be safer, greener and smarter by ensuring the integrity, safety and reliability of their equipment and operations as they transition to a more sustainable future.

Enhancing wind farm inspections through digital innovation

Read more at
www.sgs.com/en/integrated-report/business-performance

SDG impact

Natural Resources

We are a global network of trusted, independent and committed experts who deliver pivotal solutions to the agricultural, mining, oil, gas and chemical industries, supporting quality, efficiency and sustainability goals across the supply chain.

Growing need for raw materials to power the energy transition

Read more at
www.sgs.com/en/integrated-report/business-performance

SDG impact

Connectivity & Products

We are the experts who support brands, manufacturers, retailers and governments across the supply chain with the performance, safety, security and quality of their products and services. We help make products better and safer for an increasingly connected world.

Improving safety in the automotive industry

Read more at
www.sgs.com/en/integrated-report/business-performance

SDG impact

Health & Nutrition

We assure quality, safety and sustainability in the health, wellness and nutrition industries, helping our customers to meet stringent standards throughout their supply chain and, ultimately, improving the quality of life in society.

Supporting the growth opportunity in the nutraceuticals market

Read more at
www.sgs.com/en/integrated-report/business-performance

SDG impact

Certification

Business Assurance (prev. Knowledge)

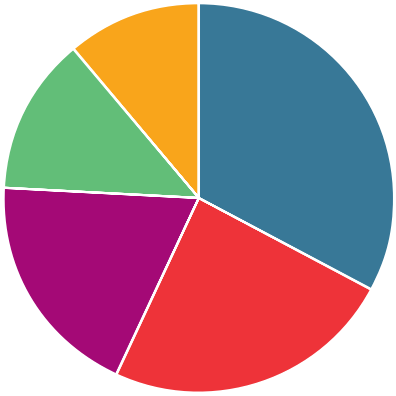
We have the global expertise and knowledge, and the people, processes and tools to help organizations improve their results, manage risk, comply with regulatory changes, adopt best practice and meet increasingly stringent sustainability requirements.

Harmonizing Iveco's supply chain

Read more at
www.sgs.com/en/integrated-report/business-performance

SDG impact

Sales by business line (%)

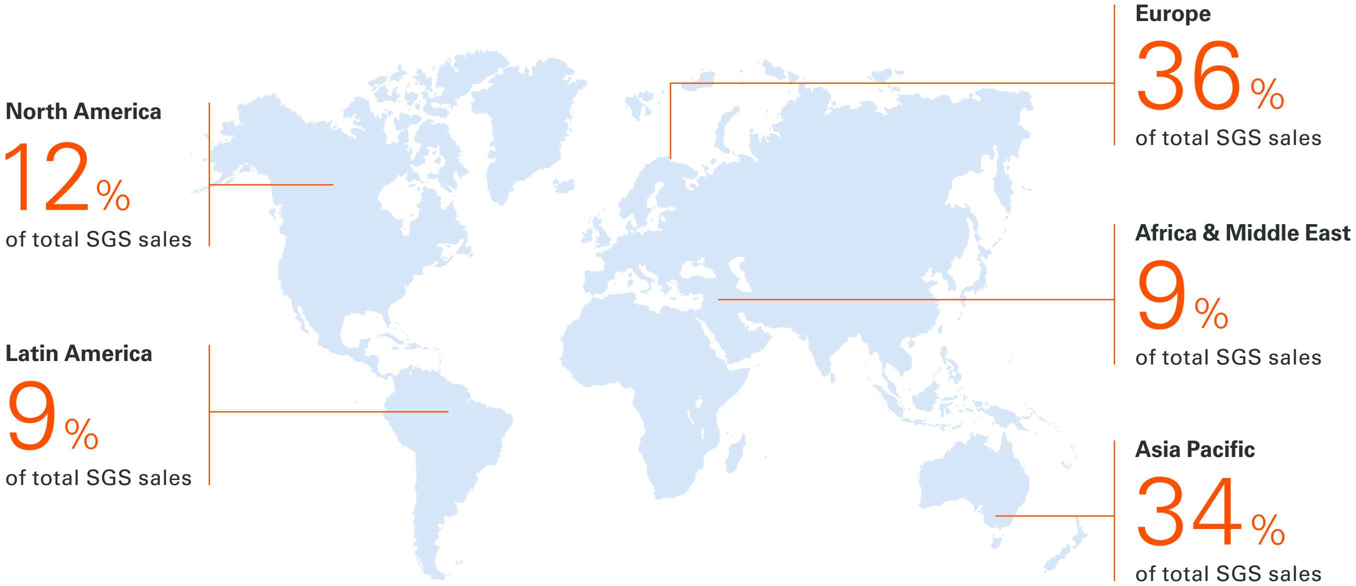


Industries & Environment	33%
Natural Resources	24%
Connectivity & Products	19%
Health & Nutrition	13%
Business Assurance (prev. Knowledge)	11%

Adjusted operating income by business line (%)

Industries & Environment	26%
Natural Resources	23%
Connectivity & Products	27%
Health & Nutrition	8%
Business Assurance (prev. Knowledge)	16%

Sales by geography (%)



We follow six key business principles

1
Integrity
Integrity is the foundation of SGS. As leaders in our industry we hold ourselves to the highest standards of professional behavior as embedded in our Code of Integrity. The trust of our customers and stakeholders is the key to our success.

2
Health & Safety
Our long-term success and sustainability depend on our ability to remain a recognized leader and a reference for all Health & Safety matters.

3
Quality & Professionalism
We act and communicate responsibly. We embody the SGS brand and its independence in our everyday behavior and attitude. We are customer-centric and committed to excellence. Always clear, concise and accurate, we strive to continually improve quality and promote transparency. We respect client confidentiality and individual privacy.

4
Respect
We are engaged to treat all people fairly and respect human rights and take responsibility for creating a working environment that is grounded in dignity, equal opportunity and mutual respect. We promote diversity in our workforce and do not tolerate discrimination of any kind.

5
Sustainability
We use the scale and expertise of SGS to enable a more sustainable future and add long-term value to society. Ensuring our impact on the environment is minimized throughout the value chain, we are good corporate citizens, investing in our communities and enabling a better, safer and more interconnected world.

6
Leadership
We work together to leverage our expertise and think ahead. Our teams are passionate and innovative with a relentless desire for improvement. Working in an open culture, where smart work is recognized and rewarded, we foster teamwork and commitment.

Technical Division Manager, Health & Nutrition, France.

Letter to stakeholders

A new chapter for SGS

Earlier this year, SGS announced its Strategy 2027: Accelerating growth, building trust

I am very excited about this new chapter, which will guarantee that SGS remains the point of reference when you need to be sure. The testing, inspection and certification industry has significant growth potential, and we are uniquely positioned to capture this opportunity.

We belong to the gold standard solutions providers in the industry with over 145 years of established history and experience. We will keep our ambition to remain at the forefront of the megatrends driving our markets. These are focused on powerful sustainability transition, ongoing innovation in digital capabilities and new technologies, ever-growing supply chain complexity and increasing regulation and public awareness.

To fulfill this ambition, the Board of Directors is delighted to welcome Géraldine Picaud to the helm of our Group. She is an inspiring leader bringing the right blend of strategic vision and operational execution skills to SGS. As our next CEO, she has the Board's full confidence in driving our upcoming phase of growth and profitability. I take this opportunity to express my sincere gratitude to Frankie Ng for his leadership over the past nine years. It is thanks to his vision that SGS has become the world's undisputed leader in testing, inspection and certification.

I am proud of our roadmap (see page 48 for details) that we have set for the next four years. Our financial targets provide a foundation to clearly outperform the industry growth and our sustainability targets positively underline the contribution of SGS to a better society.

Our customers and our people are at the core of these objectives. Every day, our employees strive to provide better services to our customers. They lead the way in bringing highly innovative testing, inspection and certification solutions to market. We will continue to embed agility and performance in our culture, our actions and our decisions to make sure that this momentum continues unabated. By maintaining highly trained, passionate and committed employees, we will continue to drive a thriving and sustainable business that provides real value to all stakeholders.

In 2023, SGS delivered sales of CHF 6.6 billion, strong organic growth of 8.1% and a significant increase in free cash flow. I am proud of how our teams have navigated the ever-increasing complexity of the world we live in and managed to turn challenges into opportunities.

Finally, I would like to give my sincere thanks and gratitude to all our employees, to my fellow members of the Board of Directors, the Executive Committee and to you, our Shareholders, for your trust and continuing support.

This is a very exciting journey: together, guided by our promise, 'when you need to be sure', we will accelerate growth and build trust.

Calvin Grieder
Chair of the Board of Directors

Q&A with CEO, Frankie Ng

How do you reflect on SGS's performance in 2023?

2023 marked the end of our current strategic cycle. We have made considerable progress in all key strategic areas, strengthening our Health & Nutrition service offering with the acquisition of Nutrasource in North America, and growing our market shares in Connectivity & Products and Business Assurance (previously Knowledge) through focused resource and capital allocation. With the digital laboratories program and improved customer relations management for salespeople, we are also making significant advances in our goal of becoming the most digital company in the TIC industry.

This progress has only been possible through agile thinking and the efforts of our colleagues across the network.

What challenges did SGS face in 2023?

Our challenges were the same as for everyone – rising costs, global instability, the climate crisis and shifting consumer demand. As a company, we responded in multiple ways.

Firstly, by taking care of our people. We foster employee engagement by providing motivating career paths as well as training initiatives on key topics such as employee well-being, health & safety, integrity and information security.

Secondly, we focused on productivity and process optimization with our world class services (WCS) program. In fact, we have become the first in our industry to obtain the bronze level for two of our laboratories located in Shanghai and Bangkok.

This is an exceptional accomplishment, and I am very proud of the way this methodology is being adopted by the network, with seven laboratories joining the program in 2023.

Digitalization is central to our culture of efficiency. I am pleased to report that over 30% of laboratories are now digital, our global server network is migrated to a single cloud-based solution and through applications such as Windgo, a wind farm quality control solution, we are digitalizing our fieldwork. The ability to harness the vast amounts of data in our systems means we are also now developing better value propositions for our customers.

Thirdly, our strength lies in our geographic and service diversity. In a volatile and uncertain world, we can maintain growth trajectories by shifting our focus to different industries, services and/or geographies. For example, as growth in Asia and Europe slows, we have increased our North American footprint.

Finally, SGS continues to invest and innovate in new areas of growth, such as the implementation of global solutions relating to sustainability, health and safety, PFAS[1] and microplastics.

How is SGS responding to climate crisis?

Sustainability is the foundation of our business strategy, as demonstrated by our commitment to 1.5°C and net-zero targets approved by the Science Based Targets initiative. Our targets are ambitious, but this is only right because, as market leader and a global company, we must push the envelope of what is achievable or we will fail to be a part of the companies supporting a healthy planet, society and business.

We have strengthened our focus on four key areas to support our customers in their sustainability journeys: carbon, biodiversity, plastic and ESG assurance. By developing industry-leading solutions, we are helping our customers achieve their own sustainability goals, improving efficiency and accelerating growth.

Internally, we are making great progress in our decarbonization strategy, with a special focus on employee awareness through campaigns such as Spot the Orange Dot.

While turning off one computer might seem inconsequential, the benefits for the environment are significant in a business with 99 600 employees. We are also focused on reducing emissions from our owned and leased properties and our vehicle fleet to reduce scope 1 and 2 emissions, and our supply chain through procurement to address scope 3.

Now you are handing over your CEO responsibility?

It has been an extraordinary journey for me over the past 30 years during which I have seen the Group transform into the company it is today. Therefore, I am excited to hand over the reins to Géraldine Picaud, whose energy and passion will no doubt lead SGS to new heights.

I will always hold fond memories of my time here at SGS. All the fantastic people I have met and worked with and all the great events I have attended with customers and investors across the world will remain engraved in my memories.

I'd like to finish by directly addressing my colleagues throughout SGS. You are the beating heart of this company. I would like to take this opportunity to thank you for your hard work and dedication. It is your resilience and dynamism that has allowed us to achieve our goals.

Frankie Ng
Chief Executive Officer

Read more about our results
www.sgs.com/en/integrated-report

1. Perfluoroalkyl and Polyfluoroalkyl substances.

Q&A with CEO designate, Géraldine Picaud

What are your first impressions as you embark on your new CEO role?
SGS is an iconic global leader in the testing, inspection and certification industry, with exceptional people and enormous future potential. I am honored to assume the role of Chief Executive Officer and build on the strong foundation laid by Frankie. I look forward to leading such a great company and to driving positive change in this dynamic industry.

What are the principal drivers of the TIC industry and how is SGS positioned to capture growth?
We operate in a healthy and growing industry. Our market is experiencing between 4% and 5% growth per year which is driven by four megatrends: sustainability, digital technologies, supply chain near shoring and by an increasing number of regulations.

What makes us unique in the industry is our unrivaled network covering almost all industries and geographies. We are really a true partner to our customers whom we support in complete independence across their operations. But most importantly, it is our people that make us unique. Their commitment, their passion, their expertise and their personal values. This is why SGS is well positioned to capture all the growth opportunities of the testing, inspection and certification industry.

Can you give some more details about the strategy 2027?
Our Strategy 2027: Accelerating growth, building trust is based on three powerful drivers: growth, performance and agility, and the improvement of our financial profile. We will invest in segments and regions where greater opportunities exist, such as sustainability, digital services and North America. We will simplify our organization to foster accountability, performance and adaptability. In addition, we will enhance our financial profile through disciplined capital allocation. This will create value for all our stakeholders.

Which values are most important to you?
To improve our performance, we need to make our business more agile and our people more accountable. This requires a solid mix of diversity, an open and meritocratic environment to deliver on our objectives and drive a high-performance culture. These are the values that I want to ingrain at SGS.

Géraldine Picaud
CEO designate

Financial and non-financial results

A year of sustained growth competitiveness as demonstrated by strong organic sales growth. We continue to lead on corporate sustainability.

Financial highlights[1]

Sales

CHF 6 622 M

+8.1% organic growth

Adjusted operating income

CHF 971 M

Adjusted operating income margin on sales

14.7%

Earnings per share

CHF 3.00

Free cash flow

CHF 604 M

Change vs 2022 +25.6%

1. Refer to Alternative Performance Measures – Appendix to the 2023 full year results.

Surveyors, Natural Resources, Belgium.

Volunteers planting trees, Hong Kong, China.

Sustainability KPIs

Women in leadership positions

31.9%

Reduction in absolute CO_2 emissions

-14%

in scopes 1 and 2 against 2019

Lost Time Incident Rate (LTIR)

Number of lost time incidents per 200 000 hours worked

0.17

-31% against 2018

Volunteering hours

32 590

+89.5% against 2019

Our corporate sustainability awards

Fantastic recognition across the world

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

Member of DJSI World and Europe, a leader of the professional services industry in S&P Corporate Sustainability Assessment (CSA) and well over double the sector average

Gold medal, awarded to the top 5% of the evaluated companies

AAA rating, the highest ESG rating awarded by MSCI, for the fourth consecutive year

Prime distinction rating as recognition for excellence in management of ESG aspects among over 200 companies in the same sector

Low risk rating driven by our strong management of material ESG issues

Leadership position through score of A- in CDP's highly technical climate change management assessment

Inclusion in the FTSE4Good index for the sixth consecutive year for our strong commitment to sustainable practices

Included in the top 100 most diverse and inclusive companies in the prestigious Refinitiv Global Diversity & Inclusion Index

Testing, inspection and certification industry overview

Four interconnected megatrends are driving regulation and outsourcing in the testing, inspection and certification industry, providing opportunities for growth.

The four megatrends of the TIC industry

Powerful sustainability transition

Higher demand from environment, social and governance regulations and societal expectations.

Innovation in digital capabilities & new technologies

Strong growth driven by digital trust needs and technological changes.

Near-shoring of supply chains

New opportunities from growing domestic demand and supply chain proximity.

Increasing regulation & public awareness

Structural expansion from tighter legislation and expectations for safety, health and well-being.

The testing, inspection and certification industry

Industry characteristics

- Scale matters and TIC companies need a broad geographical footprint to match those of their customers
- Scale creates a virtuous circle and supports margins, especially for lab-based testing where high utilization and volumes drive the ability to invest in specialization, automation and technology to improve turnaround times. This in turn helps improve customer retention and acquisition
- Companies with scale and a global footprint can leverage their capabilities and expertise to bid for large multi-year contracts. As the network expands, the customer offer also increases, creating a virtuous circle
- Achieving accreditations from national or industry bodies can take longer than a year and requires investment in equipment, technology and know-how. Established companies with a long history have amassed a vast number of operating licenses, accreditations, and government authorizations which are difficult to replicate
- Customer retention is strong. For example, in certification areas such as health and safety, and supply-chain management, the cost to companies of changing to a different supplier is high, as it can involve retiring an existing system and incurring significant costs to start again. Changing a supplier also carries a risk of reputational damage while the financial benefits can be small

Industry drivers

- The increasing complexity of the regulatory landscape is driving companies to search for specialized services delivered by the TIC industry
- Companies need reliable indicators provided by the TIC industry in the field of sustainability to avoid charges of 'greenwashing'
- Spending on testing is expected to increase due to country-specific regulations and requirements
- Geopolitical events and logistical challenges are forcing companies to assess their supply chains. Anything that brings about change, such as a new supply arrangement or change of supplier, will drive further testing and supply chain verification

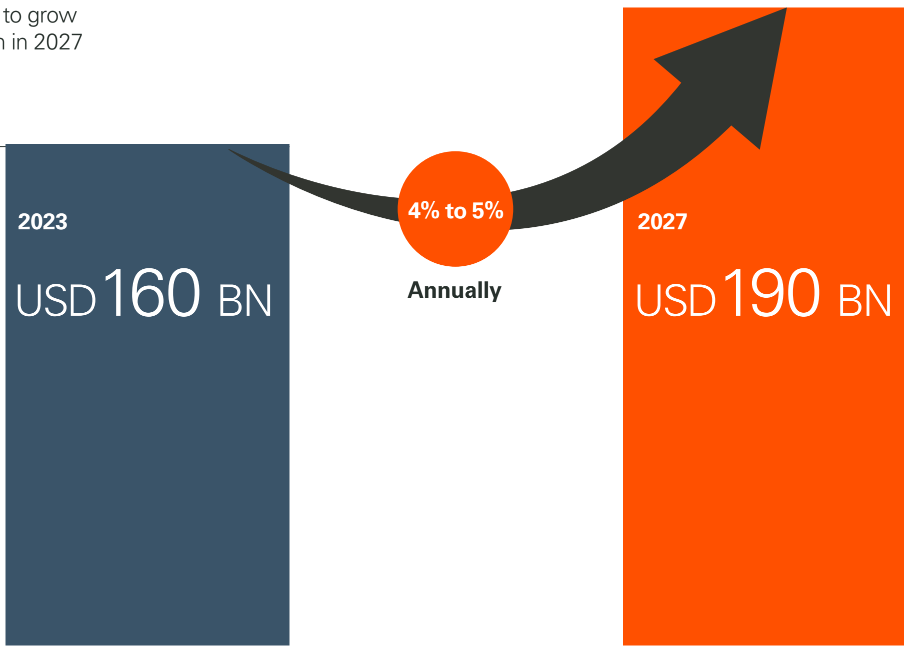
Societal benefits

- The TIC market benefits consumers who know the products and services they use are safer, consistently reliable and true to their advertised claims. This makes it easier for them to compare products and services
- Businesses benefit from enhanced demand from the trust and confidence that the use of TIC services generate in the marketplace. This enables market entry and market access with the assurance of higher levels of regulatory compliance
- Governments and policy makers benefit from increases in the volume of trade and an industry that can ensure compliance with regulatory requirements at a lower cost to the taxpayer

Industry size and structure

- We value the addressable part of the TIC market to be USD 160 billion in 2023, and expect it to grow at 4-5% per annum to reach USD 190 billion in 2027

Addressable market growth consistently exceeding GDP



Source: TIC council, ISO association reports.

TIC in focus

The vast breadth of TIC encompasses food testing to monitor quality and conformity, digital innovation to combat extreme weather when inspecting sea cargos, and certification around the implementation of AI.

Testing

What we do

Testing reduces risks, shortens time to market and tests the quality, safety and performance of products against relevant health, safety and regulatory standards.

Inspection

What we do

Inspection controls quantity and quality, and helps customers meet all relevant regulatory requirements across different regions and markets.

Certification

What we do

Certification ensures services, systems, processes or products meet national and international standards and regulations.

Jodi M. Jurgens and Matt Keagle confirm the presence of Listeria, USA.

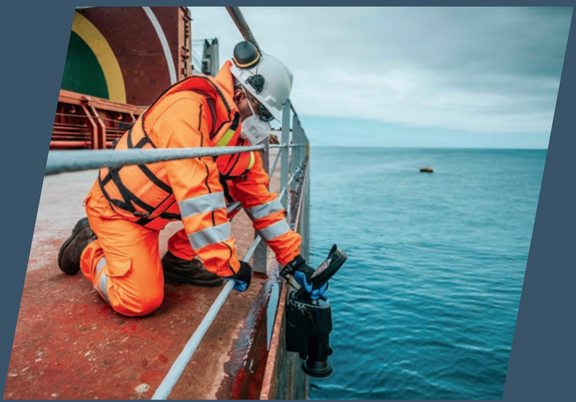
Food safety testing in North America

Our North American food team provides a comprehensive range of testing services to our clients to ensure the safety of their products and is looking to further expand capabilities and capacities.

Through our network of laboratories in North America, we perform microbiological tests, most often for *Salmonella and Listeria* pathogens, as well as a wide variety of microbiological quality indicators.

Our experts also provide chemistry testing, including proximate chemistry, metals, minerals and vitamins, and we aim to further expand our capabilities and capacities in the region.

Our clients use the microbiological and chemistry data we provide to monitor their products' quality and conformance to product specifications and to ensure they meet consumer expectations. We have to perform these tests as quickly as possible, allowing them to ship perishable products to market once the tests are completed.



Haritz Solachi using an innovative draft survey tool to inspect vessel cargo, Spain.

Digital innovation for employee safety and operations accuracy

Meet Haritz Solachi, Global Field Services & Systems Manager, Spain. He explains how his experience of inspecting cargo on vessels in difficult and challenging conditions spurred him to innovate and create. 'One of the most common operations conducted by Natural Resources is a draft survey, which is the way we measure a vessel's cargo. To do this, inspectors are often exposed to very extreme weather conditions and may have to use very high ladders. Over the years of doing this, I got thinking that there must be a better and safer way.

I've always been passionate about electronics and so combining this with the problem, I created a prototype draft survey tool which was made a reality! Now, inspectors don't have to tackle these difficult working conditions.'

Curious about the DST tools? Watch the video at
www.youtube.com/watch?v=t68j3IE4hT8

Aymeric Riverieulx helps present our first FDIS ISO/IEC 42001 certificate to AI Clearing, Switzerland.

Aymeric Riverieulx, Global Head of Innovation and Information Security, explains challenges of Artifical Intelligence

In response to the rise of AI, the ISO and IEC have created the ISO/IEC 42001 standard. It provides a certifiable AI management system (AIMS) framework in which AI systems can be developed and deployed as part of an AI assurance ecosystem. The global standard specifies the requirements for establishing, implementing, maintaining and continually improving an AIMS.

We offer a wide range of services to help organizations and society benefit the most from AI while reassuring stakeholders that systems are being developed and used responsibly.

From training, implementation or certification, we support companies in the implementation of AI, considering security, safety, fairness, transparency and data and AI system quality. As a result, companies can benefit from increased confidence in the performance of their management systems internally and externally, and greater customer confidence and satisfaction, which, in turn, can translate into increased business.

Achievements from our 2020-23 strategic cycle

Our previous strategy cycle ran from 2020 to 2023 and included three pillars to further align SGS to our customers' requirements.

1 Invest to consolidate leadership position in selected business lines

Overview

At the end of 2023, we concluded our 2020-2023 strategic cycle meeting several of our key objectives.

Achievements

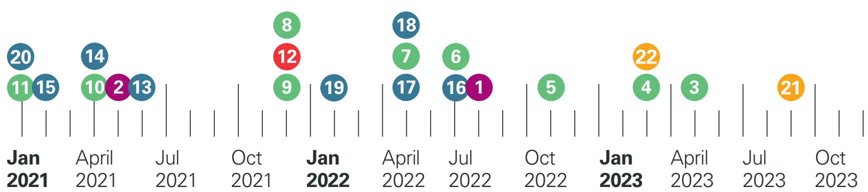
Consolidated our industry leadership by achieving the number 1 position in Natural Resources, Connectivity & Products and Business Assurance (prev. Knowledge)

Consolidated our leadership position in Cosmetics with the acquisition of proderm GmbH last year and continued to integrate and derive synergies from this acquisition in 2023

Achieved a clear global leadership position in Industries & Environment, in all areas except environmental testing

Acquisitions 2021-2023

	Acquisition
1	Penumbra Security, Inc
2	Brightsight
3	Nutrasource
4	Seafood Testing business of Asmecruz
5	Industry Lab
6	proderm GmbH
7	C-Labs (Phase 2)[1]
8	Quay Pharmaceuticals Limited
9	IDEA Tests
10	Lab Facilities of International Service Laboratory (ISL)
11	Analytical & Development Services (ADS)
12	Sulphur Experts Inc.
13	Metair Lab
14	The Lab (Asia) Ltd (Phase 2)[1]
15	Autoscope/CTOK
16	SSAL/ELI
17	Ecotecnos
18	AIEX
19	Gas Analysis Services
20	BZH GmbH Deutsches Beratungszentrum für Hygiene
21	Maine Pointe, LLC (Phase 2)[1]
22	LeanSis Productividad (Phase 2)[1]



1. Acquisition of the remaining minority stake.

2 Become the most digital company in the TIC industry

Overview

We made several strides to become the most digital company in the TIC industry. Our journey will continue as we move into the next phase of our evolution.

Achievements

Exceeded our goal of moving 30% of our sales to our new Laboratory Information Management System

Deployed seven new digital products to support internal and external customer facing solutions thanks to our Digital Builders Organization, which helps identify new opportunities in digital products

Consolidated the Group’s authority in the growing field of digital technology. In cybersecurity, the range of industrial activities to support and protect client networks and data expanded. In Artificial Intelligence, the first Artificial Intelligence Management System certification in the industry was delivered and several highly respected SGS experts contributed to the prestigious World Summit AI 2023

Case study

Transforming wind energy inspections with WindGo app

Erika Christ Aguilar, Value Realization Lead, Information Technology, Spain.

In the pursuit of clean and efficient energy production, wind turbines play a pivotal role. However, their reliability depends on meticulous care and timely inspections. Meeting this challenge head-on, we have developed WindGo, a cutting-edge mobile app designed to digitalize and streamline the entire inspection process.

WindGo revolutionizes the experience for both our inspectors and customers. It empowers inspectors to efficiently manage their schedules while providing customers the ability to request inspections and gain near real-time control. By digitizing this critical process, we are not only enhancing operational efficiency but also elevating the customer experience.

With WindGo, inspectors receive assignments directly on their mobile devices, saving valuable travel time. This real-time connectivity enables customers to stay informed about the ongoing inspection, with immediate access to comprehensive reports on their dedicated portal. By providing transparency and flexibility in our inspection services, we offer customers full visibility into the status of their windfarms reducing downtimes, maximizing production and contributing to the transition to safe, clean and reliable energy.

Discover other ways in which we are accelerating digital growth and creating value for our customers at www.sgs.com/en/integrated-report/business-performance

Achievements from our 2020-23 strategic cycle continued

3 Supporting our customers to achieve their sustainability goals

Overview

We support and contribute to our customers' sustainability goals by helping them in their transformational change and implementation phases.

Achievements
Cross-business teams created to better serve our customers by providing a holistic portfolio of sustainability services. These services enable value chain transparency and traceability across industries aiming to tackle climate change, biodiversity loss, pollution and enhance circular economy
New sustainability solutions in all business lines
85% of customers agree SGS services help them to meet their sustainability goals

We have setup a framework to help us provide more value to customers through a portfolio of sustainability services across **four key topics**:

Climate	Nature	Circularity	Business risk mitigation
Helping clients reduce their greenhouse gas (GHG) emissions through the complete value chain.	**From sampling and testing to impact assessment, we support companies in responsible sourcing.**	**Pragmatic implementation solutions that increase resource efficiency and waste reduction.**	**Supporting companies as they ensure integrity along the entire value chain for a more sustainable impact on people, climate and nature.**

Climate – Leading services

- SBTi assessment and verification: helping clients formalize a clearly defined pathway to reduce greenhouse gas emissions, helping prevent negative impacts of climate change while also supporting future-proof business growth
- IECQ: independent assurance on carbon footprint reports in accordance with international standard ISO 14067, to avoid greenwashing

Nature – Leading services

- Supply Chain Biodiversity Impact: for many companies, the main impacts on biodiversity lie in their supply chain. We work with our customers to establish practical methods to source data, paving the way for more transparency of the biodiversity impacts in supply chains
- Ballast water testing: ballast water sampling and testing helps clients meet their regulatory requirements and protect marine environments by reducing the transfer of invasive alien species

Circularity – Leading services

- ISCC+ certification scheme: offers different chain of custody approaches to trace material back along the supply chain to its origins. It can be applied to bio-based, renewable and circular raw materials and interconnects the entire supply chain, from cultivation and plastic recycling to plastic manufacturers and final products
- Life Cycle Assessments (LCA): provide cradle to gate, in commodity supply chains around the world in accordance with the ISO 14040 and ISO 14044 standards

Business risk mitigation – Leading services

- EDGE Certification is a highly recognized global standard for diversity, equity and inclusion (DE&I), focused on an intersectional approach to gender and equity in the workplace. We are proud to be one of the approved EDGE partners and Certification Bodies to conduct third-party verification of clients' performance against the EDGE Standards
- Social audits: support clients in the identification and mitigation of risks related to labor, ethics and human rights practices in their operations and supply chain
- Responsible Supply Chain Assessment: our tool and methodology are easily adaptable for industry or sector specific risks and impacts and can help organizations to mitigate human rights risks and adverse impacts across supply chains
- Corporate Sustainability Reporting Directive (CSRD): supporting customers in their double materiality assessment, gap analysis, training and report preparation

Our impact on sustainability

Our accredited testing is enabling innovation by providing clients with data to monitor microplastics and design solutions to reduce pollution.

Our impact in action: case study

Monitoring microplastics pollution

While plastic is one of the world's most versatile and useful materials, microplastics pose a growing threat to ecosystems, and are a significant source of pollution in water, air, food and cosmetics.

Watch the video at
www.sgs.com/en/integrated-report/business-performance

Enabling innovation

121 000

microplastic particles estimated to be taken in by an adult each year through air, food and beverages

>5.25 trillion

microplastic particles estimated to be in the ocean

What we do

To manage the risks associated with microplastics effectively, it is important to monitor the sources of pollution. That's why at SGS in Singapore we've integrated the most reliable methodologies in our laboratories to perform routine sampling and analysis of microplastics in diverse environments. Thanks to our ISO/IEC 17025 accredited testing services, our clients have access to the trusted data they need to monitor microplastics and design better solutions to manage pollution.

Our impact

We support governments, scientists and industries in carrying out their marine litter and microplastic monitoring. The robust data our people produce supports them in developing new technologies and modeling capabilities that can help predict impacts and define science-based policies, as governments worldwide pursue an international treaty to combat plastic pollution. Working with academia, we further harmonize testing methodologies and explore new areas such as tire and road wear particles pollution.

Corporate sustainability

Our Sustainability Ambitions 2030 cover the whole value chain and set targets that take us to 2030. Each year, we track progress against these targets and define specific action plans to become a better company for a better society and planet.

Strong sustainability governance

From the Board of Directors to our affiliates, a strong governance structure ensures that sustainability considerations are embedded in all of our activities. Our senior management is actively involved in overseeing the delivery which is developed by the corporate sustainability team.

The Sustainability Committee of the Board assists the Board in evaluating and supervising the Group policies and strategies regarding the impact of the Group's activities on society and the planet as well as the sustainability services provided to our clients. The SGS Operations Council is then mandated to take the overall strategy forward, approving and implementing more detailed programs, policies and targets for operations across the group.

Our regions and affiliates are responsible for implementing various initiatives that support the Group sustainability targets. A network of regional sustainability ambassadors translate them into regional or local initiatives, cascading our corporate programs and guidelines down to every single SGS site.

Sustainability culture

We are constantly looking for ways to promote our sustainability culture throughout the network. To encourage our employees to become an active part of our commitment, we have worked on several initiatives in 2023:

- Joined the United Nations Global Compact initiative, a voluntary leadership platform for the development, implementation and disclosure of responsible business practices. By joining this initiative, we stand united with thousands of forward-thinking companies around the world committed to taking responsible business action to create a better world for present and future generations
- Launched the Spot the Orange Dot (STOD) campaign, a bottom-up campaign designed to identify spots where energy, water and waste can be reduced in the daily life of SGS employees at the workplace. Whether it is switching the lights off or adjusting the temperature at the office, our aim is to promote sustainable behaviors that, multiplied by more than 100 000 employees, can have a great impact. The campaign has already been launched in more than 30 affiliates
- Launched an energy savings campaign, to help our employees save energy both at home and at work, teaching them responsible behaviors and minimizing our environmental impact. The winners of an energy savings themed quiz won different sustainable prizes that will help them contribute to a better environment
- Organized the SGS People Challenge for the fourth consecutive year, with more than 50 countries participating in activities that reinforce our sense of community. We organized other activities for our colleagues' families, including recognition, initiatives, volunteering and a drawing contest for employees' children
- Launched a new sustainability newsletter for sustainability professionals across the network through which we share news, sustainability assets and good practices
- Provided mandatory sustainability training to all new employees joining SGS. The course explains our sustainability commitment and strategy and provides tips about how everyone can contribute to the Group Sustainability Ambitions 2030. In addition, we updated the mandatory human rights training to align with best practices

SGS team in Mauritius participating in a clean-up initiative. The team collected over 630 kg of waste and got to learn more about the importance of marine and coastal environments.

A strong network

As demand for specific sustainability-related information continues to increase, sustainability is an integral part of our value proposition. We support colleagues across our network to convey our sustainability commitment to customers, as they in turn place greater importance on the environmental, social and governance practices of their suppliers and business partners.

We encourage close collaboration between the sustainability professionals in our network to help us share knowledge, good practices and success stories, and ultimately to provide a better service to customers. Through the series of monthly talks, ESG Spotlight, we aim to:

- Generate awareness in the network about SGS's sustainability culture beyond our sustainability performance
- Promote new sustainability-related services among the network
- Provide a platform for experts to share insights and inspire other services to collaborate and adopt new strategies
- Promote cross-selling opportunities

Over the period 2020-2023, we significantly increased our sustainability leadership position. Executive remuneration has been linked to sustainability KPIs and a specific sustainability committee provides strong oversight at Board level. This, together with the achievements in the areas listed below, has allowed us to maintain a leadership position in the main sustainability ratings.

1 Environment

Overview

While fundamentally a non-polluting business, we have very solid targets and programs to make sure we lead the path towards a net-zero future.

Achievements

- First TIC company to receive approval for our 1.5°C and net-zero targets from the Science Based Targets initiative
- 14% reduction in scope 1 and 2 absolute GHG emissions compared to 2019
- 97% of renewable electricity
- Initiated our journey towards our target of reducing our scope 3 emissions by 28% in 2030

2 Social

Overview

We are a people business, and our employees are essential to our success. Everyday we work to to attract and develop diverse talent, while prioritizing wellbeing and employee satisfaction. It extends into our communities where we aim to make a positive and long-lasting impact.

Achievements

- 31.9% women in leadership positions
- 31% and 22% reduction in LTIR and TRIR respectively since 2018
- 7.6 in employee engagement index
- Over 30 000 volunteering hours

3 Governance

Overview

Our commitment to the highest standards of integrity and professional excellence is the foundation from which we work. This applies across our entire value chain, from supplier due diligence, to operations efficiency and fair customer practices.

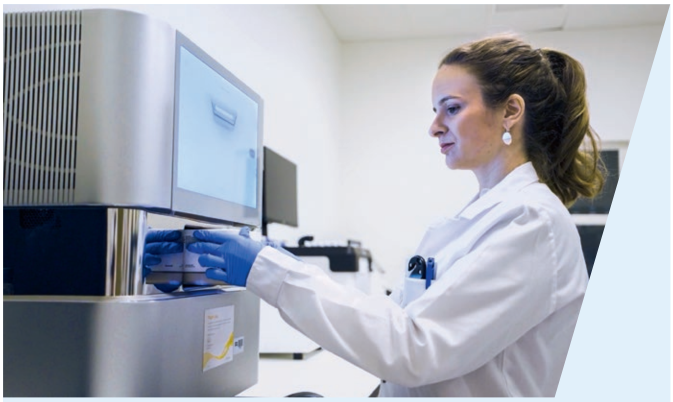
Achievements

- 90.6% customer satisfaction score
- 27 labs now using World Class Methodology and two labs reaching Bronze award
- Significant progress towards extending our sustainability principles to our supply chain

Our contribution to the sustainable development goals

Through our client services and our own operations, we make a measurable contribution to the Sustainable Development Goals (SDGs) which we are committed to increasing year-on-year. Here are some examples of our contribution.

Read more about our focus on sustainability online
www.sgs.com/en/sustainability/corporate-sustainability/our-approach#89A



Maria Fernandes, one of our molecular biology expert technicians, sequencing E-DNA from environmental samples, Lisbon.

Unlocking biodiversity data with E-DNA

Transforming biodiversity analysis with cutting-edge services

We leverage Environmental DNA (E-DNA) to transform biodiversity assessments. E-DNA, released by organisms into the environment through various sources, is analyzed using advanced molecular techniques.

Our tailored field sampling and cutting-edge analytical services enable swift and cost-effective biodiversity assessments. Whether detecting rare species, invasive threats, or pathogens, our E-DNA service delivers the most comprehensive insights.

E-DNA samples, easily collected non-invasively, facilitate monitoring in diverse settings from green roofs to deep marine sediments. Businesses can utilize E-DNA for impact assessments and integrate findings into sustainability reporting, supported by SGS's seamless integration with other environmental sampling programs.

Contributing to:

14 LIFE BELOW WATER

15 LIFE ON LAND

Steven Du during the signing ceremony with UOB, Hong Kong, China.

SGS continues driving sustainable finance verification

Combining strength and expertise to drive sustainable financing

We have signed a 'Memorandum of Understanding' with the United Overseas Bank in Hong Kong to jointly promote green and sustainable financing.

The collaboration will leverage the strengths of both entities to offer services such as green finance certification, evaluation and accreditation, as well as sustainable finance solutions. The joint initiative aims to assist companies seeking to enhance their environmental practices and progress towards a net-zero future. Additionally, the partnership will contribute to the development of sustainable finance in the Greater Bay Area, reinforcing the city's position as an international sustainable financial hub.

This collaboration follows several other global banking partnerships and represents a meaningful step towards integrating sustainability into business and finance for a healthier, more resilient world.

Contributing to:

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

Employees promoting the Spot The Orange Dot campaign with recycled materials, Malaysia.

Spot the Orange Dot initiative

Cultivating eco-friendly practices in the workplace

We cultivate a sustainability culture where the goal is to enhance eco-friendly practices by using fewer resources and reducing our emissions.

In pursuit of this objective, we introduced Spot the Orange Dot, an awareness initiative about identifying sustainability action spots, where a real difference can be made, with orange dots. These orange dots range from straightforward, such as stickers near light switches, to inventive and abstract, like an eco-driving course.

The campaign was deployed in 32 affiliates around the globe, those with the highest energy consumption. More than 560 locations were impacted, and more than 52 000 employees were reached.

Together, we are making a tangible impact in fostering a greener future.

Contributing to:

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION


Employees supporting the theme #EmbraceEquity on International Women's Day 2023, India.

Demonstrating our commitment to diversity

Providing diverse, inclusive and equal opportunity employment in India

In India, we are working to enhance gender diversity, with a current female representation of 15% overall and 32% at leadership level. This includes actively implementing a Gender-Neutral Workspace in collaboration with key stakeholders. Our approach focuses on three key pillars: Talent Attraction, Talent Retention and Talent Networking. Additionally, we launched two 'WE Lead' Initiatives:

- YouINSPIRE: a quarterly platform fostering connections among women staff at SGS India, featuring empowering workshops on various topics like 'It starts with You,' 'Creating a lasting impression,' 'Actually, I said that first,' to name just a few
- Actionable Ally Workshop for Managers on Women Talent: a workshop designed to empower people managers to actively support the transformation journey of women talent at SGS in India

We are committed to creating a more inclusive and diverse workplace.

Contributing to:

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

Stakeholder engagement

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

Customers

Why we engage

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

How we engage

- One-to-one meetings
- SGS hosted conferences, seminars and webinars
- Customer surveys
- Knowledge and educational resources
- Customer portal
- Online and social media engagement

Key topics discussed

- Quality of services
- SGS employees' attitude, expertise and responsiveness
- Quick turnaround times
- Sustainability services

Consumers

Why we engage

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

How we engage

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

Key topics discussed

- Product safety and quality
- Ethical behavior

Employees

Why we engage

Our people are essential to our business. Discussing performance and providing training and opportunities helps to develop the potential of our talent and keep them motivated and engaged.

How we engage

- Our global employee engagement program
- SGS intranet portal and internal social network
- SGS Life newsletter
- Training programs
- Line manager direct engagement
- Leadership townhalls

Key topics discussed

- Training, development and recognition
- Diversity and inclusion
- Well-being and work-life balance
- Health and safety
- Sustainability awareness, good practices in labs and offices

Suppliers

Why we engage

Engaging with suppliers is key to ensuring a smooth supply chain, boosting innovation and strengthening sustainability in our business.

How we engage

- Supplier self-assessment program
- Scope 3 emissions program
- Supplier relationship management (SRM)
- Sustainability criteria in sourcing events
- Supplier Code of Conduct commitment

Key topics discussed

- Sustainability requirements to our suppliers
- Supplier tangible plans to reduce CO_2 emissions and their impact on our business
- Human rights and ethics

Communities and the planet

Why we engage

The sustainability of our communities and the planet is critical to our success. We engage with our communities to continually evaluate whether our sustainability ambitions are fit for purpose and meeting their targeted impact.

How we engage

- Multiple community projects across the network

Key topics discussed

- Community donations and volunteering programs
- Human rights and ethical labor practices
- Sustainable business practices

Governments and industries

Why we engage

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

How we engage

- SGS hosted conferences, seminars and webinars
- Membership meetings and events
- Knowledge and educational resources

Key topics discussed

- Ethical behavior
- Risk management and business continuity
- Data privacy and cybersecurity
- Product safety/quality

Investors

Why we engage

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

How we engage

- Annual General Meeting
- SGS Capital Markets day
- Meetings with investors and analysts
- Answers to analyst questions

Key topics discussed

- Company performance
- Strategic vision
- Capital allocation
- Execution of action plans
- ESG credentials

Our material topics

The SGS Business Materiality Matrix captures the issues deemed by stakeholders to be materially important to our organization. It is the outcome of a rigorous process, including stakeholder consultation, megatrend and risk analysis, and benchmarking against international principles, including the UN Sustainable Development Goals (SDGs).

Materiality assessment

Every two years we conduct a formal materiality assessment. In 2022, we integrated the results of our risk assessment and kept in close contact with our stakeholders through our regular channels, such as meetings with investors, our investor days, voice of the customer surveys, our employee engagement survey and meetings with local communities. This has further contributed to our deep understanding of the most material topics for the Group.

In 2023, we have developed our first double materiality assessment according to the Corporate Sustainability Reporting Directive. The process has involved a full review of our value chain, stakeholders' prioritization, and direct/indirect consultation to each of them. During these consultations, we have analyzed:

- Impact materiality: scale, scope and remediability of the impact
- Financial materiality: likelihood and magnitude of the financial effect

The process has been fully aligned with our annual risk assessment in terms of risk identification and assessment.

The outcome will be disclosed in our website by mid-2024.

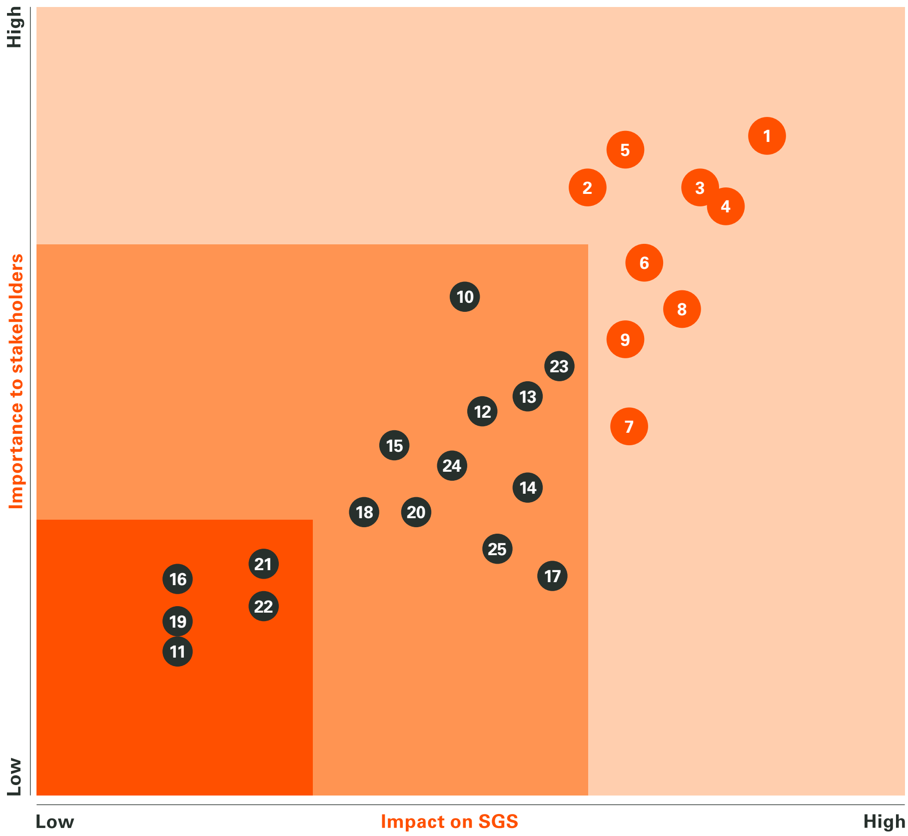
The nine topics that are most important to the organization

1. Cybersecurity
2. Data privacy and protection
3. Ethical behavior
4. Health and safety
5. Risk management
6. Talent attraction and retention
7. Customer relationship management
8. Corporate governance
9. Sustainable supply chain

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

Other material topics

10. Adaption and mitigation of climate change
11. Biodiversity
12. Diversity in the executive team
13. Diversity and inclusion
14. Employee engagement
15. Executive compensation linked to sustainability
16. Freedom of association
17. Innovation in services and operations
18. Local community support
19. Preventing air pollution
20. Reducing and managing waste
21. Responsible use of materials
22. Tax strategy
23. Training and development
24. Water footprint
25. Well-being and work-life balance



Risk management

During 2023 we have continued to focus on and address the main prevailing risks facing the organization, to ensure we can fulfill our purpose of making the world better, safer and more interconnected.

Risk governance

Our Board of Directors reviews risks to ensure that the Company has a robust strategic approach to mitigating them (see page 61). However, the ultimate responsibility for identifying risks and integrating their management into key business planning processes rests with our Operations Council.

The Group Risk Steering Committee oversees our risk management framework, and is chaired by the CEO. The Committee comprises executive members, including the Chief Financial Officer, Chief Compliance & Legal Officer, Chief Operating Officer representative and Chief Information Officer, together with representatives from departments including Risk Management, Human Resources and Sustainability. The Committee meets as necessary, at least three times a year, and reports directly to the Board.

Accountability for managing risk rests with 'Risk Champions' who are charged with assessing risk in the jurisdictions for which they have responsibility. In addition, SGS integrates a broad array of risk categories (see the charts below) directly into the management process, under the oversight of 'Global Risk Category Owners'.

Risk management framework

During the year, SGS has continued to identify and address the main prevailing risks facing our organization. A number of risks have been redefined, to emphasize where the focal points are and the resources needed to address these risks. This was further enhanced by providing additional guidelines to local affiliates on how to properly recognize, measure and mitigate their local risks.

Our risk assessment process is designed to make allowances for the size and profile of each of our affiliates.

This allows SGS to ensure that the framework is applicable worldwide, with key markets and businesses appropriately involved. The local risk management assessment inputs provide further validation from a global management perspective, contributing to a comprehensive and insightful overview of risk perception which is presented on the risk heat map, page 27.

Risk oversight

To support our risk management framework, the Group conducts risk assessments, using a bottom-up approach, with identification of potential risks, coupled with design and implementation of mitigation actions and action plans at a local level, where appropriate. Additionally, at group level, SGS applies a top-down approach to evaluate and conclude on the country level results as well as to identify and assess risks from the global perspective.

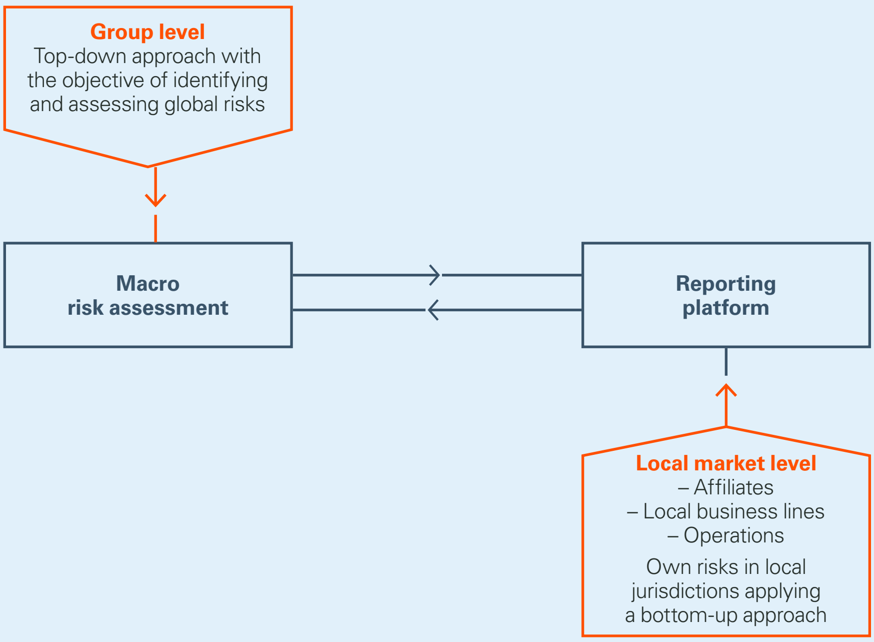
In defining and assessing risks, our organization takes into account risk appetite and tolerance levels. Risk appetite refers to the level of risk that we are willing to accept or take on in pursuit of our objectives and goals. Risk tolerance, however, is a more specific and quantitative measure that represents the actual ability of our organization to withstand losses or variations in the value of its investments or decisions. For instance, for the two examples of emerging risks mentioned below, i.e. for the risk of technological innovation, risk appetite is considered to be low/medium, while for the risk of acts of intentional harm the risk appetite is stated as zero.

Risk management process

1. **Board of Directors and CEO**
   Review risks and ensure that the Company has a solid strategic approach to mitigating them
2. **Audit Committee**
   Supporting the Board in risk assessment and monitoring
3. **Operations Council**
   Ultimately responsible for identifying company risks and integrating the management of these risks into key business planning processes
4. **Group Risk Steering Committee**
   Chaired by the CEO, the Committee gathers executive members, including the CFO, CCO and CIO, together with operational function representatives

Enterprise Risk Management Framework

Places responsibility and accountability for managing risk close to our operations



Risk management continued

2023 risk assessment results

In 2023, we conducted risk assessments in 58 of our main markets, applying a full and limited scope approach. We assessed 133 specific risks (full scope) and 19 risks (limited scope) within 44 risk categories defined globally.

The assessment has confirmed a number of prevailing as well as emerging risks, particularly in relation to technological innovations, cyberattacks, access and security breaches, political instability and military conflicts, continued global energy challenges driving inflationary pressures that adversely impact local and regional economies, including sourcing operations, coupled with continued environment and climate changes. More details are disclosed on pages 28-31.

As part of our assessment process, we also identify emerging risks that are likely to impact on our business in the next three to five years.

An example of such risks is risk associated with technological innovations, especially investing in technology with limited value and impact on customers, or losing opportunities due to lack of innovation agility in serving current and new markets. Such risk may also be related to an inability to be adequately prepared for market disruptions resulting from new and emerging technologies. We also recognize another emerging risk which is associated with acts of intentional harm, particularly in relation to business disruption, asset loss or harm to employees due to fraud, theft and abuse of integrity of services.

For each of these risks, mitigation actions are defined and monitored as per the risk management process. The mitigation actions are described on pages 28-31.

Business continuity

This year the world saw many disruptive events across different regions, largely driven by climate-led extreme weather events, natural disasters and socio-political crisis. These provide fresh reminders for businesses of any size and industry to be prepared to deal with disruption.

Our business continuity programs focus on protecting our operations and critical business processes, by identifying relevant external and internal risks; minimizing their occurrence where possible; and preparing to respond and recover from such events, to limit the adverse impacts and protect our people, our business and our stakeholders. We operate at the three levels – local, regional and global – with our business continuity officers, normally managers or senior managers, who can influence and drive continuous enhancement to our business continuity capabilities.

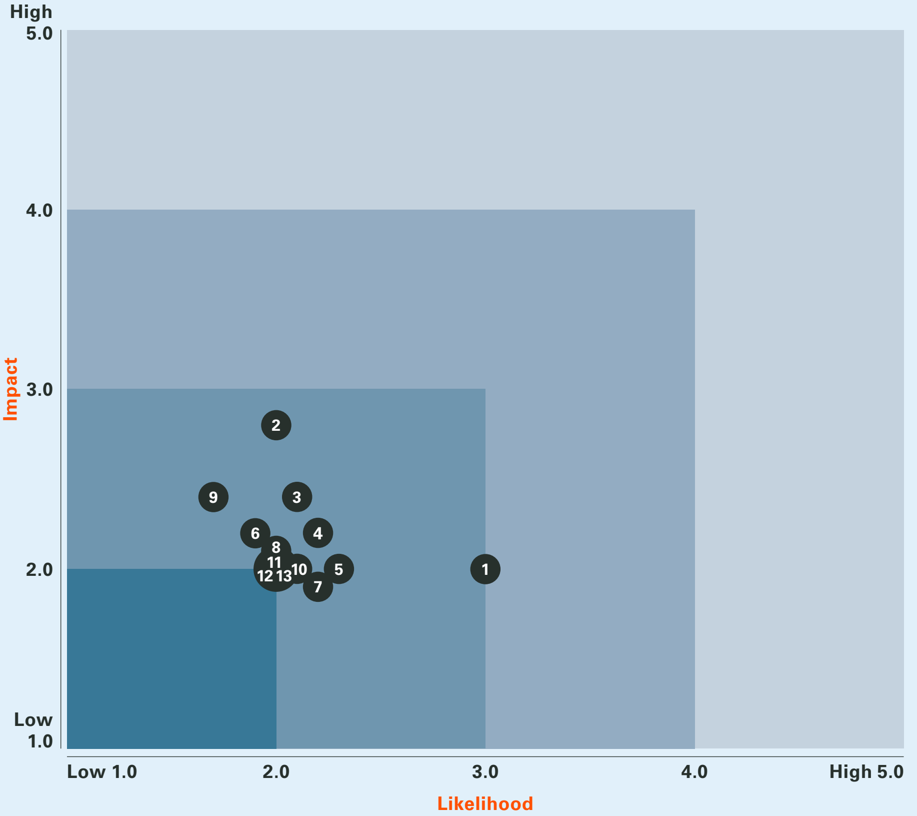
External risks

Communication & investor relations	Environment & climate change	Pandemic
Customer needs	Hostile civil or political environment	Technological innovation
Cyberattack	Industry	Political risk, war, crime, terrorism
Economy & sovereign	Legal & regulatory	

Internal risks

Operational risks						Non-operational risks
Process	**Management information**	**Human capital**	**Compliance**	**Technology**	**Treasury**	**Strategic**
Environment (operations)	Budget & forecast	Compliance	Act of intentional harm	Access	Credit	Business model
Health & safety	External reporting	Reward	Business ethics	Availability	Foreign exchange	Business portfolio
Pricing	Internal reporting	Talent acquisition	Contract commitment & claim	Data integrity	Liquidity	Mergers & acquisitions
Real estate	Tax	Talent management	Data privacy	Infrastructure		Social responsibility
Service delivery			Information governance	Reliability		
Sourcing				Technological capacity		
Supply chain						

Heat map of risks with highest residual risk scores



1. Technological innovation
2. Economy & sovereign
3. Talent management
4. Pricing
5. Cyberattack
6. Environment & climate change
7. Access to IT applications
8. Hostile civil or political environment risks
9. Business model
10. Sourcing
11. Legal & regulatory
12. Technological capacity
13. Acts of intentional harm

Our principal risks

The identification and management of risks is aligned to our materiality assessment to help us manage the principal risks. We endeavor to have measures in place to mitigate those risks to an acceptable level.

	Risk description	Summary of impact	Mitigation measures
External	**Technological innovation**	• Risk of investing in technological innovation with limited value and impact on customers • Risk of losing opportunities due to lack of innovation agility in serving current and new markets • Risk of not being adequately prepared for market disruptions resulting from new and emerging technologies	• Execution of innovation initiatives, based on a thorough understanding of the customer needs, problems and context • Continuous assessment and validation of innovation initiatives and projects to ensure their organizational viability • Ongoing business digitalization through strategic partnerships on technology development to identify solutions to mitigate operational risks, and to improve efficiency and competitiveness • Experiment and explore new business areas unlocked through emerging tech disruptions (e.g. Generative AI, Trust in AI)
External	**Economy & sovereign**	• Loss of sales (decrease in service demand/ economy) • Risk of price pressure	• Ongoing performance monitoring of SGS operations by region and country in comparison to local economic environment • Proactive pricing increases to address cost increases and support SGS growth • Take measures to adapt SGS capacity (and cost base) based on market demand • Balanced resources allocation to ensure adequate business and geographical diversification
Human capital	**Talent management**	• Ineffective or inadequate training and development programs for employees • Lack of leadership alignment and effectiveness, lack of qualified and competent employees, lack of succession planning of key personnel • Risk of inefficient performance management • Risk of workplace discrimination	• Our global employer value proposition drives our integrated talent management, talent development programs and total reward strategy, enhancing talent attraction, engagement and retention • Talent review and succession planning processes across the organization strengthen talent management and development • Using talent assessment and facilitated movement we aim to significantly improve talent development • Our structured leadership development program is designed to enhance leaders' competencies • Advancing our well-being program to improve employee engagement and retention • Dedicated diversity, equity and inclusion initiatives to foster a more inclusive and diverse workforce
Process	**Pricing**	• Risk of incorrect pricing due to inadequate pricing model • Risk of margin pressure and processing inaccurate discounts • Risk of underutilized capacity due to too high pricing versus competition	• Implementation and monitoring of detailed operational pricing actions to offset inflationary pressures • Ongoing review and implementation of pricing golden rules and value-based pricing strategy • Execution of focused workstreams leveraging on relevant data (internal dashboards, segmentation, best practices)

Risk description		Summary of impact	Mitigation measures
External	**Cyberattack**	• Financial losses resulting from business disruption or interruption due to cyberattacks • Loss of certification accreditation leading to significant reduction of our certification business • Loss of cyber insurance cover as a result of cyberattacks, lack of internal knowledge and adequate technology and security controls and processes • Reputational impact	• Security Operations Center (SOC) continuous monitoring and response around-the-clock • Constant evolution of use cases for security event correlation and early warning • Digital surveillance service and intelligence feeds • Deployment of security solutions at different levels and security layers (perimeter, datacenter, network and workstations) • Evolution and improvement of the antimalware platform at a global level protecting workstations, servers and kubernetes environment • Reinforcement of user identity security measures • Strong training and awareness program for all users with social engineering tests • Vulnerability management and pen testing program for vulnerability detection and remediation • Third-party monitoring (e.g. BitSight) as an additional source of security posture improvement • Implementation of security updates and patches in systems and applications
	Environment & climate change	• Cost (monetary and non-monetary) of transition to lower emissions technology to achieve our CO_2 reduction targets • Reputational impact of misalignment with global megatrends	• Global CO_2 reduction targets cascaded down to regions and affiliates • Execution of a vehicle analysis to optimize the fleet and development of a mobility strategy • Ongoing deployment of the Energy Efficiency in Buildings program, with additional buildings in scope • Periodic deployment of awareness campaigns to promote sustainable behaviors among our employees, like the energy savings or the Spot the Orange Dot campaigns
Technology	**Access to IT applications**	• Risk of unauthorized access to sensitive information and resources, existence of orphan accounts and use of exfiltrated credentials	• Reinforcement of user access procedures and control • Implementation of new identity governance initiatives (WorkDay, SailPoint) • Deployment of conditional access control to reinforce security posture • Enhancement of user identity security protocols to prevent unauthorized access • Early detection of threads by Digital Surveillance Service • Advancing and broadening the scope of our Security Information and Event Management (SIEM) system to enhance our capabilities in detecting anomalous behavior through refined event • Various meetings and seminars during the year with the IT community on governance, policies, best practices, etc.

Our principal risks continued

Risk description		Summary of impact	Mitigation measures
External	**Hostile civil or political environment**	• Business disruption, asset loss or harm to employees and physical property, due to civil or interstate war, civil strife (e.g. following a natural disaster), political violence and terrorism and external criminality	• Proactive assessment of country risk and area risk before initiating business activities • Integration of hostile environment contingency planning into business and service delivery design, as well as location and design or selection of facilities • Development of appropriate level of understanding of risk management for managers pertaining to their area of responsibility • Continuous active monitoring of the security risk environment as business activities • Contingency plans to minimize exposure to risk by avoiding concentration of investments in a single territory to ensure adequate levels of diversification if needed • Crisis management system in place to oversee major risk events
Strategic	**Business model**	• Risk of not achieving the strategic objectives and misalignment with the strategic direction of the Company towards mega trends resulting in potential loss of market share and/or failure to capture margin increase opportunities	• Ongoing dialogue with stakeholders (clients, governments, industrial associations, etc.) to ensure relevance of our chosen megatrends • Ongoing performance monitoring of SGS in comparison to other significant TIC players • Focused resources allocation on strategic business units and markets • Constant optimization of the organization to ensure fast and agile reactions to changing market conditions
Process	**Sourcing**	• Business slowdown and/or increased operational costs due to impact of inflation and supply chain disruptions • Business slowdown and/or increased operational costs due to supply chain issues, inflation, increased transportation costs and energy price spike	• Sourcing and supply chain related risks are regularly analyzed and monitored by the global and local procurement teams, especially for those categories with highest impact on the business • While monitoring market trends to address inflation, energy and geopolitical potential risks, we define risks roadmaps by country and implement mitigation plans to anticipate to such risks, reducing our exposure and increasing our secureness • Our mitigation plans include a diverse number of actions, focused on fighting inflation (tendering and renegotiations, contract clauses, rationalization and standardization of products, etc.), and ensuring supply (alternative products, vendors and markets, advanced ordering, safety stocks, etc.)
External	**Legal & regulatory**	• Risk of penalties, loss of business and reputational risks	• Strong culture of compliance embedded in our Code of Integrity • Management actions and systematic training of employees • Policies on prevention of risks, bribery and corruption, due diligence and Know your Clients for customers, suppliers and business partners • Continuous review of activities in at risk areas

	Risk description	Summary of impact	Mitigation measures
	Technological capacity	• Risk of software or hardware obsolescence • Lack of resources to meet the technological needs of the business • Lack of procedures and/or tools for IT management	• Migration of applications and infrastructure to the cloud (Azure) mitigating obsolescence or capacity limits (space or computing capacity) • Contracting outsourced IT management services to reduce the risk of turnover or absence of skilled resources to operate corporate IT • Implementation of Information Technology Infrastructure Library (ITIL) methodology and tools such as ServiceNow for change, request, demand and incident management
Compliance	**Acts of intentional harm**	• Business disruption, reputational damage, asset loss, or physical and psychological harm to employees due to fraud, theft, intimidation, manipulation of processes and abuse of integrity of services	• Proactive process security controls to deter, detect and disrupt attempts to manipulate inspection, testing, auditing, and other service delivery methods for the purposes of crime or similarly undesirable behavior. Process security also includes due diligence services and advice on suitability for recruitment (vetting), as well as dealing with allegations of falsification, adulteration and misuse of certificates, reports and other documents • Protective physical security controls to protect physical space, equipment, consumables, people and processes from misuse and criminal attack • Travel security and remote working security to protect employees on the move or working on client sites or other locations away from SGS immediate control • Investigations into security incidents, criminal attack and alleged violations of the Code of Integrity or other standards and rules

How we create value

As the leader in the TIC industry we create value by enabling a better, safer and more interconnected world. We measure total value creation using the six capitals.

Our inputs

Financial capital

The funds available to us

Total equity	Profit (prior year)
CHF 528M	CHF 630M

Manufactured capital

Infrastructure, equipment and tools

Capex	Buildings and laboratories
CHF 298M	2600

Intellectual capital

Organizational, knowledge-based intangibles

Goodwill and other intangible assets	Training hours (millions of hours)
CHF 1911M	6.0M

Human capital

The skills and know-how of our employees

Employees	SGS Rules for Life
99600	9

Social and relationship capital

Our relationships with our stakeholders

Suppliers	Voice of the customer program
50000	1

Natural capital

The natural resources we need to operate

Electricity consumed	Fuel consumed
496 GWh	452 GWh

What we do → Our value

Testing

Our testing processes are delivered using a systematic approach under controlled conditions on our customers' products, services or systems. The objective is to determine if they meet required safety standards, quality norms and performance criteria set by regulatory bodies. This may include stress tests, usability tests or functionality checks. Testing helps verify if the product or service can perform reliably under expected conditions, thereby building trust with consumers and businesses.

Inspection

Our inspection processes provide detailed examinations of products, systems or processes for our customers. This involves checking whether they conform to specified criteria, which could include safety regulations, quality standards or performance benchmarks. Inspections are conducted by trained professionals who assess the condition, functionality or compliance of the subject matter, helping to identify potential issues or non-conformities.

Certification

Our certification processes officially recognize that a service, system, process or product meets specified standards. These are carried out by an accredited certification body after successful testing and inspection. Certification provides assurance of safety, quality and reliability, enhancing trust among consumers and businesses. It also demonstrates compliance with relevant regulations, which can be crucial for market access.

Financial capital

- CHF 3 316 million paid in wages to our employees
- CHF 205 million taxes paid to governments
- CHF 3.20 dividend per share proposed by the Board of Directors, subject to the approval of a capital increase, where shareholders can elect to receive the dividend in the form of shares or in cash

Manufactured capital

- Delivering safe medicine to patients
- Ensuring a safe, quality and sustainable supply chain
- Creating great places to work to support our business growth

Intellectual capital

- Enhancing career opportunities through training and innovation
- Simplifying the customer journey through innovation
- Ensuring information protection for us and our stakeholders

Human capital

- Ensuring a diverse and inclusive workforce
- Protecting the health and safety of employees
- Reducing social risks by reinforcing human rights compliance

Social and relationship capital

- Supporting the communities in which we operate
- Improving how we work with our customers
- Promoting sustainability across our supply chain

Natural capital

- Committed to Net Zero by 2050
- Minimizing resource depletion and protecting the environment
- Supporting our customers in their sustainability journey

Financial capital

Access to and management of financial capital to support our strategy and deliver returns to shareholders.

1 How we develop our financial capital

Outlook 2024

- Mid to high single-digit organic[1] growth
- Relaunched M&A program
- Improvement in adjusted operating income margin[1] on sales
- Strong free cash flow[1] generation

2 Our inputs

	2023	2022	2021
Profit CHF million	**597**	630	655
Total equity CHF million	**528**	763	1 202
Total assets CHF million	**6 761**	7 122	7 007

3 Progress during the year

Financial discipline and focused capital allocation

- **Sustainability services** delivered excellent growth across all business lines
- SGS holds a prime position in the growing **cybersecurity** market, illustrated by the strong double-digit growth at Brightsight
- **Business Assurance** (prev. Knowledge) delivered a record performance with solid double-digit organic sales growth and profitability. This was driven by new sustainability services including business health checks and gap assessments as well as social audits and ESG assurance
- High single-digit growth in **Industries & Environment** driven by safety, supply chains, renewable energy and sustainability services
- Accelerating demand for critical minerals and battery metal testing, as well as services to support the energy transition, including biofuels, drove growth in **Natural Resources** to nearly 10% at constant currency[1]
- Strong sales momentum in Food for **Health & Nutrition** offset softness in Health Science and Cosmetics & Hygiene

1. Refer to Alternative Performance Measures – Appendix to the 2023 full year results.

3 Progress during the year continued

Financial discipline and focused capital allocation (continued)

Financial review

- **Sales** of CHF 6 622 million, up 8.1% organic[1], were driven by double-digit growth in Business Assurance (prev. Knowledge) and high single-digit growth in Natural Resources and Industries & Environment. Significant FX headwinds led to a reported -0.3% variation compared to prior year
- **Adjusted operating income (AOI)[1]** reached CHF 971 million, an increase of 6.2% at constant currency[1] compared to prior year. A significant strengthening of the Swiss Franc against the majority of currencies led to a decline of 5.1% compared to 2022. The adjusted operating income margin on sales was 14.7%, representing a decline of 0.7 percentage points compared to prior year, of which 0.5 percentage points was attributable to adverse currency impact
- An **effective tax rate (ETR)** of 26% reflected a normalization of non-tax-deductible expenses
- **Profit attributable to equity holders** achieved CHF 553 million compared to CHF 588 million in prior year, a reduction of 6.0% driven by the strengthening of the Swiss Franc
- **Basic earnings per share[2]** was CHF 3.00, a decrease of 4.8% compared to prior year
- **Free cash flow (FCF)[1]** of CHF 604 million compared to CHF 481 million in 2022, driven by lower net working capital requirements and capital expenditures
- **Return on invested capital (ROIC)[1]** remained stable at 22% compared to 2022, representing an industry-leading level of returns
- **Net debt[1]** at 31 December 2023 amounted to CHF 2 839 million including lease liabilities, an increase of CHF 16 million compared to December 2022. SGS successfully refinanced maturing debt, by issuing a 4-year bond of CHF 240 million and an 8-year bond of CHF 260 million in November 2023

4 Outcomes

	2023	2022	2021
Sales CHF billion	**6.6**	6.6	6.4
Free cash flow[1] CHF million	**604**	481	610
Adjusted operating income margin[1] %	**14.7**	15.4	16.5

1. Refer to Alternative Performance Measures – Appendix to the 2023 full year results.
2. On 28 March 2023, the Annual General Assembly approved a 25-1 stock split that went into effect on 12 April 2023. This split increased the number of shares issued, from 7 495 032 to 187 375 800, and reduced the nominal value per share, from CHF 1 to CHF 0.04. As a result, for comparability purpose, the Group recalculated the weighted average number of shares as well as the basic and diluted earnings per share (EPS) as of December 2022. Please refer to note 11 of the consolidated financial statements (page 110).

Financial capital by business line

In 2023, all business lines contributed to strong growth, and we drove additional returns through portfolio management.

Testing & inspection

Industries & Environment

Strong growth driven by energy, safety and reliability

Business performance

- Double-digit organic growth in field services and inspection, safety, supply chains and government mandates
- High single-digit organic growth in environmental testing
- Margin improvement driven by pricing and business mix

Natural Resources

Market-leading business performance

Business performance

- High single-digit growth in trade and inspection, and strong performance in lab testing, driven by critical minerals and sustainability
- Strong double-digit growth in metallurgy and consulting
- Margin improvement driven by improved efficiencies, adoption of automated solutions and pricing

Wind turbine inspector, Industries & Environment, Belgium.
Technical developer XRF analyzers, Natural Resources, The Netherlands.

Connectivity & Products

Solid growth and market share gains

Business performance

- High single-digit growth in connectivity, partly driven by very strong performance from Brightsight
- Mid single-digit growth in softlines
- Margin decline mainly due to softer activity in wireless testing and a positive one-off in 2022

Health & Nutrition

Organic sales growth in a challenging environment

Business performance

- High single-digit growth in food testing driven by regulations, network expansion and pricing
- Positive underlying growth for health science (excluding Covid related testing) despite challenging market conditions
- Margin decrease primarily due to the change in business mix and slowdown in project outsourcing

Certification

Business Assurance (prev. Knowledge)

Record performance in 2023

Business performance

- Double-digit growth in management system certification, ESG assurance services and customized audits
- Very strong double-digit growth in consulting
- Margin improvement driven by the strong sales growth and business mix

Test engineer, Connectivity & Products, Finland.
Laboratory manager, Health & Nutrition, Germany.
Security auditor, Business Assurance (prev. Knowledge), Switzerland.

Manufactured capital

Our manufactured capital represents the effective and efficient use of assets, such as laboratories that SGS owns or has control of to deliver testing, inspection and certification to our customers.

1 How we develop our manufactured capital

We invest in and maintain our testing laboratories	• Our laboratory network is the largest in the TIC industry and the equipment and services required to operate them drives one of our largest procurement categories. Our job is to negotiate the right commercial terms for the business need as well as ensure they are fit for purpose, high quality and delivered on time anywhere in the world
We create great places to work that support our business growth	• We manage our large corporate real estate (CRE) portfolio proactively with the aim of 100% accuracy of our database, with no expired contracts. This enables us to operate in full compliance with group policy and deliver workspaces that are fully sustainable, energy efficient and correctly priced. With 85% of our portfolio leased, it is important that we start (re)negotiating early on, approximately 24 months ahead of a lease expiry or the initiation of a new project, to guarantee the best leverage for SGS

2 Our inputs

	2023	2022	2021
Capital expenditure CHF million	**298**	329	336
Operating expenditure CHF million	**1 511**	1 493	1 364

3 Progress during the year

We invest in and maintain our testing laboratories	• Significant investments of CHF 298 million were made to expand and evolve our service offerings in areas including connectivity, automotive and battery testing in Asia; health and safety and environmental in North America; as well as global investments in IT transformation and energy efficiency to meet our digital and sustainability objectives • In May, we expanded our Health & Nutrition capabilities in North America with the acquisition of Nutrasource. The Company provides clinical trial management, full regulatory support, testing services, and product development
We create great places to work that support our business growth	• The negotiation process continues to be guided by our CRE golden rules, helping them to put best-in-class deals in place and to protect us against high inflation. Where possible, we also further consolidated our office space by implementing work from home policies, which have improved employee work-life balance, as well as delivering cost reductions through space reduction and lower energy consumption • More than CHF 3 million of capex has been dedicated to improving the energy efficiency of our buildings, including investments in high efficiency systems and onsite renewable energy installations

4 Outcomes

- Exceeded our target, set in 2020, to reduce depreciated costs over the length of lease agreements of CHF 40 million
- Greatly improved compliance with our CRE policy, achieving 100% compliance at the end of the year and maintaining this through the year
- On data accuracy, we achieved 98% compliance
- By the end of 2023, we had delivered CHF 12.8 million of savings on real estate projects

Intellectual capital

Our intellectual capital is the development of processes, protocols, knowledge, insights, systems and data, to support and enhance our business activities.

1

How we develop intellectual capital

We build capabilities that will enable us to deliver on our strategy	• World Class Services (WCS) is our distinctive continuous improvement and operational system. It is based on the World Class Manufacturing (WCM) methodology that we apply in our laboratories and operational network. We empower colleagues and increase their level of knowledge and engagement by deploying our business principles on the shop floor. This strengthens our culture, and ensures that every single person in the organization can contribute to our continuous improvement process as their ideas and suggestions make our laboratories more efficient and better, creating a safer place to work • Our Digital Builders Organization designs and develops technology-based solutions such as the WindGo application to support field workers and customers for SGS's business units that they can bring to market quickly. Through agile development methodology and close collaboration with the business units, we aim to create solutions that bring real value and can easily scale from regional to global
We innovate for our customers	• A forward-thinking approach to emerging technologies translates into strategic initiatives and programs that drive productivity improvements, increase customer satisfaction and leverage growth opportunities in a responsible and ethical way • Within our operations we are applying emerging technologies such as Generative AI to empower our employees to harness this technology and realize productivity improvements • We are also exploring the need for new services to assess the trustworthiness of new technologies when our customers use or develop them. This will help SGS and our customers comply with new regulations such as the EU AI Act
We inspire and encourage our people to innovate and generate new intellectual capital	• The ability of our people to innovate is integral to our success. We build on existing initiatives to inspire and encourage them to innovate and deploy new ideas. Our business environment stimulates innovation, delivers top-tier training and development, encourages cross-functional collaboration, and establishes a culture of feedback and continuous improvement. Together, these provide a strong foundation for growth • We have clear policies and procedures for protecting intellectual property generated through innovation. This includes patents, trademarks, domain names, copyrights and trade secrets
We secure our information and know-how	• Continuously analyzing market trends and identifying improvements to be implemented at SGS to reduce information security risks is part of the DNA of our information security team
We are committed to maintaining customer trust by protecting all personal data provided to or generated by us	• Our Global Data Privacy Policy and the corresponding standards and procedures define our principles for processing personal data. This approach allows us to achieve a high level of data protection for our employees, contract partners, customers and suppliers • Group wide, our understanding of data privacy is based on European legislation, in particular the European Union General Data Protection Regulation (EU GDPR). We are also taking steps to meet local data privacy requirements, where they are more strict than our global standards

2

Our inputs

	2023	2022	2021
Goodwill and other intangible assets CHF million	**1 911**	2 105	2 160
Training hours million of hours	**6.0**	5.3	4.3

Intellectual capital continued

3

Progress during the year

We build capabilities that will enable us to deliver on our strategy

- Seven new laboratories have been added to our World Class Services program – in countries throughout the world including India, Kazakhstan, China, Sweden, Russia, Australia and Portugal. With 13 laboratories added since 2021, we have exceeded our SA 2030 target of at least 10 new sites by 2023
- 28 World Class Manufacturing external audits were completed in 2023. Two of our laboratories, located in Shanghai, China and Bangkok, Thailand achieved a World Class Manufacturing bronze award scoring over 50 points
- Seven new technology-based products, designed to improve business results through increased sales or efficiency, and one proof of concept were successfully deployed. In addition, we have six products in development, as well as four proof of concepts expected to go live in 2024

We innovate for our customers

- Significant progress has been made in embracing emerging technologies, in particular AI, through numerous pilots. We have further demonstrated our dedication to this area by working to increase awareness and enhance skills in the AI domain throughout our organization
- An internal SGS ChatGPT has been developed to unleash the potential of Generative AI in daily routine tasks, and to explore new services around trust in artificial intelligence. We also completed the first audit for AI management systems
- Dedicated policies and guidelines for the ethical and responsible use of Generative AI have been developed and deployed
- Investment in our workforce, and the development of awareness campaigns and training initiatives continues. This will equip employees with the skills and knowledge they need to excel in the AI landscape

We inspire and encourage our people to innovate and generate new intellectual capital

- A new partnership has been established with a leading learning provider, granting our employees access to more diverse learning resources from top-tier business schools that will foster continuous learning and innovation, and contribute to their personal and professional growth
- A Global Business Partner organization has been created to facilitate collaboration between HR and our business units to improve the overall understanding of finances, business objectives, competition, market trends and company culture. This has helped us create effective solutions across the organization through analyzing, developing, implementing and monitoring specific HR programs and solutions

We secure our information and know-how

- All planned projects were successfully completed in 2023 including the implementation of more than 90 new security operation center monitoring use cases, as well as the migration and optimization of the EDR platform. Progress in the global deployment of Network Access Control (NAC) and the maturity of the Security Operations Center (SOC) processes have made it possible to avoid any security incidents during the year
- Implementing a Zero Trust Strategy has been crucial to enhancing our cybersecurity posture and protecting sensitive data from evolving threats. We have improved in a wide range of areas, including: identity and access management (IAM), with the enforcement of strong authentication methods, such as multi-factor authentication (MFA), for all users; micro-segmentation, enabling us to isolate a single workstation to a whole country or region through the enhancement of our SD-WAN and NAC technologies; and continuous monitoring, detecting suspicious activities or deviations from normal behavior in real time by our SOC 24/7/365

3 Progress during the year continued

We are committed to maintaining customer trust by protecting all personal data provided to or generated by us

- A SGS Privacy Management program that aligns with our Sustainability Ambitions 2023 has been developed. It allows us to take a structured approach to privacy management, provides transparency on data privacy compliance, and boosts trust in us as a responsible and ethical user of data. This program is built on four pillars: leadership and management, risk management, reporting and monitoring, and learning and communication
- New Data Privacy Officers (DPOs) have been appointed in Vietnam, Japan and in the French African region
- The SGS Data Privacy brand has been refreshed and strengthened to communicate our data privacy function's message and purpose
- New blended learning initiatives have been deployed:
  - The **Data Breach Response Toolkit**, eLearning combined with a 20-minute webinar, which together provide employees with the necessary knowledge and skills to effectively respond to data breaches
  - The **Data Privacy Spotlight**, an employee data privacy quarterly newsletter that provides SGS employees with relevant and easy to understand insights, practical tips and updates on data privacy delivered directly to their inboxes
  - The **DPO Dispatch**, a newsletter tailored to local DPO needs, helping them stay informed on the latest developments in data protection and privacy, new SGS processes and procedures, as well as relevant learning opportunities and timely communication that can be locally deployed
- As AI and machine learning are growing rapidly and have introduced new risks for data subjects as well as new challenges for DPOs, we have created new SGS DPO AI FAQ Guidance to provide a starting point local DPOs can use to navigate the critical and complex world of AI

4 Outcomes

	2023	2022	2021
Training ratio (% of total employment cost spent on training) (includes safety training hours)	**3.6**	3.2	2.6
Number of WCS laboratories	**27**	26	22

Human capital

Our people are vital to our success and human capital represents their behaviors, engagement and well-being.

1 How we develop our human capital

We work with integrity

- Being trusted is a prerequisite of everything we do as a business. Our people do not engage in any form of bribery or corruption, and we adhere to the legal requirements of every country where we operate. The SGS Code of Integrity applies to all employees, as well as affiliated companies, contractors, subcontractors, joint venture partners and agents
- Our Code of Integrity is reinforced through mandatory annual integrity training, and we require all new permanent employees to complete the same training within three months of joining SGS

We respect human rights

- Our absolute commitment to human rights is grounded in our SGS Code of Integrity and our SGS business principles. It is also reflected in our human rights policy, supplier code of conduct and other relevant policies
- As part of our ongoing efforts, we have integrated human rights considerations into our policies, principles, and due diligence processes. Through this we aim to ensure their effective implementation and to prevent any potential adverse impacts on human rights that may be caused or contributed to by our operations

We attract, develop and retain the best talent

- Our global Employer Value Proposition (EVP) of #Bethechange and #BeSGS is our guiding principle in attracting, engaging and retaining talent in a challenging labor market. These are reinforced by our integrated talent management, robust talent development programs and total reward strategy. Our commitments to talent development and continuous learning strengthen our organization and enable strategic objectives by releasing people's potential

We commit to diversity and equal opportunities

- Our culture of diversity and inclusion enhances our competitiveness and creates value for our customers, investors and employees. We are dedicated to diversity and equal opportunities, and this is embedded in our business principles, Code of Integrity, human rights policy, and anti-discrimination and dignity at work policy. We firmly believe that integrating these principles into our policies and practices is the most effective means of fostering a culture where diversity and inclusion are fundamental values that influence decision making across all levels of the organization
- We have zero tolerance for any form of discrimination and take pride in being recognized as an inclusive employer. We are proud to have achieved the 45th rank among the top 100 publicly traded companies recognized for their diverse and inclusive workplaces in the 2023 Refinitiv Diversity and Inclusion Index
- We are committed to ensuring equal pay for equal work and regularly conduct analyses to uphold this commitment

We engage with and care for our people's well-being

- We are dedicated to cultivating a workplace culture that empowers our employees to thrive, both personally and professionally. Our commitment to promoting well-being is driven by our belief that a healthy, happy and engaged workforce will have a positive impact on individuals, teams and the organization as a whole. To achieve this, we foster a workplace that values and supports well-being as a fundamental aspect of our organizational culture. We also highly value feedback and actively encourage employees to voice their opinions via our voluntary annual employee engagement survey

We provide a safe and healthy environment

- Our employees' safety is our top priority. As part of our operational integrity (OI) mission, we promote safety initiatives around eight areas:
  - Visible leadership
  - Risk management
  - Training and awareness
  - Communications
  - Resources and skills
  - Digitalization
  - Performance management
  - Health, safety and environmental (HSE) compliance
- We run a bi-annual health and safety (H&S) survey to check that safe operations and practices are in place in workplaces and facilities. It is an opportunity to assess how employees and contractors perceive the value of H&S initiatives and for us to identify improvements opportunities
- In addition to our Group Security Risk Management Policy, Corporate Security continue to promote an agile, consistent, yet adaptive approach to the protection of people, workspaces, assets and processes from intentional harm. The strategy is to encourage the implementation of appropriate preventive and deterrent controls throughout the value chain

2 Our inputs

- 99 600 employees
- Nine SGS Rules for Life

3 Progress during the year

We work with integrity	• A network of regional compliance managers has been established across our regions. Following the update to our Code of Integrity and various integrity policies, a number of micro-learnings were launched and webinars conducted to promote and drive awareness throughout the network
We respect human rights	• Our Human Rights Task Force further developed our Human Rights Due Diligence Program, making significant progress. One notable achievement was the creation of a Human Rights Due Diligence Checklist specifically designed for use during social compliance audits within our own operations. The development of this checklist was a collaborative effort, with valuable support from experienced compliance auditors from our own responsible business services. We believe that it will help us to reduce operational risk, reinforce our commitment to responsible business practices, and foster positive stakeholder engagement
We attract, develop and retain the best talent	• The first phase of mySGS, our new global human capital management system, was successfully launched. MySGS helps our employees and managers, enhancing employee experience and operational efficiency and supports better decision making • A new talent review and succession planning process using mySGS technology rolled out. The new process will significantly improve our approach to identifying talent and leveraging global organization capability to support business growth • Now operational in 60 countries, the expansion of our talent acquisition tool continues. The use of AI predictive analytics has significantly enhanced our recruitment processes, leading to reduced time-to-hire, increased quality of hire and overall improved service levels • Within our global eLearning platform, SGS Campus, we have now registered 96 650 employees. This platform delivers tailored learning and training programs to both local employees and global teams
We commit to diversity and equal opportunities	• Our commitment to diversity and inclusion extends to our Board, with 33% of positions held by women. Additionally, our women in leadership percentage stands at 31.9%, reflecting a positive trend compared to 31.1% in 2022 • To accelerate progress in enhancing our diversity, equity and inclusion (DE&I) we conducted surveys, one-on-one interviews and held workshops with our leaders. This feedback will guide the development of our DE&I program. An additional benefit of our new human capital management system, mySGS, is that it has been instrumental in advancing our global job architecture initiative. Leveraging the system's functionalities, we have successfully hosted job data, including job grading. This enables us to conduct comprehensive data analysis, such as gender pay gap analysis, and promptly identify any disparities, allowing us to take corrective actions. This integrated approach establishes a robust foundation for providing fair and competitive remuneration packages across all the markets in which we operate
We engage and care for our people's well-being	• As part of our new global employee well-being strategy, titled 'Together We Thrive: Cultivating a Culture of Well-Being,' we organized global mental health webinars for people managers, with more than 1 000 participants. We also conducted a global communication campaign in celebration of International Mental Health Day, raising awareness and encouraging employees to destigmatize this vital issue • To empower our employees on their well-being journey, we established a global well-being eLearning channel, providing a comprehensive range of resources • A new Employee Voice & Engagement platform launched. The first pilot survey reached more than 25 000 employees globally, generating an 81% response rate and providing valuable feedback. The survey revealed an overall employee engagement score of 7.6/10 and an overall manager support score of 8.3/10. These results underscore our strengths in goal setting, emphasizing that employees clearly understand their expectations and how their work contributes to team goals, whether they work onsite, in a hybrid setup, or remotely. Additionally, we have excelled in the areas of safety, ethics and integrity, indicating that our employees feel safe, are encouraged to maintain ethical conduct, and are fully aware of their right to report integrity concerns. To further enhance employee engagement, action plans tailored to each country have been developed and are actively being executed by our affiliate teams
We provide a safe and healthy environment	• The Safety LeaderSHIFT initiative for managers was deployed in six countries across three regions, with more than 580 managers trained in Chile, South Africa, Brazil, Cameroon, Spain and France, in addition to the 250 managers we trained in 2022 (in Peru, Belgium, Germany, Spain and France) • A new partnership with the Royal Society for the Prevention of Accidents allows all SGS employees to access checklists, articles and posters designed to help prevent different types of accidents (covering everyone from kids under five to elderly people) • An additional 20% of operational sites obtained independent certification to ISO 45001 and ISO 14001 bringing the cumulative total to 644 sites

4 Outcomes

	2023	2022	2021
Lost Time Incident Rate (LTIR)	**0.17**	0.19	0.22
SGS Code of Integrity: % employees trained to SGS Code of Integrity[1]	**99.9**	99.9	99.0
Human rights training: % employees trained on human rights	**86**	78	39
Women in leadership: % of women at CEO-3 level	**31.9**	31.1	29.0

1. The calculation is based exclusively on permanent employees who completed the annual integrity training.

Social and relationship capital

Our social and relationship capital represents the strength of our working relationships with key stakeholders including customers, suppliers and communities, supporting and strengthening our brand and reputation.

1 How we develop our social and relationship capital

We engage with our customers

- We constantly seek to employ innovative marketing and communications solutions to ensure we solidify our market position as the world's leading TIC company
- We expand and enhance our Voice of the Customer program every year to support our long-term customer satisfaction targets

We collaborate with suppliers

- We collaborate with more than 50 000 global, regional and local suppliers worldwide, enabling us to prioritize our sustainability and innovation goals. While maintaining solid partnerships with our key strategic suppliers to generate long-term growth, we also work closely with local suppliers. This allows us to seek new opportunities for development and collaboration, which will support and benefit the communities where we operate

We use procurement to drive sustainability

- Procurement plays a key role in supporting our sustainability ambitions through effective collaboration with our suppliers, which drives growth, innovation and productivity. Our supply chain is an important part of our value chain and we are committed to engage with our suppliers to further our sustainability ambitions

We support our communities

- We are committed to investing in the communities where we operate, and do so across three pillars: empowerment, education and environmental sustainability. Through our community program, we help to tackle global challenges such as poverty, equal opportunities, health, education, climate change and environmental degradation

2 Our inputs

- SGS Community Program
- More than 50 000 suppliers
- Voice of the Customer program

3 Progress during the year

We engage with our customers

- A project to move all local corporate websites to a new single platform was completed. This delivers on our goal to create a consistent yet flexible platform that enables compelling experiences that boost lead generation and support business growth. The sites are outperforming all key competitors, as measured by third-party data, as well as reducing cost and mitigating security risks. The new single platform achieved strong external recognition, being named as a finalist in both the Drum Awards for marketing, and the European Excellence Awards for communications and PR
- To help build awareness in the sustainability sector, we ran the 'Changing Conversations Sustainability Summit,' an innovative, customer-centric virtual event. This has helped to solidify our reputation as a sustainability leader: 85% of customers agree that SGS services help them to meet their sustainability goals. This global summit brought together 41 speakers from 18 countries to deliver valuable sessions that were streamed live to more than 43 000 people
- AI has been integrated into our marketing and communications content creation processes, increasing efficiency and broadening the range of people who can create content for SGS, while focusing on governance to ensure the tools are used responsibly and effectively
- An advanced platform to measure customer satisfaction has been implemented. The platform has enabled us to automate processes, providing survey results in real-time, which allows us to respond quickly to unsatisfied customers thanks to a close-the-loop process. It also uses artificial intelligence to analyze free-form comments to quickly identify key pain points or areas of satisfaction
- A simple and consistent survey approach across business lines was built for our Voice of the Customer program to analyze the drivers of customer satisfaction and better identify areas for improvement. We also maintained a large geographical coverage of the program with 27 affiliates

3

Progress during the year continued

We collaborate with suppliers	• Although the challenges faced last year due to bottlenecks in the supply chain and high inflation have decreased in 2023, we continued to collaborate with our suppliers to ensure business continuity and alleviate price increases. Monitoring market conditions and the potential risks closely has allowed us to establish mitigation plans that have decreased our exposure and increased our security of supply. We have been able to anticipate problems and draw up action plans for the products we depend on the most. Looking ahead, we are working on rationalization projects to avoid the impacts of future market disruptions • Managing CHF 2 billion third-party spend, our procurement team started a transformation journey in 2023 to support SGS business in a more impactful way, focusing on agility, a collaborative mindset and the impact they could have on SGS financial performance. This transformation journey reinforces our efficiency and introduces a new way of working and collaborating among our global, regional and local procurement teams, as well as with our suppliers. We have put the focus on more strategic activities by restructuring our operating model, developing category management and transferring transactional activities to our shared service centers • New procurement tools to increase efficiency include Workday and Sievo – dashboards that increase visibility to help us make better decisions • Our internal stakeholder satisfaction survey has been enriched to better understand a business's need for added value, and to guarantee that we can provide it in collaboration with our suppliers • Contributing to the SGS IT transformation journey, procurement supported the development of strategic agreements with multinational market leaders in technology, nurturing links between cutting-edge innovation and SGS operational efficiency and business development. A new ecosystem partnership is also being developed to strengthen the agility and business value of new innovation-based ideas and business models built on emerging technologies, such as artificial intelligence or augmented reality • A Supplier Relationship Management program has been launched with some of our most strategic suppliers, to discuss and align our common interests. As part of this, we have created steering committees to develop initiatives that strengthen strategic relationships, and bring greater efficiency, innovation and sustainability to both organizations
We use procurement to drive sustainability	• Our focus has been on reinforcing our sustainability commitment with our suppliers in relation to our SA2030 • The SGS Self-Assessment Questionnaire (SAQ) Program for suppliers has been implemented. This enables us to guarantee that all our suppliers comply with the highest standards in environment, carbon footprint, human rights, cybersecurity and data privacy, to ensure a sustainable supply chain in all countries • Sustainability criteria (the mandatory signing of the Code of Conduct and criteria related to carbon footprint, human rights, environment, health and safety and diversity) are now included in our supplier selection processes and tools, to guarantee that we select suppliers that are aligned with our sustainability principles • By initiating a switch from a spend-based model to a hybrid model that will be complete next year, our commitment to reducing our CO_2 emissions is reinforced. We are working to increase our data accuracy and analysis to better identify categories, countries and suppliers which have more impact on our scope 3 emissions to actively reduce our carbon footprint through tangible actions on higher impact suppliers
We support our communities	• The community policy which establishes the foundations of our community strategy has been updated. We now provide clearer definitions of inclusions, exclusions, and roles and responsibilities • Specific guidelines for each type of contribution: from a starter guide for affiliates willing to put a community program in place, to a disaster relief guideline, have been deployed • We have worked with our regional and local sustainability network to promote community programs with a special focus on volunteering and pro-bono initiatives • SGS Academy for the Community provided support and training for people in Pakistan, Türkiye, Ghana, India, Brazil and Morocco. The Academy provides high-quality technical training to people earning less than the average living wage in the communities where we operate. The aim of this pro-bono initiative is to support local economic development by enhancing access to and the quality of employment. Since the beginning of the program, over 1 100 people have received training in several disciplines such as quality management systems, food safety and sustainability

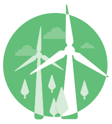
4

Outcomes

	2023	2022	2021
Customer satisfaction score (CSAT)[1]	**90.6**	84.5	88.0
Donations to the community CHF million[2]	**1.72**	1.85	1.38
Percentage of suppliers locally sourced %	**99**	98	98
Customers that agree SGS services help them to meet their sustainability goals[3] %	**85**		

1. This is a satisfaction score on a 0-100% scale. The data sources used are the global VoC program in 2022-2023 and the Laboratory Excellence Program for 2021.
2. On a constant currency basis.
3. 2023 is the first year we have included this question in the Voice of the Customer survey.

Natural capital



Natural capital considers our access to and stewardship and use of scarce natural resources. It measures our impact on the environment. As a professional services company it is relatively low, and comes mainly from energy consumption in our offices and laboratories.

1 How we manage our natural capital

Our decarbonization strategy

- Our decarbonization strategy focuses on three pillars:
  1. **Reducing energy consumption at source:** our main sources of CO_2 emissions are our buildings portfolio and vehicle fleet – we have specific programs such as the Energy Efficiency in Buildings (EEB) program and the vehicle emissions policy to address these
  2. **Using renewable energy whenever possible**
  3. **Off-setting all residual emissions**

Our employees are an essential part of the journey we are on, and the environmental awareness initiatives that we develop are an important part of this. We encourage employee participation to strengthen their and our commitment and we are keen to take their initiatives and suggestions into account.

Aligned with the 1.5°C objective from the Paris Agreement, we have committed to reach net-zero greenhouse gas (GHG) emissions across the value chain by 2050. To achieve this objective, we have approved near- and long-term science-based emissions reduction targets with the SBTi:

Near-term targets:

- We commit to reduce absolute scope 1 and scope 2 GHG emissions 46.2% by 2030 from a 2019 base year
- We also commit to reduce absolute scope 3 GHG emissions 28% by 2030 from a 2019 base year

Long-term target:

- We commit to reduce absolute scope 1, 2 and 3 GHG emissions 90% by 2050 from a 2019 base year

In addition to the above targets, all residual emissions will be neutralized in line with SBTi criteria before reaching net-zero emissions by 2050.

We have been carbon neutral since 2014, meaning that so far, while reducing our absolute emissions year-on-year, we have compensated our residual emissions using avoidance offsets. In our sustainability journey, while prioritizing the reduction of absolute emissions, we aim to gradually transition from using avoidance offsets to exclusively removal offsets.

We promote the circular economy

- While we produce relatively little waste, we do need to carefully consider the way we handle chemicals, test samples, paper, plastic and organic waste at our offices and laboratories to preserve natural resources

2 Our inputs

	2023	2022	2021
Electricity consumed GWh	**496**	487	480
Fuel consumed GWh	**452**	460	448

3 Progress during the year

We lead the decarbonization path following SBTi

Our focus has been to communicate our global GHG emissions reduction targets to each region and affiliate. In this context, the global targets have been cascaded down to regions and affiliates by using a multi-criteria methodology that considers their weight, intensity and trend. Each of the identified key affiliates is developing a local decarbonization plan with the objective of reaching its assigned target by focusing on its major contribution, whether this is buildings or vehicles.

Evaluating and managing the risks associated with climate change remains a priority for us, and we are supporters of the Task Force on Climate-related Financial Disclosures (TCFD). We are well ahead of the mandatory implementation of the TCFD recommendations, and we have adopted their recommendations around governance, strategy, risk management, and metrics and targets. In 2023, we have assessed direct physical risks in our key owned buildings. The result of this analysis is available in our TCFD appendix to this report.

3

Progress during the year continued

We reduce energy consumption

- The Energy Efficiency in Buildings (EEB) program is our flagship program to target and act on our major source of energy consumption. In 2023, we continued providing the network with tools to help them manage and visualize data as well as to make informed decisions. We also engaged with the identified key affiliates to discuss potential energy efficiency actions in buildings and how to approach them. This has now become part of the local decarbonization plans, currently under development by the affiliates
- By focusing energy reduction efforts on our highest consumption buildings, we have demonstrated that we can make a significant impact on our energy levels. The 722 buildings currently in our EEB program account for 84% of our electricity and non-transport fuel consumption. In 2023, we have continued to provide access to global capex that supports financing of energy efficiency measures in buildings and incentivizes local investment. This has contributed to a decrease in our electricity intensity per sales of 6% compared to last year. We continued to strengthen our commitment to onsite solar systems, reaching 3 981 MWh produced onsite this year
- For new buildings and major renovations of existing ones, we apply the SGS green building guidelines, which enable us to rate facilities based on KPIs spanning energy, water, waste, building materials and employee well-being, among others. This allows us to incorporate sustainability criteria in the capex decision-making process. In 2023, the tool was updated so that the outcomes are presented in a simple traffic light format to top management
- We continued to implement our vehicle emissions policy, promoting greater use of low-carbon technologies, including full electric, plug-in hybrid, hybrid and ethanol vehicles
- After buildings and vehicles, energy use across our IT infrastructure and data centers is an important priority. Our sustainable IT activation plan has promoted optimization in cloud migration, hardware and e-waste management in support of our Sustainability Ambitions 2030 to reduce energy use. In 2023, we have developed a new IT Strategy 2026, which embeds the actions for sustainability into our strategic initiatives and organizational roadmaps, to make sustainability a part of everything we do. As a result, we will decommission the activation plan as we strive to make sustainability part of our normal IT operations
- 10 000 end user devices (laptops/desktops) have been replaced with more efficient models and our purchase catalog optimized by the introduction of new units from manufacturers like HP and Lenovo that are more aligned with our sustainability standards
- To fit in with our power reduction policy we have designed a new Power Profile to save energy when a user is not actively working. The profile means a device will go into sleep mode after 15 minutes of inactivity (previously this did not happen at all) and the screen will be turned off after seven minutes (previously 20 minutes). Critical devices, kiosks, digital signage and devices in meeting rooms are excluded from the new Power Profile
- Investments have been made in both onsite self-generation facilities (solar panels) and renewable electricity certificates. So far, 97% of the electricity consumed by SGS comes from renewable sources, and we are working towards closing that gap as far as possible

We reduce waste and conserve water

- Waste reduction and recuperation initiatives, ranging from strengthening the employee culture around waste management to engaging with key affiliates to identify areas for improvement has been further developed. We have also continued to work towards embedding the circular economy into our operations – keeping resources in use for as long as possible, extracting the maximum value from them, and recovering and regenerating products and materials at the end of their service life
- Various initiatives help us monitor the amount of water we use and minimize consumption across all our operations. As a company, we are not a highly intense consumer of water, so this is not such a material topic. However, we remain committed to ensuring that efficient water management strategies are in place. Within our EEB program, which is primarily focused on our energy reduction efforts, we also assess water consumption and installations, so that site-specific water efficiency recommendations can be made

4

Outcomes

	2023	2022	2021
CO_2e thousand metric tons*	**112 029**	116 505	115 309
EEB program energy conservation measures identified (cumulative)	**904**	786	708

* Scopes 1 and 2 market-based figures. Excludes district heating and refrigerant gases emissions due to unavailability of data. 2021 data is recalculated and no longer includes business travel category of scope 3 in line with our new SBTi targets.

Financial and Non-Financial outlook

On 26 January 2024, we officially launched our Strategy 2027: **Accelerating growth, building trust,** to drive profitable growth, streamline the organization and deliver attractive returns for stakeholders. To ensure the achievement of these targets a new simplified Executive Committee was announced in January 2024.

Financial targets

Learn more about Strategy 2027 in the SGS 2023 Full Year Results Earnings Release and the SGS 2023 Results and Strategic Updates Presentation.

Read more in our 2023 full year results releases
www.sgs.com/en/investor-relations/reports-and-presentations

Sales

5-7%

organic growth[1]

annually

Adjusted Operating Income

Margin on sales[1]

1.5pp

Significant improvement

at least 1.5 percentage points by 2027

Free cash flow

After leases and interests

>50%

Cash conversion[1,2]

by 2027

1. Refer to Alternative Performance Measures - Appendix to the 2023 full year results.
2. Free cash flow/(EBITDA – leases). Refer to Alternative Performance Measures.

Laboratory technicians, Health & Nutrition, Spain.

Spot the Orange Dot project, Corporate Sustainability, Chile.

Sustainability targets

Read more online
www.sgs.com/en/sustainability/corporate-sustainability/sustainability-ambitions-2030

Environment

Environmental leadership

28%

Material improvement towards 28% reduction in scope 3 emissions

Social

Diversity, equity and inclusion

at least 1/3

of leadership positions held by women

Education

7 million hours

of training per year to employees, clients and communities

Governance

Responsible business

93%

customer satisfaction score

Corporate governance

This Corporate Governance report informs shareholders, prospective investors and society on SGS's policies in matters of corporate governance, such as: the structure of the Group, shareholders' rights, the composition, roles and duties of the Board of Directors and its committees and management, and internal controls and audits.

This report has been prepared in compliance with the Swiss Exchange (SIX) Directive on Information relating to Corporate Governance of 29 June 2022 (in force since 1 January 2023) and with the Swiss Code of Best Practice for Corporate Governance.

The SGS Corporate Governance framework aims to achieve an efficient allocation of resources and clear mechanisms for setting strategies and targets, in order to maximize and protect shareholder value. SGS strives to attain this goal by defining clear and efficient decision-making processes, fostering a climate of performance and accountability among managers and employees alike and aligning employees' remuneration with the long-term interests of shareholders.

1. Group structure and shareholders

1.1. Group structure

1.1.1. Operational group structure

SGS SA, registered in Geneva (CH), also referred to as the 'Company,' controls directly or indirectly all entities worldwide belonging to the SGS Group, which provides independent testing, inspection and verification services.

The shares of SGS SA are listed on the SIX Swiss Exchange and are traded on SIX Europe (Swiss Security Number: 249745; ISIN: CH0002497458).

At 31 December 2023, the operations of the Group were divided into seven regions, each led by a Chief Operating Officer responsible for the SGS businesses in that region and for the local implementation of group policies and strategies.

At 31 December 2023, geographic operations were organized as follows:

- North America
- Latin America
- Africa & Western Europe
- North & Central Europe
- Eastern Europe & Middle East
- North East Asia
- South East Asia & Pacific

The Group is structured into five business lines with each responsible for the global development of group activities within its own sphere of specialization and the execution of strategies with the support of the Chief Operating Officers.

At 31 December 2023, the business lines are organized as follows:

- Industries & Environment (I&E)
- Natural Resources (NR)
- Connectivity & Products (C&P)
- Health & Nutrition (H&N)
- Business Assurance (BA) (prev. Knowledge)

Each business line was led by an Executive Vice President. Chief Operating Officers and Executive Vice Presidents are members of the Operations Council, the Group's most senior management body.

1.1.2. Listed companies in the Group

None of the companies under the direct or indirect control of SGS SA have listed shares on any stock exchange.

1.1.3. Non-listed companies in the Group

The material legal entities consolidated within the Group are listed on pages 155 to 157 of the annual report, with details of the share capital, the percentage of shares controlled directly or indirectly by SGS SA and the registered office or principal place of business. The list of legal entities is limited to entities whose contribution to the group sales in 2023 represent at least 1% of the consolidated sales and includes the main operating entity in the jurisdictions where the Group is active, even when annual sales do not reach 1% of consolidated sales.

This definition of materiality excludes dormant companies, pure sub-holding companies or entities used solely for the detention of assets.

Details of acquisitions and disposals made by the SGS Group during 2023 are provided in note 3 of the consolidated financial statements included on page 105 of this annual report.

1.2. Significant shareholders

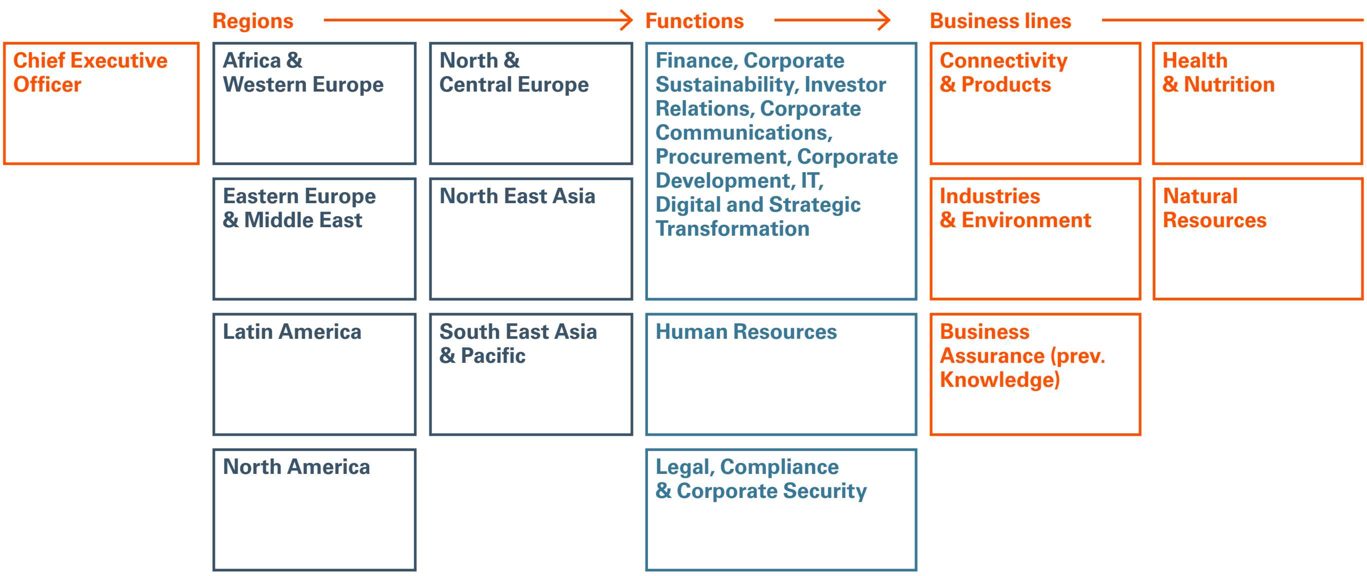
To the knowledge of the Company the shareholders owning more than 3% of its share capital as at 31 December 2023, or at the date of their last notification as per Article 120, al. 1 of the Financial Market Infrastructure Act (FinMIA) were Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) with 19.31% (December 2022: 19.11%) of the share capital and voting rights of the Company, BlackRock Inc. with 5.18% (December 2022: 5.18%) and UBS Fund Management (Switzerland) with 3.03% (December 2022: below 3%). As at 31 December 2023, the SGS Group held 1.64% of the share capital of the Company (December 2022: 1.68%). During 2023, the Company has published regularly on the electronic platform of the Disclosure Office of the SIX Swiss Exchange Ltd all disclosure notifications received from shareholders of transactions subject to the disclosure obligations of Article 120, al. 1 of FinMIA.

During 2023, the Company published a total of two reports regarding the composition of its significant shareholders to the Disclosure Office of the SIX Swiss Exchange Ltd at www.sgs.com/en/investor-relations.

1.3. Cross-shareholdings

Neither SGS SA nor its direct and indirect subsidiaries have any cross-shareholding in any other entity, whether publicly traded or privately held.

Group structure



2. Capital structure

2.1. Issued share capital

The share capital of SGS SA is CHF 7 495 032 as of 31 December 2023 and comprises 187 375 800 fully paid-in, registered shares of a par value of CHF 0.04. On 31 December 2023, SGS SA held 3 064 685 treasury shares through an affiliate company (2022: 125 978).

At the 2023 Annual Shareholders Meeting, the shareholders approved a division of the par value of the shares from CHF 1 to CHF 0.04. Consequently each share was divided and replaced by 25 shares of a CHF 0.04 par value.

2.2. Conditional share capital

The shareholders have conditionally approved an increase of share capital by an amount of CHF 1 100 000 divided into 27 500 000 registered shares with a par value of CHF 0.04 each. This conditional share capital increase is intended to obtain the shares necessary to meet the Company's obligations with respect to employee equity-based remuneration plans and option or conversion rights of convertible bonds or similar equity-linked instruments that the Board is authorized to issue. If increased by the maximum amount of the conditional share capital, the existing share capital of 187 375 800 shares would increase by approximately 14.7% to 214 875 800 shares. The conditional capital is not limited in time.

The right to subscribe to such conditional capital is reserved to beneficiaries of employee share option plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorized to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions.

The term of exercise of the options or conversion rights may not exceed 10 years from the date of issuance of the equity-linked instruments.

Until 23 March 2023, the Company had an authorized share capital of CHF 500 000 which was not renewed beyond this term.

2.3. Changes in capital

In 2023, the nominal value of the registered shares of the Company was divided by a factor of 25, consequently the number of shares in issue was multiplied by 25, whilst the share capital remained unchanged.

The share capital of the Company was reduced in 2021 to cancel shares purchased by application of share buyback programs initiated by the Company. In 2021, the shareholders approved a reduction of the share capital, by cancellation of 70 700 shares (corresponding to 0.9% of the share capital). No other changes in the share capital of the Company were made in the course of the last three years.

2.4. Shares and participation certificates

All shares, other than treasury shares held by SGS SA, have equal rights to the dividends declared by the Company and have equal voting rights. Treasury shares owned directly or indirectly by the Company do not earn dividend. The Company has not issued any participation certificates (bons de participation/Partizipationsscheine).

2.5. Dividend-right certificates

The Company has not issued any dividend-right certificates.

2.6. Limitations on transferability and admissibility of nominee registrations

SGS SA does not limit the transferability of its shares. The registration of shares held by nominees is not permitted by the Company's articles of association, except by special resolution of the Board of Directors. By decision of the Board, the Company's shares can be registered in the name of a nominee acting in a fiduciary capacity for an undisclosed principal, provided however that shares registered in the names of nominees or fiduciaries may not exercise voting rights above a limit of 5% of the aggregate share capital of the Company. This rule was made public on 23 March 2005. The Company has a single class of shares and no preferential rights have been granted to any shareholder.

2.7. Convertible bonds and warrants/options

No convertible bonds have been issued by the Company or by any entity under its direct or indirect control. In 2023, no options or similar instruments have been issued by the Company or by any of the Group's subsidiaries.

The Board of Directors is the highest governing body within the Group. It is the ultimate decision-making authority except for those decisions reserved by law to the Annual General Meeting.

3. Board of Directors

3.1. Members of the Board of Directors

This section presents the members of the Board of Directors of the Company with their functions in the Group, their professional backgrounds and all their material positions held outside the Group in governing and supervisory boards, management positions and consultancy functions, official tenures and political commitments, both in Switzerland and abroad.

The Board has set out criteria for the selection of new Directors and has conducted a search which results in periodic changes to the composition of the Board of Directors. The aim of this exercise is to ensure that the Board is continuously in a position to provide leadership, strategic oversight and guidance and contribute to setting ambitious targets for the Group and meeting long-term value creation objectives.

The competencies sought by the Group for its Board of Directors include experience of senior executive leadership in international businesses, strategic planning, finance, technology and innovation.

When selecting candidates to the Board of Directors, the Company has due regards to the experience, professional qualifications, areas of expertise, age, gender and national background as well as leadership style, so that at all times, the Board and its committees have the required skills.

At the Annual Shareholders Meeting of March 2023, Jens Riedl was appointed to the Board of Directors. Paul Desmarais, Jr. did not stand for re-election. Biographical information on former members of the Board of Directors is available in the corporate governance reports of prior years.

The members of the Board of Directors at 31 December 2023 were as follows:

Board members, key industry experience based on the Global Industry Classification Standard (GICS):

	Industrials	Consumer discretionary	Consumer staples	Healthcare	Financials	Information technology	Communication services
Calvin Grieder	✓		✓			✓	✓
Sami Atiya	✓			✓		✓	
Phyllis Ka Yan Cheung		✓					✓
Ian Gallienne		✓			✓		
Tobias Hartmann		✓				✓	
Shelby R. du Pasquier					✓		
Jens Riedl	✓				✓		
Kory Sorenson					✓		
Janet Vergis				✓			

Calvin Grieder

Nationality: Swiss
Year of birth: 1955
Appointment: March 2019

Function in SGS
- Chair: Board of Directors
- Chair: Nomination Committee
- Sustainability Committee

Key experience
- Automation and control technology (USA)
- Telecom and digital services
- System engineering and services
- Food processing
- Risk management

Professional history
2001 to 2016: Bühler (CH); CEO

1999 to 2000: Swisscom (CH & DE)

1994 to 1998: SIG (CH)

1991 to 1994: Mikron (CH)

1984 to 1990: Bürkert (DE & USA)

1980 to 1983: Georg Fischer (CH & USA)

Education
- Master of Science in Process Engineering, ETH Zurich
- Advanced Management Program (AMP), Harvard University

Other activities and functions
Givaudan SA*, Vernier (CH), Chairman of the Board

Bühler Group AG, Uzwil (CH), Chairman of the Board

Carivel7 AG, Zurich (CH), Owner

Eraneos Group AG, Zurich (CH), Chairman of the Board

Avenir Suisse, Zurich-Oerlikon (CH), Member of the Board of Trustees

Advisory Board ETH – Department of Mechanical & Process Engineering (CH)

Sami Atiya

Nationality: German
Year of birth: 1964
Appointment: March 2020

Function in SGS
- Board of Directors
- Nomination Committee
- Chair: Remuneration Committee

Key experience
- Robotics
- Automation
- Medical technology
- Software and logistics
- Transportation
- Risk management

Professional history
2016 to present: ABB Ltd (CH, SE)

1997 to 2014: Siemens Group

1995 to 1997: Harald Balzer & Partner

1994 to 1995: Robert Bosch – Blaupunkt

1988 to 1993: Fraunhofer Institute Karlsruhe Institute of Technology

Education
- Master of Business Administration (MBA), Massachusetts Institute of Technology (MIT), USA
- Master's degree in Electrical Engineering and Automation, Karlsruhe Institute of Technology, Germany
- PhD in Electrical Engineering (Robotics, Artificial Intelligence and Sensors), University of Wuppertal/Karlsruhe Institute for Technology, Germany

Phyllis Ka Yan Cheung

Nationality: Chinese
Year of birth: 1970
Appointment: March 2022

Function in SGS
- Board of Directors
- Sustainability Committee

Key experience
- Retail and consumption
- Digital and data driven organization
- Growth in Asian markets
- Enterprise level risk management
- Change management
- Talent and workforce management

Professional history
2015 to present: McDonald's China; CEO

2012 to 2014: McDonald's Singapore and Malaysia

2000 to 2011: McDonald's China

1998 to 2000: Leo Burnett, Hong Kong

1997 to 1998: Momentum Strategy Consultant, India

1992 to 1997: Saatchi & Saatchi, J Walter Thompsons, Hong Kong

Education
- Bachelor of Arts, The University of Hong Kong, China
- Executive MBA, The Chinese University of Hong Kong, China

Other activities and functions
Fellow, Aspen China Fellowship (CN)

Member, Aspen Global Leadership Network (CN)

* Listed company.

Ian Gallienne

Nationality: French, Belgian
Year of birth: 1971
Appointment: March 2013

Function in SGS

- Board of Directors
- Remuneration Committee
- Nomination Committee

Key experience

- Strategy
- M&A
- Finance
- Risk management
- Consumer/retail management

Professional history

2012 to present: Group Bruxelles Lambert; CEO

2005 to 2012: Ergon Capital Partners

1998 to 2005: Rhône Capital LLC

Education

- MBA from INSEAD, France

Other activities and functions

adidas* (DE), Vice Chairman of the Supervisory Board, Member of the General Committee

Imerys*, Paris (FR), Member of the Board, Chairman of the Strategic Committee, Member of the Compensation Committee, Member of the Appointments Committee

Pernod Ricard SA*, Paris (FR), Member of the Board, Member of the Strategic Committee and Member of the Remuneration Committee

Carpar SA (BE), Member of the Board

Compagnie Nationale à Portefeuille SA (BE), Member of the Board

Financière De La Sambre SA (BE), Member of the Board

Société Civile du Château Cheval Blanc (FR), Member of the Board

Tobias Hartmann

Nationality: German, American
Year of birth: 1972
Appointment: March 2020

Function in SGS

- Board of Directors
- Audit Committee

Key experience

- Retail
- Technology
- Logistics and operations
- eCommerce and marketplaces
- IT
- Cybersecurity
- Risk management

Professional history

2018 to present: Scout24 SE; CEO

2017 to 2018: Hellofresh SE

2011 to 2015: eBay Enterprise (part of eBay Inc.)

Education

- MBA, Clark University, USA
- Bachelor of Arts (BA), Clark University, USA

Shelby R. du Pasquier

Nationality: Swiss
Year of birth: 1960
Appointment: March 2006

Function in SGS

- Board of Directors

Key experience

- Corporate law
- Banking, stock exchange and financial regulation
- Private equity
- M&A
- Risk management
- Sustainability

Professional history

1994 to present: Lenz and Staehelin; Partner

Education

- Geneva University Business School and School of Law
- Columbia University School of Law (LLM)

Other activities and functions

Swiss National Bank* (CH), Member of the Board since 2012, Chair of the Risk Committee

Pictet and Cie Group SCA (CH), Chairman of the Supervisory Board since 2013

* Listed company.

Jens Riedl

Nationality: German
Year of birth: 1973
Appointment: March 2023

Function in SGS
- Board of Directors

Key experience
- TIC
- Strategy
- M&A
- Finance and financial risk management
- Industrials and business services
- Transportation and logistics

Professional history
2022 to present: Groupe Bruxelles Lambert; Investment Partner and Head of DACH

2019 to 2021: Permira

1999 to 2018: Boston Consulting Group

Education
- MBA from University of St. Gallen, Switzerland
- PhD in Finance from European Business School (EBS), Germany

Other activities and functions
GEA Group*, Düsseldorf (DE), Member of the Supervisory Board, Member of the Presiding and Sustainable Committee, Member of the Nomination Committee

Sanoptis, Zug (CH)/Berlin (DE), Member of the Supervisory Board

Canyon, Koblenz (DE), Observer to the Supervisory Board

EMarketing Munich (DE), Member of the Supervisory Board

SecureSystem Munich (DE), Member of the Advisory Board

Kory Sorenson

Nationality: British
Year of birth: 1968
Appointment: March 2019

Function in SGS
- Board of Directors
- Remuneration Committee
- Chair: Audit Committee
- Chair: Sustainability Committee

Key experience
- Financial risk management
- Audit and control
- Capital markets
- M&A
- Remuneration (executive and wider workforce)
- Governance
- Sustainability

Professional history
2005 to 2010: Barclays Capital; Managing Director

2001 to 2005: Credit Suisse

1998 to 2001: Lehman Brothers

1997 to 1998: Morgan Stanley

1995 to 1997: Commerz Financial Products

1992 to 1995: Total SA

Education
- Post-graduate (DESS) degree in corporate finance, l'Institut d'études politiques de Paris, France
- Master's in applied economics, University of Paris-Dauphine, France
- Bachelor's in econometrics and political science, American University, USA
- Governance programs from Harvard Executive Education, INSEAD and the Stanford Graduate School of Business
- Professional certificate IBM Cybersecurity Fundamentals

Other activities and functions
Pernod Ricard SA*, Paris (FR), Member of the Board and Chair of the Remuneration Committee, Member of the Audit Committee

Bank Gutmann, Vienna (AU), privately owned, Member of the Supervisory Board

Comgest, Paris (FR), Chair and an independent member of the Board of Partners

AA Limited, Jersey (UK), Member of the Board and Chair of Audit and Risk Committee

Premium Credit Limited (UK), Member of the Board and Chair of Audit and Risk Committee

Janet Vergis

Nationality: American
Year of birth: 1964
Appointment: March 2021

Function in SGS
- Board of Directors
- Audit Committee

Key experience
- Healthcare (pharmaceuticals, biotechnology and device)
- US leadership across large, complex and heavily regulated businesses
- R&D background
- Board governance and CPG knowledge
- M&A
- Strategy

Professional history
2013 to 2019: various private equity firms

2010 to 2012: OraPharma, Inc.; CEO

1988 to 2009: Johnson & Johnson

Education
- Bachelor of Science in Biology, Pennsylvania State University, USA
- Master of Science in Physiology, Pennsylvania State University, USA

Other activities and functions
Teva Pharmaceutical Industries* (USA), Member of the Board, Chair of Compliance Committee Member of the Human Resources/ Compensation Committee, and Member of the Nominating and Governance Committee

Dentsply Sirona* (USA), Member of the Board, Chair of the Science & Technology Committee

Church and Dwight Company* (USA), Member of the Board, Chair of Governance Committee, and Member of the Compensation and Human Capital Committee

The Pennsylvania State University (USA), Biotechnology Advisory Board Chair

The Pennsylvania State University (USA), Corporate Engagement Advisory Board Vice-Chair

* Listed company.

The Board of Directors considers the following criteria to assess the independence of its members:

1. The Director must not have been employed by the Company in an executive capacity within the last five years
2. No family member of the Director is employed or was employed during the past three years by the Group in any management capacity
3. Neither the Director nor a family member has received any payments from the Group other than board remuneration approved by the Annual General Meeting
4. The director is not acting (and must not be affiliated with a company that is acting in material manner) as an advisor or consultant to the Company or a member of the Company's Operations Council
5. The Director must not be affiliated with a significant customer or supplier of the Company
6. The Director must have no personal services contract(s) with the Company or a member of the Company's Operations Council
7. The Director must not be affiliated with a not-for-profit entity that receives significant contributions from the Company
8. The Director must not have been a partner or employee of the Company's external auditor during the past three years
9. The Director must not have any other conflict of interest that the Board determines to mean they cannot be considered independent
10. Any Director who has served for more than 12 consecutive terms is no longer considered as independent

The Board has concluded that its members are independent on the basis of these criteria, with the exception of Shelby du Pasquier (whose tenure exceeds 12 yearly terms), Ian Gallienne and Jens Riedl (both being representatives of a significant shareholder owning more than 10% of the shares of the Company).

None of the members of the Board of Directors exercise nor have they exercised an executive role or operational management tasks for the Company or any entity of the Group. None of them have any significant business connection with the Company or the Group.

The remuneration of the members of the Board of Directors is detailed in the Remuneration report. The Chair of the Board, jointly with members of the Board of Directors, assesses periodically the performance of the Board as a whole, of its committees and of each of its individual members.

On the basis of this periodic assessment, changes to the composition of the board membership are regularly proposed to the Company's Annual General Meeting.

This periodic performance evaluation is designed to ensure that the Board is always in a position to provide an effective oversight and leadership role to the Group.

3.2. Other activities and vested interests

Other activities and vested interests of the members of the Board of Directors are indicated in Section 3.1.

3.3. Limits on external mandates

The Company's articles of association limit the number of mandates permissible to board members.

These rules limit the number of mandates that board members can accept to no more than 10 board memberships in entities outside the Group, of which a maximum of five memberships may be in boards of companies whose shares are traded on a stock exchange. Mandates assumed at the request of a controlling entity do not count towards the maxima defined in the articles of association.

In addition, the articles of association limit to 10, the permissible participations in boards of association and other non-profit organizations. All board members have confirmed that they comply with these rules.

3.4. Elections and terms of office

The articles of association of SGS SA provide that each member of the Board of Directors, and among them the Chair of the Board of Directors and the members of the Remuneration Committee, is elected annually by the shareholders for a period ending at the next Annual General Meeting. Each member of the Board is individually elected. There is no limit to the number of terms a Director may serve. The initial date of appointment of each board member is indicated in Section 3.1.

3.5. Internal organizational structure

The duties of the Board of Directors and its committees are defined in the Company's articles of association and in its internal regulations, which are reviewed periodically. They set out all matters for which a decision by the Board of Directors is required.

In addition to the decisions required by Swiss company law, the Board of Directors approves the Group's strategies and key business policies, investments, acquisitions, disposals and commitments in excess of delegated limits.

3.5.1. Allocation of tasks within the Board of Directors

The Chair of the Board is elected by the Annual General Meeting. He or she plans and chairs the board meetings, defines the agenda of the meetings and conducts the deliberations of the Board of Directors. All members of the Board of Directors participate in deliberations of the Board and participate equally in its decisions.

Within the limits permitted by law or by the articles of association, the Board of Directors can decide to delegate certain of its tasks to standing or ad-hoc committees. With the exception of the members of the Remuneration Committee, who are elected by the shareholders, the members of other committees are appointed by the Board.

3.5.2. Members' list, tasks and area of responsibility for each committee of the Board of Directors

The following chart describes the committees and their membership as at 31 December 2023:

	Remuneration	Audit	Sustainability	Nomination
Calvin Grieder			Member	Chair
Sami Atiya	Chair			Member
Phyllis Ka Yan Cheung			Member	
Ian Gallienne	Member			Member
Tobias Hartmann		Member		
Shelby R. du Pasquier				
Jens Riedl				
Kory Sorenson	Member	Chair	Chair	
Janet Vergis		Member		

Chair Member

The Chair of the Board of Directors attends the meetings of the Remuneration and Audit Committees, with a consultative vote. He chairs the Nomination Committee and is a member of the Sustainability Committee. Each committee acts within terms of reference established by the Board of Directors and set out in the internal regulations of the Company. The minutes of their meetings are available to all Directors.

Remuneration Committee

Members of the Remuneration Committee are elected individually during the Annual General Meeting, with the Chair of the Committee designated among them by the Board of Directors. The Remuneration Committee is focused on matters of executive remuneration. The Remuneration Committee acts in part in an advisory capacity to the Board, and in part as a decision-making body on matters that the Board has delegated to the Committee. The Committee advises the Board of Directors on matters regarding the remuneration of the members of the Board of Directors and management, and on general policies relating to remuneration applicable to the Group. The Committee defines the conditions of share-based remuneration plans or other variable compensation plans, issued from time to time by the Company. The Committee reviews and approves the contractual terms of the employment of the Chief Executive Officer and the other members of the Management. The Committee reviews regularly, at least once a year, the compensation of each member of the Operations Council. The Committee drafts the SGS Remuneration report.

Audit Committee

The Audit Committee supports the Board of Directors in discharging its duties in relation to financial reporting and internal controls. Such duties include consideration of the appropriateness of accounting policies, the adequacy of internal controls, risk management and regulatory compliance. It exercises oversight over the major risks identified by the Board of Directors. This includes specifically the risks of cybersecurity. It receives regular reports on cybersecurity incidents and measures taken by management to address this risk. The Audit Committee is assisted in this task by the Board digital advisory committee which provides advice on matters of digital technology. The Audit Committee is also responsible for the supervision of the internal and external auditors of the Group, each of which provides regular reports to the Committee on findings arising from their work. The Committee reports regularly to the Board of Directors on its findings.

Sustainability Committee

A dedicated Sustainability Committee was established in 2022 in response to the growing importance of sustainability to the Company and its stakeholders. The Committee plays an important role in supporting the Company to develop its sustainability plans and act accordingly. The Committee oversees sustainability-related issues that may affect the Group and its customers, including reputational and non-financial risks.

Nomination Committee

The Nomination Committee assists the Board in the succession planning, selection and nomination of candidates to positions to the Board of Directors and to the Operations Council of the Group.

The Board of Directors and its committees hold physical meetings as well as meetings by videoconference. The table below does not make any distinction between physical and remote meetings of the Board and its committees.

Meetings of	Frequency	Average duration
Board of Directors	6 times	4 hours
Remuneration Committee	5 times	2.5 hours
Audit Committee	5 times	3 hours
Sustainability Committee	4 times	2 hours
Nomination Committee	3 times	2 hours

Attendance at board and committee meetings

The Board of Directors expects its members to attend and participate actively in its meetings and meetings of its committees and has set a minimum target of attendance at 75% of meetings. The chart below summarizes the attendance by each board member in 2023 at the meetings of the Board and the respective standing committees.

Member	Board meetings	Remuneration	Audit	Sustainability	Nomination
Calvin Grieder	6/6			4/4	3/3
Sami Atiya	6/6	5/5			3/3
Phyllis Ka Yan Cheung	6/6			4/4	
Ian Gallienne	5/6	4/5			2/3
Tobias Hartmann	6/6		5/5		
Shelby R. du Pasquier	6/6				
Jens Riedl[1]	4/4				
Kory Sorenson	6/6	5/5	5/5	4/4	
Janet Vergis	5/6		4/5		
Paul Desmarais, Jr.[2]	N/A				

1. Elected to the Board in March 2023.
2. Did not stand for re-election in 2023.

3.5.3. Working methods of the Board and its committees

The Board of Directors and each committee convene regularly scheduled meetings with additional meetings held as and when required, in person or by phone conference. The Board and the committees may pass resolutions by written consent. Each board member has the right to request that a meeting be held or that an item for discussion and decision be included in the agenda of a meeting.

Board and committee members receive supporting documentation in advance of the meetings and are entitled to request further information from the Management in order to assist them to prepare for the meetings. The Board and each of the committees can request the attendance of members of the management of the Group. The Board and each of the committees are authorized to hire external professional advisors to assist them in matters within their sphere of responsibility.

To be adopted, resolutions need a majority vote of the members of the Board or committee, with the Chair having a casting vote.

The Board and its committees convene as often as required. In principle the Board meets at least four times a year, i.e. once every quarter. The Audit Committee meets at least three times a year, i.e. once before the publication of the annual and half-year results, and once outside these periods, to review and approve the scope of internal and external audit. The Sustainability Committee and the Remuneration Committee meet at least once a year.

3.6. Definition of areas of responsibility

The Board of Directors is responsible for the ultimate direction of the Group. The Board discharges all duties and responsibilities that are attributed to it by law. In particular, the Board:

- Leads and oversees the conduct, management and supervision of the Group
- Determines the organization of the Group
- Assesses risks facing the business and reviews risk management and mitigation policies
- Appoints and removes the Group's Chief Executive Officer and other members of management
- Defines the Group's accounting and control principles
- Decides on major acquisitions, investments and disposals
- Discusses and approves the Group's strategy, financial statements and annual budgets
- Prepares the General Meetings of Shareholders and implements shareholders' resolutions
- Notifies the judicial authorities in the event of insolvency of the Company, as required by Swiss law

In accordance with the Company's internal regulations, operational management of the Group, a function which the Board of Directors has delegated, is the responsibility of the Operations Council. The Operations Council has the authority and responsibility to decide on all issues that are not attributed to the Board of Directors. In the event of uncertainty on a particular issue regarding the separation of responsibility between the Board of Directors and the management, the final decision is taken by the Chair of the Board.

The Chair of the Board is regularly informed of the activities of the Operations Council by the Chief Executive Officer, the Chief Financial Officer and the General Counsel.

The Operations Council is chaired by the Chief Executive Officer and consists of those individuals entrusted with the operational management of the Group's activities, as follows:

- The Chief Operating Officers (COOs) are responsible for operations in the Group's seven regions (see Section 1.1.)
- The Executive Vice Presidents (EVPs) are entrusted with the management and development of the Group's five business lines (see Section 1.1.)
- The Senior Vice Presidents (SVPs) represent the principal group support functions (Finance, Human Resources, Corporate Communication, Sustainability & Investor Relations and Legal and Compliance)

The composition, role and organization of the Operations Council are detailed in Section 4.

3.7. Information and control instruments vis-à-vis the management

A. Responsibility of the Board

The Board of Directors has ultimate responsibility for the system of internal controls established and maintained by the Group and for periodically reviewing its effectiveness. Internal controls are intended to provide reasonable assurance against financial misstatement and/or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information and compliance with relevant legislation, regulation and industry practice.

B. Governance framework

The Group has an established governance framework, which is designed to oversee its operations and assist the Company in achieving its objectives. The main principles of this framework include the definition of the role of the Board and its committees, an organizational structure with documented delegated authority from the Board to management, and procedures for the approval of major investments, acquisitions and other capital allocations.

The Chief Executive Officer and the Chief Financial Officer attend the meetings of the Board of Directors and the Audit Committee. The group controller and the head of the internal audit function attend the meetings of the Audit Committee.

The Senior Vice President of Human Resources attends the meetings of the Remuneration Committee and Nomination Committee, and the General Counsel and Chief Compliance Officer attend all meetings of the Board of Directors and its committees.

The other members of the Operations Council and other members of management only participate in the Board and committee meetings by invitation. The Board and each of its committees meet from time to time in private sessions, outside of the presence of management.

C. Information to the Board

The Board of Directors is constantly informed about the operational and financial results of the Group by way of detailed monthly management reports, which describe the performance of the Group and its business lines.

During each board meeting, the Chief Executive Officer and the Chief Financial Officer present a report to the Board of Directors on the operations and financial results, with an analysis of deviations from prior year and from current financial targets.

During board meetings, the Board is updated on important issues facing the Group. The Chief Executive Officer, the Chief Financial Officer and the General Counsel and Chief Compliance Officer (hereafter 'Operations Council') attend all of the Board of Directors meetings, while other Operations Council members attend from time to time to discuss matters under their direct responsibility. The Board of Directors meets regularly with the members of the Operations Council.

During board meetings or committee meetings, board members can request any information concerning the Group. The Board reviews and monitors regularly and formally previous acquisitions and large investments as well as the implementation of related group strategies.

The Group has a dedicated Internal audit function, reporting to the Chair of the Audit Committee, which assesses the effectiveness and appropriateness of the Group's internal controls. The Audit Committee approves the audit plan of the internal audit, receives its reports and deliberates on audit findings and is updated on implementation of corrective actions identified by the internal audit. The Audit Committee approves the audit plan of the internal audit, receives its reports and deliberates on audit findings and is updated on implementation of corrective actions identified by the internal audit.

D. General Counsel and Chief Compliance Officer

Furthermore, the Group has a compliance function, headed by the General Counsel and Chief Compliance Officer, who reports to the Audit Committee and the Board of Directors and has direct access to the Chair of the Board.

The compliance function supports the implementation of a compliance program based on the SGS Code of Integrity, available in 30 languages. The goal of the program is to ensure that the highest standards of integrity are applied to all of the Group's activities worldwide in accordance with international best practices. The General Counsel and Chief Compliance Officer reports violations of compliance rules every semester to the Sustainability Committee.

The Committee is informed about violations of compliance standards and the implementation of corrective actions, including disciplinary actions taken.

E. Risk assessment

The Board conducts on a yearly basis an assessment of the risks facing the Group. This process is conducted with the active participation and input of the management. Once identified, risks are assessed according to their likelihood, severity and mitigation.

The Board deliberates on the adequacy of measures in place to mitigate and manage risks and assigns responsibility to designated managers for implementation of such measures. As part of this process, the ownership of and accountability for identified risks are approved by the Board.

The risks identified and monitored by the Board fall broadly into three categories: first, environment risk, which includes circumstances outside the Group's direct sphere of influence, such as competition and economic or political landscape; second, process risks that include risks linked to the operations of the business, the management of the Group and the integrity of its reputation in the marketplace; and third, risks associated with information and decision making.

For each of the risk categories and within these categories, for each significant risk identified, the Board deliberates on proposed mitigation, risk avoidance or risk transfer measures and approves action plans designed to control such risks.

4. Operations Council

Until 31 December 2023, the management of the group was placed under the responsibility of an Operations Council (as defined in Section 1.1.). The Company has announced in January 2024 the evolution of the group management structure, with the ultimate management responsibility to be entrusted to a simplified Executive Committee. The following section describes the Operations Council in its composition and role at the end of December 2023.

4.1. Members of the Operations Council

The members of the Operations Council at 31 December 2023 were as follows:

Frankie Ng

Nationality: Swiss/Chinese
Year of birth: 1966

Function in SGS

- Chief Executive Officer
  Joined SGS in 1994

Education

- BA in Economics and Electronics Engineering

Previous responsibilities

2011-2015: EVP, Industrial Services

2005-2011: EVP, Consumer Testing Services

2002-2004: Managing Director, US Testing

Géraldine Picaud

Nationality: French
Year of birth: 1970

Function in SGS

- Chief Financial Officer
  Joined SGS in 2023
- Appointed CEO Designate as of 26 January 2024

Education

- MBA from the Superior School of Commerce de Reims

Previous responsibilities

2018-2023: Holcim, Switzerland, Chief Financial Officer

2011-2018: Essilor, France, Group Chief Financial Officer

2008-2011: Volcafe Ltd., Switzerland, Chief Financial Officer

Olivier Merkt

Nationality: Swiss
Year of birth: 1962

Function in SGS

- Chief Compliance Officer
  Joined SGS in 2001

Education

- Doctorate in Law, admitted to the bar in Switzerland

Previous responsibilities

2006-2008: VP, Corporate Development

2001-2006: Senior Counsel

Teymur Abasov

Nationality: Azerbaijani
Year of birth: 1972

Function in SGS

- COO, Eastern Europe & Middle East
  Joined SGS in 1994

Education

- Degree in Electrical Engineering

Previous responsibilities

2007-2023: COO Eastern Europe & Middle East, Managing Director Russia

2006-2007: Managing Director, Kazakhstan and Caspian Sub-Region

2004-2006: Managing Director, Azerbaijan and Georgia

2003-2004: Managing Director, Georgia

Olivier Coppey

Nationality: Swiss
Year of birth: 1972

Function in SGS

- EVP, Health & Nutrition
  Joined SGS in 1994

Education

- MSc Economics

Previous responsibilities

2015-2020: EVP, Agriculture Food and Life

2013-2015: EVP, Agriculture

2009-2013: Vice President Seed and Crop, Agricultural Services

Steven Du

Nationality: Chinese
Year of birth: 1972

Function in SGS

- COO North East Asia
  Joined SGS in 1999

Education

- MSc Logistics & Supply Chain Management

Previous responsibilities

2019-2021: Managing Director Mainland China and Hong Kong SAR

2016-2019: Managing Director Mainland China

2014-2016: Managing Director Vietnam

Fabrice Egloff

Nationality: French
Year of birth: 1969

Function in SGS

- COO, Africa & Western Europe
  Joined SGS in 1995

Education

- Master of Business Administration in International Business Affairs

Previous responsibilities

2017-2019: COO Africa

2009-2017: Managing Director, France

2004-2008: Managing Director, Hong Kong

Luis Felipe Elias

Nationality: Peruvian
Year of birth: 1959

Function in SGS

- COO, Latin America
  Joined SGS in 2004

Education

- Industrial Engineering Degree and MBA

Previous responsibilities

2012-2018: Managing Director, Ecuador and Peru

2004-2012: Deputy Managing Director, Peru

Derick Govender

Nationality: South African
Year of birth: 1970

Function in SGS

- EVP, Natural Resources
  Joined SGS in 2002

Education

- Diploma in Analytical Chemistry
- Postgraduate in Business Management

Previous responsibilities

2015-2020: EVP Minerals Services

2014-2015: Minerals Manager, Chile

2010-2014: VP Minerals, Africa

Jessica Sun

Nationality: American

Function in SGS

- SVP, Human Resources
  Joined SGS in January 2022

Education

- Bachelor's degree in Law from the China University of Politics & Law Science
- EMBA from the Chinese Europe International Business School (CEIBS)

Previous responsibilities

2016-2021: Haier, USA, CHRO Global Appliances

2013-2016: Mallinckrodt Pharmaceuticals, VP of Human Resources, International Mallinckrodt

2012-2013: Eaton Corporation, USA, HR Director, Global CET Business

Charles Ly Wa Hoi

Nationality: French
Year of birth: 1966

Function in SGS

- EVP, Connectivity & Products
  Initially joined SGS in 1992, rejoined in 2008

Education

- Degree in Electronics Engineering from ENSEIRB-MATMECA

Previous responsibilities

2018-2020: EVP Consumer and Retail Services

2016-2018: Vice President of Retail Solutions and European Business Development, Consumer and Retail

2013-2016: Global Head of Materials and Manufacturing, Industrial Services

2009-2013: Vice President of Strategic Global Accounts, Consumer Testing Services

Jeffrey McDonald

Nationality: Australian/American
Year of birth: 1964

Function in SGS

- EVP, Business Assurance (prev. Knowledge)
  Joined SGS in 1995

Education

- Postgraduate Diploma in Education

Previous responsibilities

2015-2020: EVP Certification and Business Enhancement

2007-2015: COO, North America

2004-2007: EVP, Systems and Services Certification

2003: Global Project Manager, Systems and Services Certification

Stephen Nolan

Nationality: American/Irish
Year of birth: 1960

Function in SGS

- COO North America, since January 2021
  Joined SGS in 2019

Education

- B.Comm in Finance

Previous responsibilities

2013-2018: Chief Executive Officer/Chief Financial Officer, Hudson Global

2004-2012: Chief Financial Officer, Adecco North America

Malcolm Reid

Nationality: British
Year of birth: 1963

Function in SGS

- COO, South East Asia & Pacific
  Joined SGS in 1987

Education

- BSc Chemistry

Previous responsibilities

2012-2015: EVP, Consumer Testing Services

2007-2011: EVP, Systems and Services Certification

2005-2007: Managing Director, Australia

Alim Saidov

Nationality: Azerbaijani/Canadian
Year of birth: 1964

Function in SGS

- EVP, Industries & Environment
  Joined SGS in 1993

Education

- PhD in Science

Previous responsibilities

2013-2020: EVP, Oil, Gas and Chemicals

2007-2013: EVP, Oil, Gas and Chemicals Services and Environmental Services

2005-2007: COO, Eastern Europe and Middle East

2004: COO, North America and Managing Director, Canada

Wim van Loon

Nationality: Belgian
Year of birth: 1966

Function in SGS

- COO Northern & Central Europe
  Joined SGS in 1989

Education

- Engineering degree in Industrial Electro Mechanics and Master's degree in Business Management

Previous responsibilities

2018-2020: EVP, Industrial Services

2015-2018: Managing Director, Benelux

2011-2015: Executive Director, Industrial Services, Benelux

2003-2015: Business Manager for Industrial, Minerals and Consumer Testing Services, Benelux

During 2023, Dominik de Daniel, CFO and Toby Reeks, SVP Corporate Communications, Sustainability, and Investor relations left the Operations Council. Biographical information on former members of the Operations Council may be found in prior years' Corporate Governance reports.

4.2. Other activities and vested interests

The following list presents all material activities in governing and supervisory boards, management positions and consultancy functions, official tenures and political positions held by each member of the Operations Council outside the Group, both in Switzerland and abroad.

Frankie Ng

Member of the Board of Directors, Chair of the Compensation Committee of Logitech SA, Switzerland.

Géraldine Picaud

Member of the Board of Directors and Chairperson of the Audit Committee of Danone SA, France

Member of the CFO Coalition for the Sustainable Development Goals (SDGs), United Nations Global Compact

Derick Govender

Member of IPMI (International Precious Metal Institute)

4.3. Limits on external mandates

The articles of association of the Company limit the number of mandates permissible to members of the Operations Council, to no more than four board memberships in entities outside the Group, of which a maximum of one membership may be in the board of companies whose shares are traded on a stock exchange. Mandates assumed at the request of a controlling entity do not count towards the maxima defined in the articles of association.

In addition, the articles of association set limits to participations in boards of association and other not-for-profit organizations to no more than 10 such memberships.

4.4. Management contracts

The Company is not party to any management contract delegating management tasks to companies or individuals outside the Group.

5. Compensation, shareholdings and loans

5.1. Content and method of determining the compensation and the shareholding programs

The Group's overriding compensation policies are defined by the Board of Directors. The objectives of these policies are twofold: 1) to attract and retain the best talent available in the industry, and 2) to motivate employees and managers to create and protect value for shareholders by generating long-term sustainable financial achievements.

In line with these principles, board members are entitled to a fixed fee, which takes into account their level of responsibility. Members of the Operations Council receive a fixed remuneration and are entitled to a performance-related annual bonus and a Long-Term Incentive plan.

The Annual General Meeting approves the compensation payable to the Board and the Operations Council. The rules on the vote on pay applicable in the Group are explained below.

The ultimate responsibility for defining remuneration policies and deciding on all matters relating to remuneration rests with the Board of Directors, subject to decisions that require binding resolutions of the Annual General Meeting. The Board of Directors is assisted in its work by a Remuneration Committee, which is elected by the Annual General Meeting.

5.2. Rules on approbation by the annual shareholders' meeting of executive pay

5.2.1. Rules on performance-related pay and allocation of equity-linked instruments

The Company's articles of association define the principles of the variable remuneration and the allocation of shares or equity-linked instruments to the members of the Operations Council. Please refer to the Remuneration report pages 69 to 70 for a description of the Company's rules in the matter.

In the event of changes in composition of the Operations Council occurring after the approval by the Annual General Meeting of the remuneration of the executive team, the Board is authorized to increase up to a maximum of 40% the amount authorized by the shareholders for that purpose.

5.2.2. Rules on loans, credit facilities and post-employment benefits

Loans granted to members of the governing bodies of the Company may not exceed one year of remuneration and must be granted at market conditions. As at 31 December 2023 (same as at 31 December 2022), no loan or advance is granted by the Group to members of the Operations Council.

5.2.3. Rules on vote on pay

The Annual General Meeting approves the following matters related to the compensation of the Board and Operations Council:

- It approves the fixed fees payable to the Board of Directors until the next Annual General Meeting
- It approves in advance a prospective maximum fixed remuneration to the Operations Council during the next financial year
- It approves the total aggregate amount payable to the Operations Council for the performance-related annual bonus related to the prior year
- It approves the maximum amount payable under Long-Term Incentive plans to be introduced by the Company
- Resolutions of such matters are binding to the Board of Directors. In addition, the Annual General Meeting is invited to cast a non-binding vote on the Remuneration report that describes the Company's remunerations policies. This allows shareholders to express a view on the overall policies of the Group in relation to remuneration

6. Shareholders' participation rights

All registered shareholders receive a copy of the half-year and full-year results upon the publication of such results by the Company. They can request a copy of the Company's annual report and are personally invited to attend the Annual General Meeting. The Company's annual report and press releases are publicly available on its website.

6.1. Voting rights and representation restrictions

All registered shareholders can attend the General Meetings of Shareholders and exercise their right to vote. A shareholder may also elect to grant power of attorney to an independent proxy appointed by the Company and elected in advance by the General Meeting of Shareholder or to any other representative holding a written power of attorney.

There are no voting restrictions, subject to the exclusion of nominee shareholders representing undisclosed principals, as detailed in Section 2.6.

6.1.2. Rules on instructions to the independent proxy and electronic participation in the annual shareholders' meeting

Shareholders have the opportunity to give general or specific voting instructions to the independent proxy, who is elected by the General Meeting of Shareholders.

Shareholders can give specific or generic voting instructions to the independent proxy on all matters on the agenda of the General Meeting of Shareholders. These instructions can be issued in written form, or by electronic transmission.

The voting of resolutions by electronic votes is authorized by the articles of association, within the modalities defined by the Board of Directors.

6.2. Statutory quorums

The General Meeting of Shareholders can validly deliberate regardless of the number of shares represented at the meeting. Resolutions are adopted by the absolute majority of votes cast unless Swiss company law mandates a special majority.

6.3. Convocation of General Meetings of Shareholders

The rules regarding the convocation of General Meetings of Shareholders are in accordance with Swiss company law.

6.4. Inclusion of items on the agenda

The agenda of the Annual General Meeting is issued by the Board of Directors. Shareholders representing shares of at least 0.5% of the company's shares may request the inclusion of an item on the agenda of the Annual General Meeting, provided that such a request reaches the Company at least 40 days prior to the meeting.

6.5. Registration in the share register

The Company does not impose any deadline for registering shares prior to an Annual General Meeting. However, a technical notice of two business days is required for processing the registration in the share registry.

7. Change of control and defense measures

No restriction on changes of control is included in the Company's articles of association.

7.1. Duty to make an offer

In the absence of any specific rules in the Company's articles of association, any investor or group of investors acquiring more than 33.3% of the shares and voting rights of the Company has the duty to make a public offer in compliance with the applicable Swiss takeover rules.

7.2. Clauses on change of control

There are no general plans or standard agreements offering specific protection to board members, Operations Council or employees of the Group in the event of a change of control, subject to the standard rules regarding termination of employment. However, long-term incentive plans issued by the Company may include rules allowing acceleration of vesting of benefits in the event of a change of control.

8. Auditors

8.1. Duration of the mandate and term of office of the lead auditor

PwC was elected as auditor of the Company and the SGS Group. The auditors of the Company are subject to re-election at the Annual General Meeting every year. PwC with Guillaume Nayet as the lead initially took up office in 2021 in relation to the 2021 financial statements and have audited the Company and Group 2023 financial statement.

The Company requires the lead auditor to be changed at the latest after completion of seven annual audit cycles, in line with Swiss law.

The Audit Committee reviews annually the desirability to renew the annual mandate of its external auditors before proposing to the Board and the Annual General Meeting the re-election of the auditors.

8.2. Audit fees

Total audit fees paid to the auditors for the audit of the Company and the Group financial statements in 2023 amounted to CHF 6.3 million (2022: CHF 6.1 million).

8.3. Additional fees

An aggregate amount of CHF 1 million was paid to PWC (2022: CHF 1 million) for other professional services, unrelated to the statutory audit activity, mainly composed of tax compliance services, non-statutory and other assurance services.

8.4. Information instruments pertaining to the external audit

The Audit Committee is responsible for evaluating the external auditor on behalf of the Board of Directors and conducts assessments of the audit services provided to the Group during its regular meetings.

The audit committee meets with the auditor at least four times per year, including in private sessions without the presence of management.

In 2023, the Audit Committee met five times with the external auditors.

The Committee considers and approves the proposed audit plan, conducts assessment of the performance of the auditor and approves audit fees on the basis of the amount of work required in order to perform the audit.

The Audit Committee reviews with the group auditors the significant financial statement risk areas arising from the audit, including the key audit matters referred to in the statutory auditor's report.

When evaluating the performance of the auditors, the Audit Committee assesses the effectiveness of the audit based on Swiss Law, their understanding of the business of the Group and how matters of significant importance for the group internal control and financial reporting are identified, reported and resolved. The Audit Committee reviews also how the group auditors interact with the component audit firms in charge of auditing the main subsidiaries of the Group, and the relevance and timeliness of issuance of statutory audits and management letters.

The Audit Committee places great emphasis on the independence of the external auditors, and on the absence of conflict of interests, both at the group level and at the level of individual subsidiaries.

It reviews carefully the type of other services which are provided by the auditors, in addition to the audit, to ensure that such ancillary services could not endanger the independence of the audits. The audit Committee has issued a policy on non-audit services which define restrictively the type of admissible services excluding from the admissible scope most tax advisory services and services related to prospective acquisitions and disposal.

The policy also sets an approval process requiring prior approval of the Audit Committee for any assignment for non-audit services above defined thresholds.

The audit fees are approved on the basis of a negotiated budget agreed with the group auditors taking into account the complexity of the audit, the structure of the Group and its internal control systems and the responsibility of the auditors. The duties of the Committee include consideration of the audit plan, regular assessment of the performance of the auditor and approval of audit fees on the basis of the amount of work required in order to perform the audit.

The Audit Committee reviews with the group auditors the significant financial statement risk areas arising from the audit, including the key audit matters referred to in the statutory auditor's report.

The auditor regularly presents its findings, both during the deliberations of the Audit Committee and in written reports, to the attention of the Board of Directors that summarize key findings.

9. Information policy

The policy of the Group is to provide individual and institutional investors, directly or through financial analysts, business journalists, investment consultants (financial community) and employees with financial and business information in a consistent, broad, timely and transparent manner.

The group website has a section fully dedicated to investor relations, where all financial information and presentations are available. This includes an updated version of the articles of association, current information on share buyback programs and minutes of shareholders' meetings. SGS meets regularly with institutional investors, holds results presentations, roadshows and presentations at broker-sponsored country or industry conferences, and attends one-on-one meetings.

The Group publishes consolidated half-year unaudited and yearly audited results in print and online formats. The annual report is published in English and is available upon order from the Group's website. The current list of publication dates is available on the Group's website. The Group acknowledges the directives on the independence of financial research issued by the Swiss Bankers Association. In addition, the Group complies with rules regarding information and reporting of the Federal Act on stock exchange and securities trading, and the ordinance on stock exchanges and securities trading. The address of SGS's main registered office and contact details by phone and email can be found on page 204 of this report.

10. Quiet periods

Members of the Board of Directors, Operations Council and other employees having access to material non-public information are banned from trading in SGS shares during quiet periods, preceding publication of yearly and half yearly results.

These periods are set between 31 December until and including the date of publication of the full year results and between 30 June until and including the date of the publication of the half year results.

In addition to these fixed quiet periods, the Company institutes additional trading bans from time to time, prior to the release of material non-public information, such as major acquisitions or disposals, or trading updates.

Remuneration report

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 2023 business year. The SGS Remuneration report has been prepared in compliance with the new Code of Obligations, in effect as of 1 January 2023, the Swiss Exchange (SIX) Directive on Information relating to Corporate Governance, revised on 29 June 2022 and in effect as of 1 January 2023, the Swiss Code of Best Practice for Corporate Governance of economiesuisse, revised on 14 November 2022, and according to the articles of association of SGS SA, as revised and approved by the shareholders at the Annual General Meeting in 2023.

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 2023.

During the AGM 2022 to AGM 2023 mandate, the Remuneration Committee sustained its commitment to enhancing clarity and transparency for shareholders and stakeholders concerning the management of governing bodies' remuneration at SGS. Furthermore, the Committee supported the Board of Directors in its initiatives to simplify and streamline the Company's governance.

A primary aspect related to transparency is associated with the implementation of the new Code of Obligation in 2023, replacing the ordinance against excessive compensation (OaEC) at listed joint-stock companies, effective as of 1 January 2014. This update incorporates and specifies provisions related to the management and disclosure of governing bodies' remuneration. In this remuneration report, the Remuneration Committee adhered to the new formulation of these provisions, aiming to interpret both their letter and spirit in the light of completeness and transparency, in the best interest of shareholders and stakeholders.

The Long-Term Incentive 2021-2023, a transition plan from a scheme based on a grant every three years to one based on annual grants, concluded its performance period in 2023 and reached vesting. Details regarding the vesting of the plan are explained in Section 5.4.2. of this report.

The Remuneration Committee continues to evaluate the Long-Term Incentive to ensure that the structure of the plan aligns with our business strategy and shareholders' interests. The modifications of the plan are outlined in Section 3.2.5. of this report.

The Committee also scrutinized the structure of the AGM votes on remuneration matters. In order to simplify governance and align with prevalent market practices, the Committee proposed to the AGM to change the timing of the vote on the value of the grants awarded under the long-term incentive plan to the Operations Council members from the current fiscal year to the next fiscal year. Details on this are disclosed in Section 2.3.3. of this report, and the necessary modifications of the Articles of Association are submitted to the AGM for its approval.

As disclosed in Section 4 of the Governance of this report, a new leadership structure was announced in January 2024. As this Remuneration Report refers to the 2023 business year, we have kept reference to the past leadership structure (Operations Council and Senior Management). We make reference to the new leadership structure (Executive Committee) only in regards to future events.

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 2023, and will continue with the same 'say-on-pay' vote structure at the forthcoming Annual General Meeting 2024:

- 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 Executive Committee members for the business year 2023
- Binding vote on the prospective maximum fixed remuneration amount of the Operations Council members for 2025
- Binding vote on the prospective maximum value of the grants awarded under the long-term incentive plan to the Executive Committee members in 2024 and 2025, following the change in the timing of the vote on this matter described above

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 2023. 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 2023 annual remuneration report at the AGM.

Sami Atiya
Chair of the Remuneration Committee

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

(% of votes for)	**2023**	2022	2021	2020	2019
Consultative vote on the remuneration report	**95.41**	83.94	92.70	93.05	94.50
Binding vote on the prospective maximum remuneration amount of the Board of Directors	**98.10**	97.81	95.51	98.13	98.09
Binding vote on the prospective maximum fixed remuneration amount of the Operations Council members	**95.34**	96.11	94.37	95.58	80.28
Binding vote on the retrospective short-term variable remuneration amount of the Operations Council members	**98.16**	97.02	96.95	97.39	97.17
Binding vote on the value of the grants awarded under the long-term incentive plan to the Operations Council members[1]	**96.08**	96.88	96.40	–	–

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).

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 business strategy to deliver profitable growth, and in line with its business principles: integrity, health and safety, quality and professionalism, respect, sustainability, leadership and 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 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 belonging to the SLI index, not belonging to the capital markets, insurance and pharmaceuticals sectors of comparable size (-50% / +100% in terms of sales)

The elements of executive remuneration benchmarked include annual base salary and benefits, short-term and long-term incentives. 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 2023.

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 2023, 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			Recommendation	Binding vote
Individual remuneration of the members of the Board of Directors including the Chair of the Board		Recommendation	Approval	
Aggregate fixed remuneration amount of the Operations Council			Recommendation	Binding vote
Aggregate short-term variable remuneration amount of the Operations Council			Recommendation	Binding vote
Setting of annual financial targets for short-term variable remuneration of Operations Council members	Recommendation		Approval	
Establishment of long-term incentive plans		Recommendation	Approval	
Aggregate value of the grants awarded under the long-term incentive plan to Operations Council members			Recommendation	Binding vote
Individual remuneration of the Operations Council members	Recommendation	Approval		
Remuneration report		Recommendation	Approval	Consultative vote

Recommendation Approval Binding vote Consultative vote

The following Directors served on the Committee during their mandate from Annual General Meeting 2023 to 2024:

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

In 2023, the Committee met five times 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, and as of 2023 in accordance with the requirements defined by the new Code of Obligations (art. 735), 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 new Code of Obligations (art. 735), 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 the 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 short-term 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.

2.3.3. Changes in remuneration governance

The Board of Directors believes that three separate votes on the three elements of remuneration of the Operations Council give great transparency and say-on-pay power to the AGM, and intend to align the timing of the prospective votes on fixed remuneration and on long-term incentive grants, proposing to the AGM to vote on both maximum amounts for 2024 as well as 2025 with regards to the long-term incentive grants.

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 the 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.

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 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 sales, group NPAT[2], group ROIC[3], group free cash flow, regional and business line profit, regional and business line 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 to 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 2023, a change in the pay-out curve of the financial KPIs was implemented, with the objective to provide a better reward to the CEO and the OC members in case of overachievements. The maximum financial performance pay-out factor, set at 200% of the incentive opportunity (unchanged from previous year) is reached at 120% performance versus target (it was reached at 133.3% performance versus target the in previous year).

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 50% 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%	50%–90%
Maximum incentive opportunity[1]		
as % of target incentive opportunity	250%	250%
as % of base salary	250%	125%–225%

1. The maximum incentive opportunity is the result of the maximum financial performance payout 200% times the maximum leadership multiplier 125%.

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 business line (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.

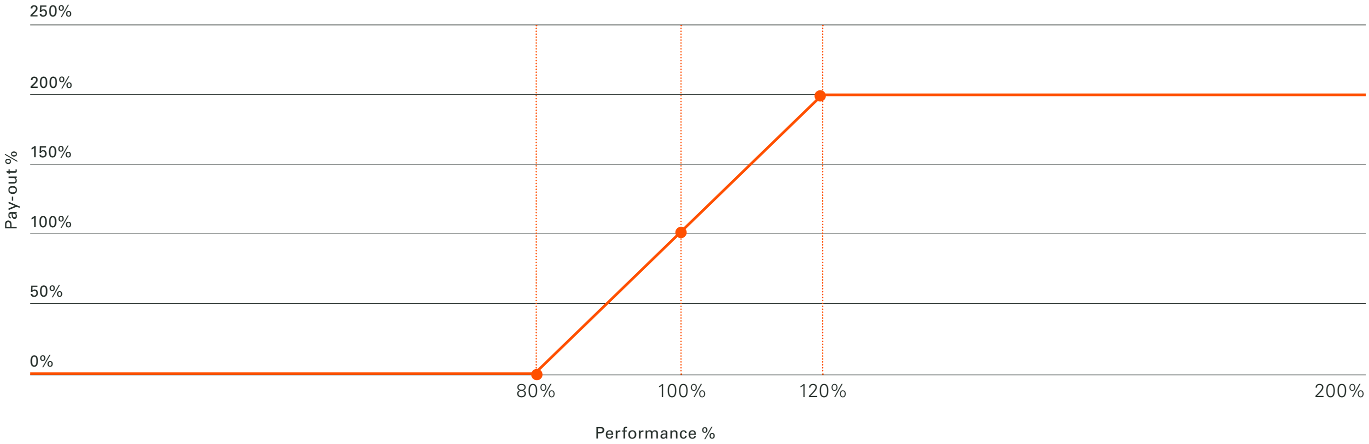
		CEO	Heads of Corporate Functions (SVPs)	Heads of business lines (EVPs)	Heads of Regions (COOs)
Group results	Profitability (bottom-line)	Group NPAT 25%	Group NPAT 25%	Group NPAT 25%	Group NPAT 25%
	Growth (top-line)	Group sales 25%	Group sales 25%	Group sales 25%	Group sales 25%
	Efficient use of capital	Group ROIC (organic) 25%	Group ROIC (organic) 25%		
	Cash generation	Group free cash flow (organic) 25%	Group free cash flow (organic) 25%		
Business line results	Profitability (bottom-line)			Business line profit 40%	
	Cash generation			Business line 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 profit after taxes (NPAT), group sales, group return on invested capital (ROIC), group free cash flow (FCF), business line profit, regional profit.

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

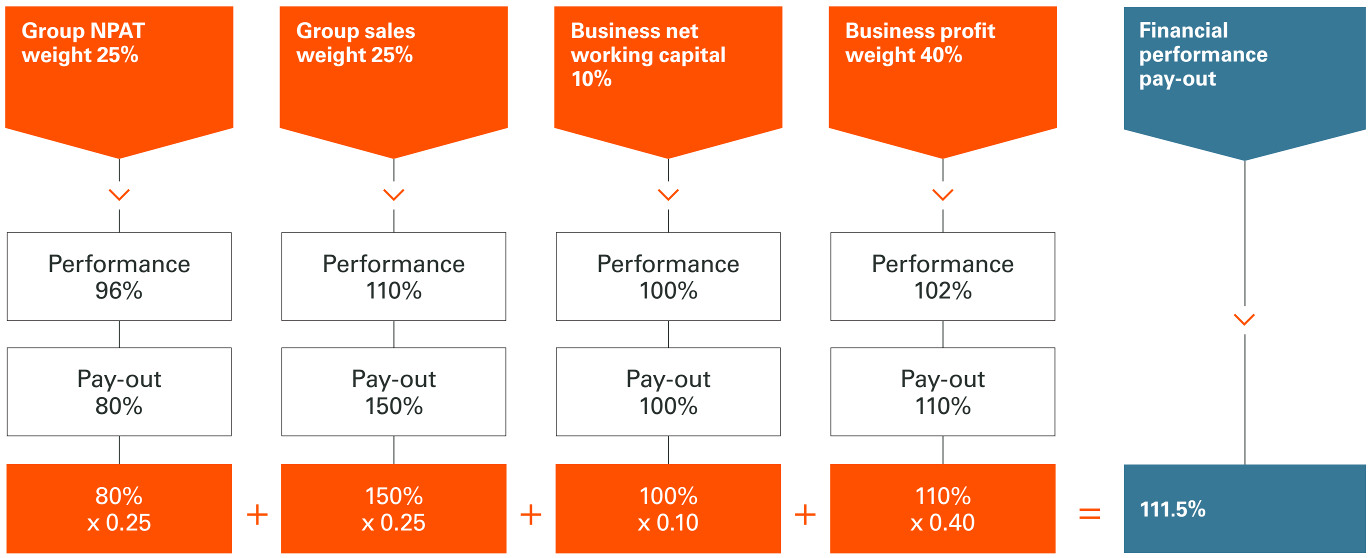


The pay-out curve for regional and business line net working capital (NWC) is defined by the CEO at the beginning of the performance year together with the objectives for each performance metric.

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 factor 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.

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. These criteria encompass a broader range of values than the three metrics used for the determination of vesting of the long-term incentives (LTI). 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%. Their final incentive payout factor is calculated by multiplying the financial performance pay-out factor by the leadership multiplier.

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

Target incentive		Financial performance pay-out factor		Leadership multiplier		Final incentive amount
CHF 100 000	×	111.5%	×	120%	=	CHF 133 800

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 of the consolidated financial statements.

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 31 December of the respective business year, the executive is eligible for the full annual incentive payment. The annual incentive is paid fully in cash after the approval of 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 31 December 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 31 December 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 31 December 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 31 December 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 of the Annual General Meeting.

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

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.

	Last day of employment before 31 December				Last day of employment between 31 December and AGM			
Termination reason	**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 AGM approval	100% cash	Full	Based on actual performance	After AGM approval	100% cash

3.2.4. Long-term variable remuneration

The CEO and the other members of the Operations Council are eligible for 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).

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 2023.

Performance conditions

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

- Relative Total shareholder return (rTSR[1]) (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 in 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	

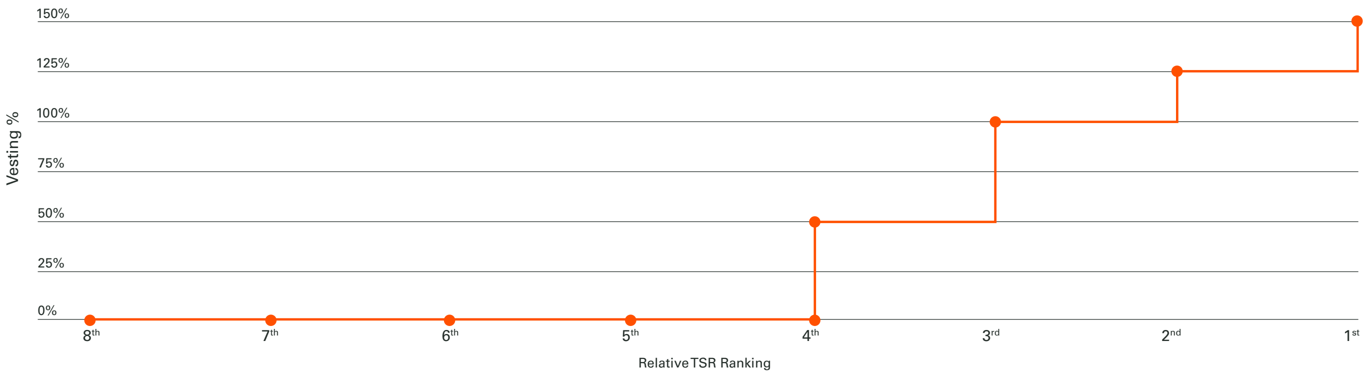
The vesting level for the TSR is defined as follows: 150% vesting if SGS is ranked first among the eight companies (including SGS) composing the peer group, 125% vesting if SGS is ranked second, 100% vesting if SGS is ranked third, 50% vesting if SGS is ranked fourth, and zero vesting if SGS is ranked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

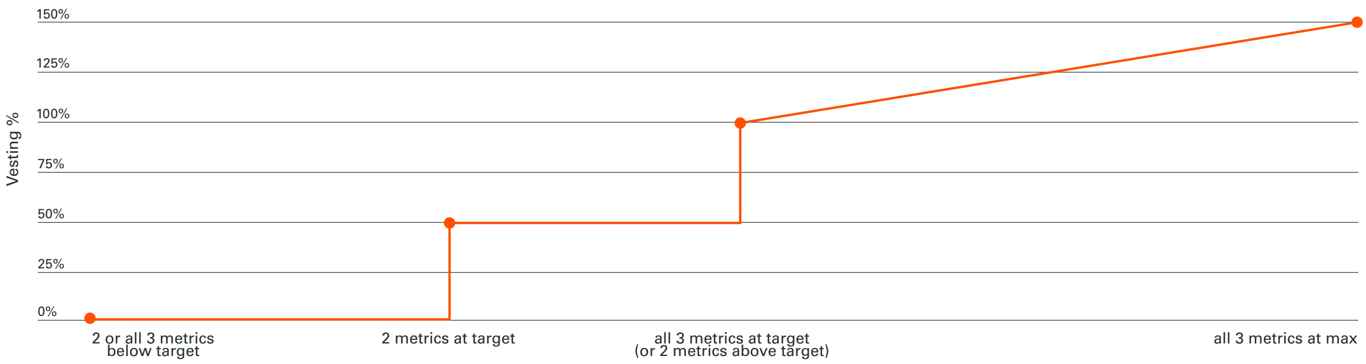
The vesting level for the ESG metrics is defined based on the Company's achievements against pre-defined performance levels and can range between zero (in case the performance of two of the metrics is below target) and 150% (in case the performance of all three metrics is at maximum or above).

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



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

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 is disclosed in note 29 of the consolidated financial statements.

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 case of company-initiated termination not for cause, if the termination date occurs during the last 12 months of the vesting period, and subject to the Board of Directors approval, PSUs unvested at the termination date may vest on a pro-rata basis, based on the number of full months that have expired during the vesting period
- 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[1]	Forfeiture	–	–

1. In case of company-initiated termination not for cause, if the termination date occurs during the last 12 months of the vesting period, and subject to the Board of Directors approval, PSUs unvested at the termination date may vest on a pro-rata basis, based on the number of full months that have expuired during the vesting period.

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. Changes to the long-term incentive plan

The Remuneration Committee, also considering market practices and aiming to enhance alignment with shareholders' interests, has decided to change the performance indicators for the next plans. While the focus on ESG objectives is maintained, the relative weight of the relative TSR is reduced, and a new performance indicator, EPS growth, is added to the plan. The reason for this change is on the one hand to reduce the risk of significant differences in the vesting level caused by small differences in TSR performance, given the small number of competitors in the peer group and the large relative weight of the performance indicator, and on the other hand, to include in the plan a performance indicator aligned with the long-term interests of the shareholders but closer to management's line of sight. More details on the 2024 long-term incentive plan will be disclosed in the 2024 remuneration report.

3.2.6. Remuneration mix

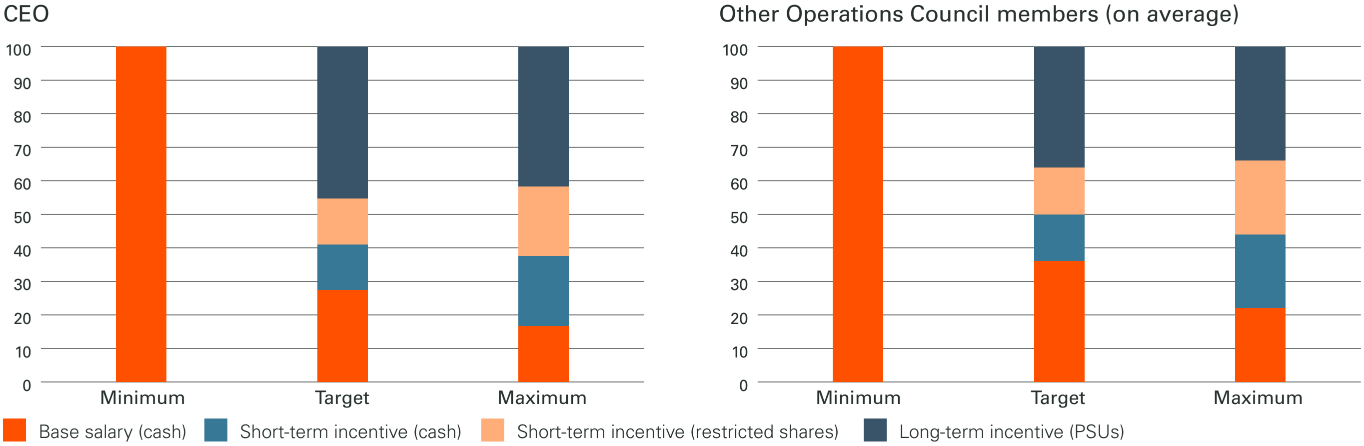
The part of remuneration at risk (short-term incentive and long-term incentive) for the CEO represents, at target, 73% of their total remuneration. The part of remuneration settled in equity instruments (restricted shares and PSUs) represents, at target, 59% of their total remuneration.

For the other members of the Operations Council, the part of 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 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).

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



3.2.7. 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 are blocked.

3.2.8. Employment contracts

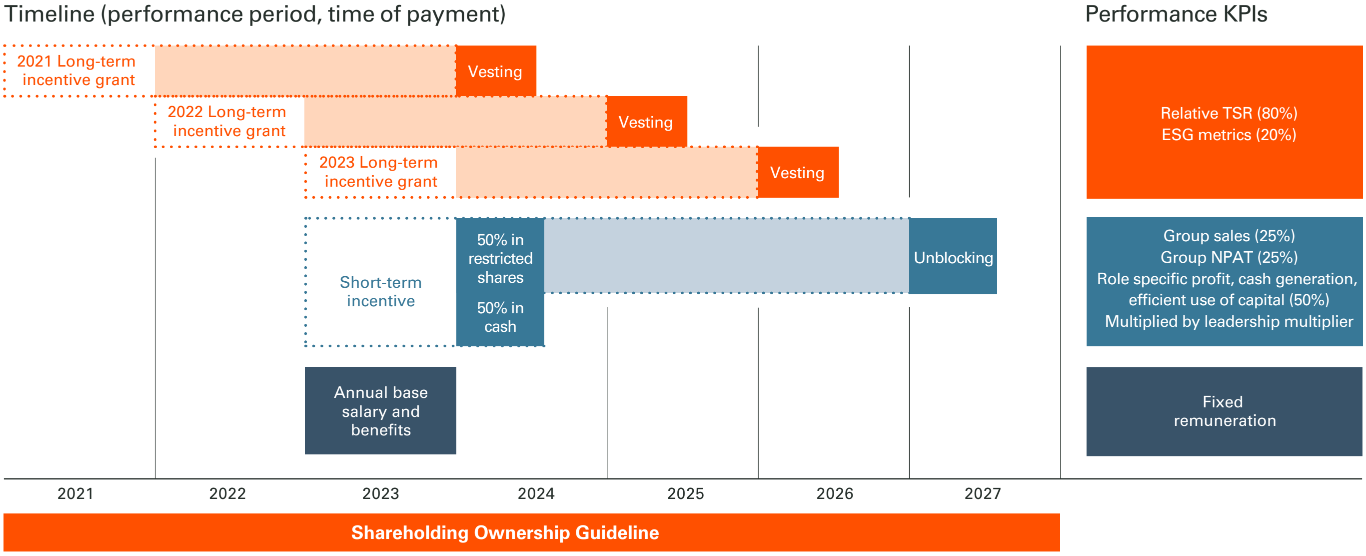
Employment contracts of the Operations Council members have no fixed term and can be terminated at any time by either party, provided a notice period of six months is respected. For the CEO, the notice period is 12 months. The executive contracts do not provide for any severance payments (beyond the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

3.2.9. Timeline of remuneration

The following chart outlines the timeline of payment of each remuneration element that was earned in 2023:

- The annual base salary is paid during 2023
- The cash portion of the short-term incentive is paid shortly after the 2024 Annual General Meeting
- The share portion of the short-term incentive is allocated in Q2 2024 and will be unblocked in Q2 2027
- The PSUs granted under the long-term incentive in 2021 were earned over the performance period from 2021 to 2023, and vested, subject to performance conditions and continuity of employment, on 1 February 2024; shares will be allocated to the participants in Q1 2024
- The PSUs granted under the long-term incentive in 2023 will be earned over the performance period from 2023 to 2025 and will vest, subject to performance conditions and continuity of employment, in Q1 2026

Timeline of remuneration



4. Remuneration awarded to the Board of Directors

4.1. AGM vote on remuneration

The table below summarizes the vote of the AGM on the remuneration of the members of the Board of Directors.

AGM	Remuneration element	Vote type	Period	Approved amount CHF thousand	Actual amount CHF thousand
2023	Aggregate total remuneration	Prospective	AGM 2023 to AGM 2024	2 700	2 655

The table below summarizes the proposed amount for the vote at the 2024 AGM.

AGM	Remuneration element	Vote type	Period	Proposed amount CHF thousand
2024	Aggregate total remuneration	Prospective	AGM 2024 to AGM 2025	2 700

4.2. Details of remuneration (audited)

For the mandate from Annual General Meeting 2023 to 2024, 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 (unchanged from prior mandate). 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 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 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 (unchanged from prior mandate).

(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

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 2022 to 2023 was equal to CHF 2 655 000, within the amount approved by the Annual General Meeting 2022 (CHF 2 700 000).

The table below details the remuneration elements and the settlement vehicle of the Directors for the mandate Annual General Meeting 2023 to 2024.

(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]
Calvin Grieder	665	–	–	–	–	–	665	500	165
Sami Atiya		200	–	40	30	–	270	220	50
Phyllis Ka Yan Cheung		200	–	–	–	30	230	180	50
Ian Gallienne		200	–	30	30	–	260	210	50
Tobias Hartmann		200	50	–	–	–	250	200	50
Shelby R. du Pasquier		200	–	–	–	–	200	150	50
Jens Riedl		200	–	–	–	–	200	150	50
Korey Sorenson		200	70	30	–	30	330	280	50
Janet 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 2023.

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]
Calvin Grieder	665	–	–	–	–	–	665	500	165
Sami Atiya	–	200	–	40	30	–	270	220	50
Phyllis Ka Yan Cheung	–	200	–	–	–	30	230	180	50
Paul Desmarais, Jr.	–	200	–	–	–	–	200	150	50
Ian Gallienne	–	200	–	30	30	–	260	210	50
Tobias Hartmann	–	200	50	–	–	–	250	200	50
Shelby R. du Pasquier	–	200	–	–	–	–	200	150	50
Korey Sorenson	–	200	70	30	–	30	330	280	50
Janet 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 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 2023. It includes both pro-rata temporis elements of remuneration for the mandate Annual General Meeting 2022 to 2023 and pro-rata temporis elements of remuneration for the mandate Annual General Meeting 2023 to 2024.

(CHF thousand, gross)	**Board retainer**	**Representation fees**	**Committee fees**	**Total remuneration**	**Cash**	**Restricted shares value[3]**	**Restricted shares NB**	**Employer social charges**
Calvin Grieder	667	–	–	667	502	165	2 003	10
Sami Atiya	201	–	70	271	221	50	607	23
Phyllis Ka Yan Cheung	201	–	30	231	181	50	607	19
Paul Desmarais, Jr.[1]	37	–	–	37	37	–	–	2
Ian Gallienne	201	–	60	261	211	50	607	22
Tobias Hartmann	201	–	50	251	201	50	607	–
Shelby R. du Pasquier	201	–	–	201	151	50	607	17
Jens Riedl[2]	164		–	164	114	50	607	14
Korey Sorenson	201	–	130	331	281	50	607	27
Janet Vergis	201	–	50	251	201	50	607	21
Total	**2 275**	**–**	**390**	**2 665**	**2 100**	**565**	**6 859**	**155**

1. Until the AGM 2023.
2. As of the AGM 2023.
3. Based on the average closing share price of the 20 trading days preceding the grant date.

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 of 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[2]	Restricted shares NB[3]	Employer social charges
Calvin Grieder	656	–	–	656	493	163	65	10
Sami Atiya	197	–	60	257	209	48	19	22
Phyllis Ka Yan Cheung[1]	163	–	23	186	138	48	19	16
Paul Desmarais, Jr.	197	–	–	197	149	48	19	14
Ian Gallienne	197	–	59	256	208	48	19	22
Tobias Hartmann	197	–	49	246	198	48	19	–
Shelby R. du Pasquier	212	–	–	212	115	97	38	18
Korey Sorenson	288	–	98	386	213	173	68	32
Janet Vergis	197	–	49	246	198	48	19	21
Total	**2 304**	**–**	**338**	**2 642**	**1 921**	**721**	**285**	**155**

1. As of the AGM 2022.
2. Based on the average closing share price of the 20 trading days preceding the grant date.
3. Prior to the share split implemented on 12 April 2023.

The overall remuneration paid to the Board of Directors in 2023 is in line with the overall remuneration paid in 2022.

4.3. Other compensation, loans and credit facilities (audited)

In 2023, no other payment was made to any member or former member of the Board of Directors (unchanged from prior year).

As at 31 December 2023, no loan, credit or outstanding advance was due to the Group from members or former members of the Board of Directors or related parties (unchanged from prior year).

4.4. Shares and options held (audited)

The following table shows the shares held by members of the Board of Directors as at 31 December 2023:

Name	Shares
Calvin Grieder	14 128
Sami Atiya	3 382
Phyllis Ka Yan Cheung	1 082
Ian Gallienne	1 082
Tobias Hartmann	1 082
Shelby R. du Pasquier	2 257
Jens Riedl	607
Korey Sorenson	3 207
Janet Vergis	1 082

No options were held by members of the Board of Directors as at 31 December 2023.

The following table shows the shares held by members of the Board of Directors as at 31 December 2022:

Name	Shares[1]
Calvin Grieder	485
Sami Atiya	111
Phyllis Ka Yan Cheung	19
Paul Desmarais, Jr.	56
Ian Gallienne	20
Tobias Hartmann	19
Shelby R. du Pasquier	66
Korey Sorenson	104
Janet Vergis	19

1. Prior to share split implemented on 12 April 2023.

No options were held by members of the Board of Directors as at 31 December 2022.

4.5. Gender representation (audited)

For the mandate from AGM 2023 to AGM 2024, the gender representation at the Board of Directors is as per the below table.

	Female		Male	
Period	**Number**	**%**	**Number**	**%**
AGM 2023 to AGM 2024	3	33.3%	6	66.7%

4.6. Other activities (audited)

The functions of the members of the Board of Directors in other undertakings are disclosed in Section 3.1 of the Corporate Governance section of this report.

5. Remuneration awarded to the Operations Council members

This section sets out the remuneration that was paid to the Operations Council as a whole, to the Operations Council members who make up senior management and to the CEO in 2023. All amounts disclosed in this section include the short-term incentive cash amount and restricted shares that will be granted in Q2 2024 with respect to performance in 2023 (disclosure according to the accrual principle).

5.1. AGM vote on remuneration

The table below summarizes the votes of the AGM on the remuneration of the members of the Operations Council relevant to 2023.

AGM	Remuneration element	Vote type	Period	Approved amount CHF thousand	Actual amount CHF thousand
2022	Aggregate fixed remuneration	Prospective	Calendar year 2023	12 500	9 728
2023	Aggregate short-term variable remuneration	Retrospective	Performance year 2022 (paid after the 2023 AGM)	4 432	4 432
2023	Aggregate long-term variable remuneration	Prospective	Calendar year 2023	13 500	13 091[1]
2023	Aggregate fixed remuneration	Prospective	Calendar year 2024	12 500	Will be reported in the 2024 Remuneration report

1. Value of the Performance Share Units at the time of their grant (CHF thousand 8 727), assessed at the maximum possible vesting level under the plan rules (150%).

The table below summarizes the proposed amounts for the vote at the 2024 AGM.

AGM	Remuneration element	Vote type	Period	Proposed amount CHF thousand
2024	Aggregate short-term variable remuneration	Retrospective	Performance year 2023 (paid after the 2024 AGM)	4 956
2024	Aggregate long-term variable remuneration	Prospective	Calendar year 2024 (transition)[1]	12 000
2024	Aggregate long-term variable remuneration	Prospective	Calendar year 2025	12 000
2024	Aggregate fixed remuneration	Prospective	Calendar year 2025	10 500

1. As explained in Section 2.3.3. of this report, the prospective vote on the aggregate long-term variable remuneration will be aligned to the next fiscal year.

5.2. Fixed remuneration (audited)

The table below summarizes the fixed remuneration paid to the Operations Council, senior management and the Chief Executive Officer in 2023.

(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)	7 753	973	–	–	8 726
Contributions and benefits in kind	–	–	755	292	1 047
Equity	–	–	–	–	–
Total	**7 753**	**973**	**755**	**292**	**9 773**
Senior management (including CEO)					
Cash (including allowances)	2 444	190	–	–	2 634
Contributions and benefits in kind	–	–	284	24	308
Equity	–	–	–	–	–
Total	**2 444**	**190**	**284**	**24**	**2 942**
Chief Executive Officer					
Cash (including allowances)	1 200	63	–	–	1 263
Contributions and benefits in kind	–	–	116	9	125
Equity	–	–	–	–	–
Total	**1 200**	**63**	**116**	**9**	**1 388**

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 increase in fixed remuneration compared with 2022 reflects the change in the pay-mix decided by the Remuneration Committee for some of the Operations Council members.

5.3. Short-term variable remuneration (audited)

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 2023, the achievement of financial targets at group level, in the businesses and in the regions ranged from 63.8% to 126.7% (2022: 74.8% to 123.6%).

The chart below summarizes the 2023 performance achievements against targets for the financial objectives (sales, profitability, cash generation and capital efficiency) used in the short-term incentive.

2023 performance achievements against targets

Performance KPI	Pay-out %		
Group sales	111.4%		
Group NPAT	55.8%		
Group ROIC	37.3%		
Group free cash flow	93.8%		
	Avg	Min	Max
Regional and business profit	79.9%	0.0%	200.0%
Regional and business cash generation	87.0%	36.3%	154.6%

Achievement | Average achievement | Performance range

The overall short-term incentive pay-out amounts to 82.0% of the target incentive opportunity for the CEO (2022: 63.5%) and ranged from 48.3% to 142.7% of the target incentive opportunity for the other members of the Operations Council (2022: 49.4% to 113.1%). For the purpose of the short-term incentive, targets and performance achievement are measured at constant currency exchange rates.

The table below details the 2023 short-term incentive for the CEO.

CEO 2023 STI pay-out

	Group financial KPIs				Pay-out
KPI description	**Sales (CHF million)**	**NPAT (CHF million)**	**ROIC (organic) (%)**	**FCF (CHF million)**	
Target	6 475	606	26	612	
Actual	6 622	553	22	604	
Actual vs Target %	102.3%	91.2%	87.5%	98.8%	
Pay-out %	111.4%	55.8%	37.3%	93.8%	
Weight	25%	25%	25%	25%	
Financial KPIs pay-out %					74.6%
Leadership multiplier					110%
Total pay-out %					82.0%
Pay-out (CHF thousand, gross)					984

The table below details the 2022 short-term incentive for the CEO.

CEO 2022 STI pay-out

	Group financial KPIs				Pay-out
KPI description	Sales (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 2023, SGS restricted shares will be allocated to the members of the Operations Council in Q2 2024, after the approval of the total short-term incentive amount by the Annual General Meeting (in Q2 2023, 26 921 restricted shares were granted in settlement of the equity portion of the short-term incentive 2022). 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 2023 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	2 737
Contributions and benefits in kind	–	–	–	–
Equity	–	2 500	6 250	2 219
Total	**–**	**5 695**	**14 238**	**4 956**
Senior management (including CEO)				
Cash (including allowances)	–	1 433	3 583	1 135
Contributions and benefits in kind	–	–	–	–
Equity	–	738	1 845	617
Total	**–**	**2 171**	**5 428**	**1 752**
Chief Executive Officer				
Cash (including allowances)	–	600	1 500	492
Contributions and benefits in kind	–	–	–	–
Equity	–	600	1 500	492
Total	**–**	**1 200**	**3 000**	**984**

The total short-term remuneration amount will be submitted for approval to the Annual General Meeting of 2024, and the settlement for both the cash and the equity part will be implemented shortly after.

The table opposite 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 2022 short-term remuneration amount was approved by the Annual General Meeting of 2023, and the settlement for both the cash and the equity part were implemented shortly after.

The increase in short-term variable remuneration compared to 2022 reflects the higher pay-out achieved against the financial targets in 2023 compared to 2022.

5.4. Long-term variable remuneration

5.4.1. 2023-2025 PSUs long-term incentive grant (audited)

In 2023, the Group implemented a long-term incentive plan for the performance period 2023-2025. Under the long-term incentive plan 2023-2025, a total of 105 045 performance share units (PSUs) were granted to the members of the Operations Council; this includes 41 153 PSUs granted to senior management, of which 24 074 PSUs granted to the CEO.

The PSUs awarded under the long-term incentive 2023-2025 vest after the three-year performance period 2023-2025, in early 2026, 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 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.

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 PSUs[1] 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.

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.

The table below summarizes the value of the long-term variable remuneration awarded to the Operations Council, senior management and the CEO in 2023.

	Number of PSUs granted[2]	Total value of the grant[3] (CHF thousand)
Operations Council (including senior management)		
Cash (including allowances)	–	–
Contributions and benefits in kind	–	–
Equity	105 045	8 727
Total	**105 045**	**8 727**
Senior management (including CEO)		
Cash (including allowances)	–	–
Contributions and benefits in kind	–	–
Equity	41 143	3 418
Total	**41 143**	**3 418**
Chief Executive Officer		
Cash (including allowances)	–	–
Contributions and benefits in kind	–	–
Equity	24 074	2 000
Total	**24 074**	**2 000**

1. Prior to the share split implemented on 12 April 2023.
2. After the share split implemented on 12 April 2023.
3. 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 2022.

	Number of PSUs granted[1]	Total value of the grant[2] (CHF thousand)
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. Prior to the share split implemented on 12 April 2023.
2. 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.

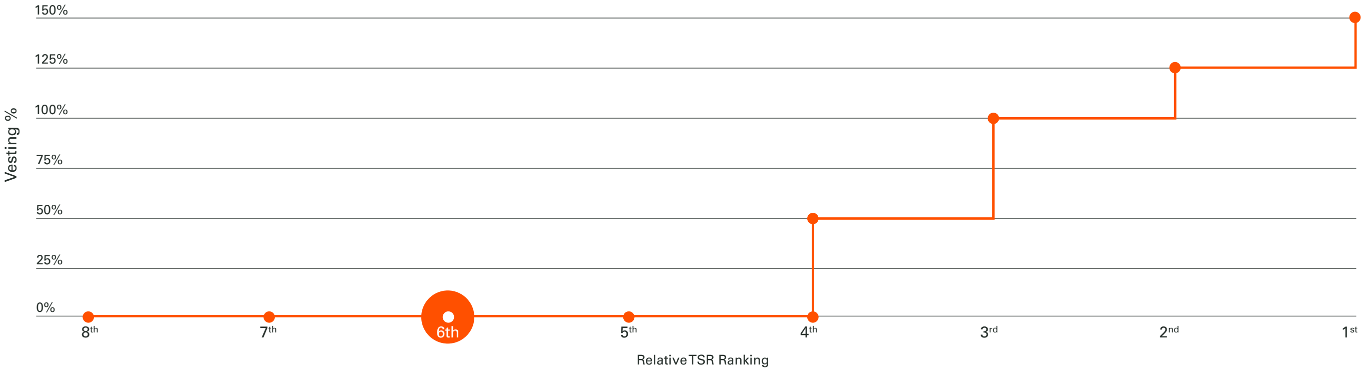
5.4.2. Vesting of the 2021-2023 PSUs and cash long-term incentive plans

On 1 February 2024, the 2021-2023 PSUs and cash long-term incentive plans vested, according to the vesting and performance conditions.

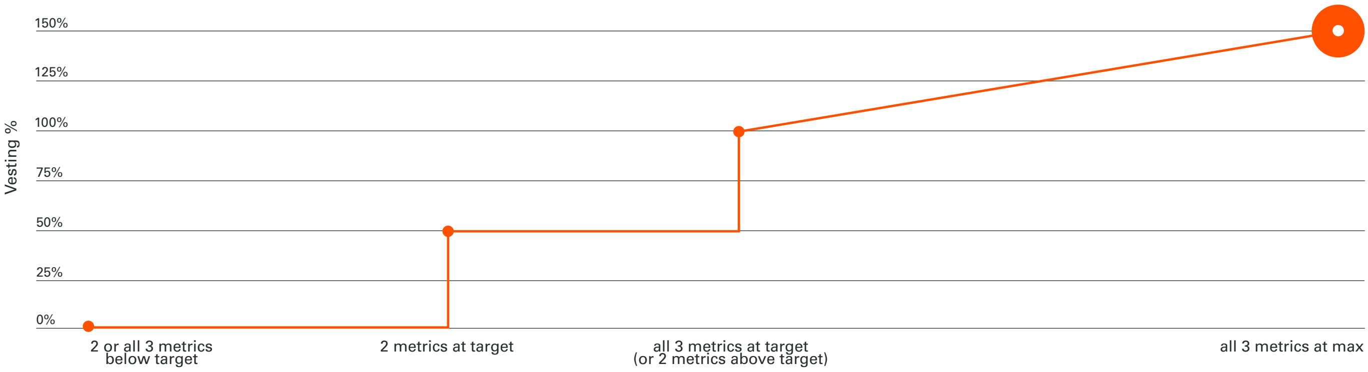
The assessment of the performance conditions has been performed by the Board of Directors, based on the recommendation of the Remuneration Committee.

The charts below show the achievements on relative TSR and ESG metrics.

Relative TSR



ESG metrics



The table below presents the details of the vesting.

		Weight	Vesting level
Relative TSR		80%	0%
ESG metrics	GHG Emissions	20%	150%
	Lost Time Incident Rate		
	Women in leadership		
Total		**100%**	**30%**

The table below details the vesting of the 2021-2023 PSUs and cash long-term incentive plan for the Operations Council, the senior management and the CEO.

	Number of PSUs granted in 2021[1]	Value at grant[2] (CHF thousand)	Number of PSUs outstanding at vesting date[1]	Number of shares allocated	Value at vesting[3] (CHF thousand)
Operations Council (including senior management)					
Cash (including allowances)	–	1 000	–	–	289
Contributions and benefits in kind	–	–	–	–	–
Equity	150 075	16 216	137 325	41 202	3 304
Total	**150 075**	**17 216**	**137 325**	**41 202**	**3 593**
Senior management (including CEO)					
Cash (including allowances)	–	–	–	–	–
Contributions and benefits in kind	–	–	–	–	–
Equity	61 550	6 651	61 550	18 466	1 481
Total	**61 550**	**6 651**	**61 550**	**18 466**	**1 481**
Chief Executive Officer					
Cash (including allowances)	–	–	–	–	–
Contributions and benefits in kind	–	–	–	–	–
Equity	37 025	4 001	37 025	11 108	891
Total	**37 025**	**4 001**	**37 025**	**11 108**	**891**

1. Restated after the share split of implemented on 12 April 2023.
2. For the equity part: based on the average closing share price of the 20 trading days preceding the grant date.
3. For the equity part: based on the closing share price at vesting date.

5.5. Total remuneration (audited)

The tables below present all components of the remuneration earned in 2023 and 2022 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 2023

(CHF thousand, gross)	Total fixed remuneration	Total short-term variable remuneration	Total remuneration before LTI	Total long-term variable remuneration	Total remuneration	Employer social charges
Operations Council (including senior management)[1]						
Cash (including allowances)	8 726	2 737	11 463	–	11 463	–
Contributions and benefits in kind	1 047	–	1 047	–	1 047	1 222
Equity	–	2 219	2 219	8 727	10 946	–
Total	**9 773**	**4 956**	**14 729**	**8 727**	**23 456**	**1 222**
Senior management (including CEO)[2]						
Cash (including allowances)	2 634	1 135	3 769	–	3 769	–
Contributions and benefits in kind	308	–	308	–	308	312
Equity	–	617	617	3 418	4 035	–
Total	**2 942**	**1 752**	**4 694**	**3 418**	**8 112**	**312**
Chief Executive Officer						
Cash (including allowances)	1 263	492	1 755	–	1 755	–
Contributions and benefits in kind	125	–	125	–	125	156
Equity	–	492	492	2 000	2 492	–
Total	**1 388**	**948**	**2 372**	**2 000**	**4 372**	**156**

1. 17 FTE (Full-Time Equivalent).
2. 3 FTE.

Total remuneration 2022

(CHF thousand, gross)	Total fixed remuneration	Total short-term variable remuneration	Total remuneration before LTI	Total long-term variable remuneration	Total 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.

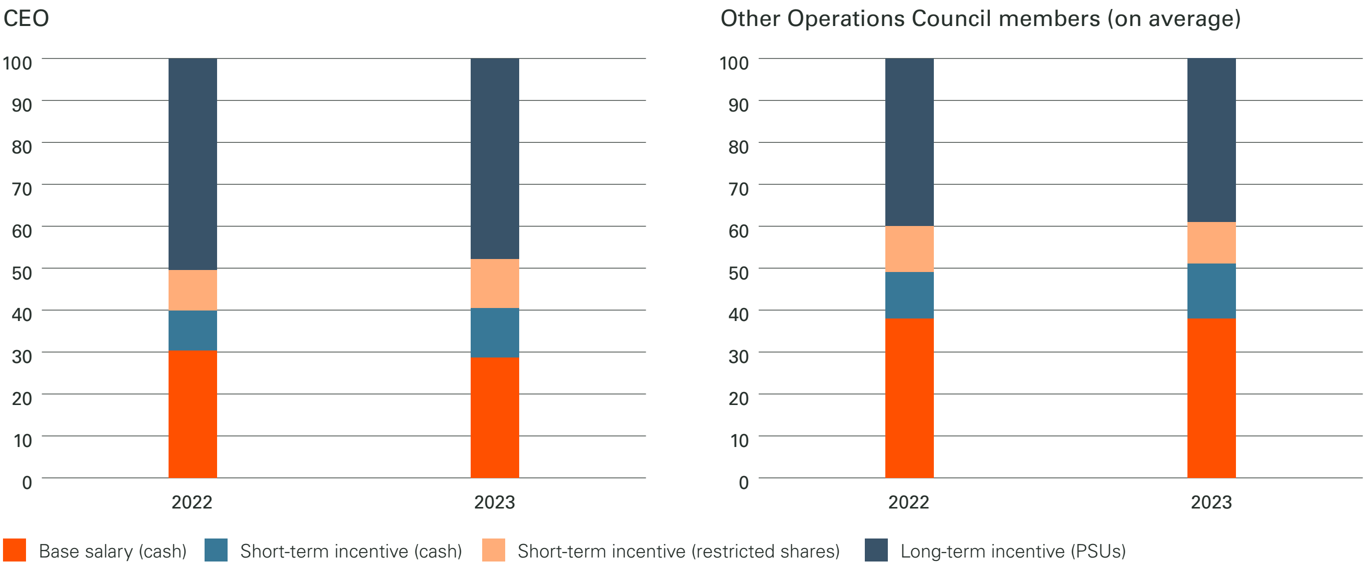
5.6. Remuneration mix (audited)

In 2023, the part of remuneration at risk (short-term incentive and long-term incentive) for the CEO represents 71% of the total remuneration (2022: 70%); the part of remuneration settled in equity instruments (restricted shares and PSUs) represents 60% of the total remuneration (2022: 60%). For the other members of the Operations Council, the part of remuneration at risk represents, on average, 62% of the total remuneration (2022: 62%); the part of remuneration settled in equity instruments represents, on average, 49% of the total remuneration (2022: 51%).

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 2023 and 2022.

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



5.7. Other compensation, loans and credit facilities (audited)

Severance payment for a total amount of CHF 194 334 was made in 2023 to one member of the Operations Council who left the Group in 2023, according to the legislation in force in his country of employment (2022: no severance payments).

As at 31 December 2023, no loan, credit or outstanding advance was due to the Group from members or former members of the Operations Council or related parties (unchanged from prior year).

5.8. Shares and options held (audited)

The following table shows the shares and restricted shares held by senior management as at 31 December 2023:

Name	Corporate responsibility	Restricted shares	Shares
F. Ng	Chief Executive Officer	14 726	95 000
G. Picaud	Chief Financial Officer (from 1 December 2023)	–	500
O. Merkt	General Counsel and Chief Operating Officer	3 001	8 750

No options were held by senior management as at 31 December 2023.

The following table shows the shares and restricted shares held by senior management as at 31 December 2022:

Name	Corporate responsibility	Restricted shares[1]	Shares[1]
F. Ng	Chief Executive Officer	648	3 556
D. de Daniel	Chief Financial Officer	406	1 165
O. Merkt	General Counsel and Chief Operating Officer	144	287

1. Prior to share split implemented on 12 April 2023.

No options were held by senior management as at 31 December 2022.

5.9. Gender representation (audited)

As at 31 December 2023, the gender representation at the Operations Council is as per the below table.

	Female		Male	
Period	**Number**	**%**	**Number**	**%**
31 December 2023	2	12.5%	14	87.5%

The Board and Leadership team are very committed to drive gender diversity, and we have continued to make progress on increasing the number of female representatives at the Operations Council over the last two years.

5.10. Other activities (audited)

The functions of the members of the Operations Council in other undertakings are disclosed in Section 4.2 of the Corporate Governance of this report.

Report of the statutory auditor

to the General Meeting of SGS SA

Geneva

Report on the audit of the remuneration report

Opinion

We have audited the remuneration report of SGS SA (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to article 734a-734f CO in the tables marked 'audited' in sections 4 and 5 (pages 79 to 89) of the remuneration report.

In our opinion, the information pursuant to article 734a-734f CO in the remuneration report for the tables marked 'audited' in sections 4 and 5 complies with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the remuneration report' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked 'audited' in the remuneration report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. It is also responsible for designing the remuneration system and defining individual remuneration packages.

PricewaterhouseCoopers SA, avenue Giuseppe-Motta 50, case postale, 1211 Genève 2, Switzerland
Téléphone: +41 58 792 91 00, www.pwc.ch

Auditor’s responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information pursuant to article 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers SA

Guillaume Nayet	Louise Rolland
Licensed audit expert Auditor in charge	Licensed audit expert

Geneva, 21 February 2024

Financial statements

1. SGS Group

1.1. Consolidated Income Statement

For the years ended 31 December

(CHF million)	Notes	2023	2022
Sales	4	**6 622**	**6 642**
Salaries and wages		–3 316	–3 331
Subcontractors' expenses		–400	–399
Depreciation, amortization and impairment	12 to 15	–545	–521
Gain on business disposals	3	7	–
Other operating expenses	7	–1 511	–1 493
Operating income (EBIT)[1]	4	**857**	**898**
Financial income	8	29	20
Financial expenses	9	–86	–71
Share of profit of associates and joint ventures		2	2
Profit before taxes		**802**	**849**
Taxes	10	–205	–219
Profit for the period		**597**	**630**
Profit attributable to:			
Equity holders of SGS SA		553	588
Non-controlling interests		44	42
Basic earnings per share (in CHF)[2]	11	**3.00**	**3.15**
Diluted earnings per share (in CHF)[2]	11	**2.99**	**3.15**

1. Refer to note 4 for analysis of non-recurring items.
2. 2022 restated for comparability following share split on 12 April 2023 – refer to note 11 and to the Alternative Performance Measures – Appendix to the 2023 full year results.

1.2. Consolidated Statement of Comprehensive Income

For the years ended 31 December

(CHF million)	Notes	2023	2022
Actuarial gains/(losses) on defined benefit plans	25	50	–20
Income tax on actuarial gains/(losses)	10	–8	5
Items that will not be subsequently reclassified to income statement		**42**	**–15**
Exchange differences		–238	–148
Items that may be subsequently reclassified to income statement		**–238**	**–148**
Other comprehensive (loss) for the period		**–196**	**–163**
Profit for the period		597	630
Total comprehensive income for the period		**401**	**467**
Attributable to:			
Equity holders of SGS SA		364	430
Non-controlling interests		37	37

1.3. Consolidated Statement of Financial Position

At 31 December

(CHF million)	Notes	**2023**	2022
Assets			
Non-current assets			
Property, plant and equipment	12	823	907
Right-of-use assets	13	506	577
Goodwill	14	1 636	1 755
Other intangible assets	15	275	350
Investments in joint ventures, associates and other companies		16	20
Deferred tax assets	10	185	153
Other non-current assets	16	191	125
Total non-current assets		**3 632**	**3 887**
Current assets			
Inventories		57	59
Unbilled sales and work in progress	5	223	210
Trade receivables	17	940	988
Other receivables and prepayments	18	213	223
Current tax assets		127	132
Cash and cash equivalents	19	1 569	1 623
Total current assets		**3 129**	**3 235**
Total assets		**6 761**	**7 122**
Equity and liabilities			
Capital and reserves			
Share capital	23	7	7
Reserves		723	954
Treasury shares		–271	–279
Equity attributable to equity holders of SGS SA		**459**	**682**
Non-controlling interests		69	81
Total equity		**528**	**763**
Non-current liabilities			
Loans and other financial liabilities	24	3 040	2 833
Lease liabilities	13	384	442
Deferred tax liabilities	10	73	79
Defined benefit obligations	25	66	47
Provisions	26	91	96
Total non-current liabilities		**3 654**	**3 497**
Current liabilities			
Trade and other payables	27	634	671
Contract liabilities	5	221	228
Current tax liabilities		176	165
Loans and other financial liabilities	24	841	1 009
Lease liabilities	13	143	162
Provisions	26	41	58
Other creditors and accruals		523	569
Total current liabilities		**2 579**	**2 862**
Total liabilities		**6 233**	**6 359**
Total equity and liabilities		**6 761**	**7 122**

1.4. Consolidated Statement of Cash Flows

For the years ended 31 December

(CHF million)	Notes	2023	2022
Profit for the period		597	630
Non-cash and non-operating items	20.1	824	812
(Increase) in working capital	20.2	–55	–162
Taxes paid		–243	–250
Cash flow from operating activities		**1 123**	**1 030**
Purchase of property, plant and equipment and other intangible assets		–298	–329
Disposal of property, plant and equipment and other intangible assets		15	8
Acquisition of businesses	21	–12	–67
Proceeds from disposal of businesses		22	2
Cash paid on other non-current assets		–1	–3
Proceeds received from investments in joint ventures, associates and other companies		8	1
Interest received		24	19
Cash flow used by investing activities		**–242**	**–369**
Dividends paid to equity holders of SGS SA		–590	–599
Dividends paid to non-controlling interests		–44	–43
Transaction with non-controlling interests	20.3	–34	–9
Cash paid on treasury shares		–10	–268
Proceeds from corporate bonds	20.3	500	500
Payment of corporate bonds	20.3	–501	–251
Interest paid		–82	–64
Payment of lease liabilities	20.3	–178	–183
Proceeds from borrowings	20.3	105	469
Payment of borrowings	20.3	–5	–
Cash flow used by financing activities		**–839**	**–448**
Currency translation		–96	–70
(Decrease)/increase in cash and cash equivalents		**–54**	**143**
Cash and cash equivalents at beginning of year		**1 623**	**1 480**
(Decrease)/increase in cash and cash equivalents		–54	143
Cash and cash equivalents at end of year	19	**1 569**	**1 623**

1.5. Consolidated Statement of Changes in Equity

For the years ended 31 December

(CHF million)	Share capital	Treasury shares	Capital reserve	Cumulative translation adjustments	Cumulative (losses)/gains on defined benefit plans net of tax	Retained earnings and group reserves	Attributable to: Equity holders of SGS SA	Attributable to: Non-controlling interests	Total equity
Balance at 1 January 2022	**7**	**–8**	**130**	**–1 342**	**–190**	**2 520**	**1 117**	**85**	**1 202**
Profit for the period	–	–	–	–	–	588	588	42	630
Other comprehensive income for the period	–	–	–	–143	–15	–	–158	–5	–163
Total comprehensive income for the period	**–**	**–**	**–**	**–143**	**–15**	**588**	**430**	**37**	**467**
Dividends paid	–	–	–	–	–	–599	–599	–43	–642
Share-based payments	–	–	18	–	–	–	18	–	18
Movement in non-controlling interests	–	–	–	–	–	–8	–8	2	–6
Movement on treasury shares	–	–271	–4	–	–	–1	–276	–	–276
Balance at 31 December 2022	**7**	**–279**	**144**	**–1 485**	**–205**	**2 500**	**682**	**81**	**763**
Balance at 1 January 2023	**7**	**–279**	**144**	**–1 485**	**–205**	**2 500**	**682**	**81**	**763**
Profit for the period	–	–	–	–	–	553	553	44	597
Other comprehensive income for the period	–	–	–	–231	42	–	–189	–7	–196
Total comprehensive income for the period	**–**	**–**	**–**	**–231**	**42**	**553**	**364**	**37**	**401**
Dividends paid	–	–	–	–	–	–590	–590	–44	–634
Share-based payments	–	–	24	–	–	–	24	–	24
Movement in non-controlling interests	–	–	–	–	–	–25	–25	–5	–30
Movement on treasury shares	–	8	–4	–	–	–	4	–	4
Balance at 31 December 2023	**7**	**–271**	**164**	**–1 716**	**–163**	**2 438**	**459**	**69**	**528**

1.6. Notes to Consolidated Financial Statements

1. Activities of the Group

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 inspection, verification, testing 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.

2. Significant accounting policies and exchange rates

Basis of preparation of the financial statements

The consolidated financial statements of the Group are stated in millions of Swiss Francs (CHF million). They are prepared from the financial statements of the individual companies within the Group with all significant companies having a year end of 31 December 2023.

The consolidated financial statements comply with the accounting and reporting requirements of the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and Swiss law.

The accounting conventions and accounting policies are the same as those applied in the 2022 consolidated financial statements, except for the Group's adoption of new IFRSs effective 1 January 2023.

The financial statements are prepared on an accruals basis and under the historical cost convention, modified as required for the revaluation of certain financial instruments.

Geopolitical instability

Recent geopolitical events have impacted the economy and financial markets. Many industries are facing challenges, including supply-chain disruption, inflation, deteriorating credit and liquidity concerns.

Consequently, these 2023 consolidated financial statements were prepared with particular attention to the below specific areas:

- Impairment of non-current assets: the Group has recognized a CHF 40 million impairment loss on tangible and intangible assets (2022: 18 million)
- Impairment of Goodwill: CHF 18 million impairment was recognized (2022: nil)
- Appropriateness of expected credit loss allowance for trade receivables, unbilled sales and work in progress: applying the simplified approach for IFRS 9 expected credit loss model, the Group reviewed its impairment matrix to ensure it continues to reflect current and future credit risks and assessed it as adequate
- Accounting for government grants: at 31 December 2023, the Group recognized CHF 9 million as deduction of salaries and wage expenses (2022: CHF 12 million)

Developments in international taxation

The Group is subject to income taxes in numerous jurisdictions and monitors developments which could affect the Group's tax liability. In particular, the Organisation for Economic Co-operation and Development (OECD) published the Global Anti-Base Erosion Model Rules (Pillar Two). The Pillar Two model framework introduced a global minimum tax rate concept of 15%, which is achieved through a system of top-up taxes in jurisdictions where tax rate would be lower.

As at 31 December 2023, Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions where the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024.

The Group has performed an assessment of its potential exposure to Pillar Two income taxes, based on the most recent tax filings, country-by-country reporting and financial statements of its constituent entities. Based on this assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. There are a limited number of jurisdictions where the transitional safe harbor relief does not apply. In those jurisdictions, the Pillar Two effective tax rate is close to 15% and the Group does not expect a material impact.

In addition, in accordance with IAS 12 amendments published on 23 May 2023 and 27 June 2023, the Group applied the mandatory exception from accounting for deferred tax arising from Pillar Two as at 31 December 2023.

Stock-split

On 28 March 2023, the Annual General Assembly approved a 25-1 stock split that went into effect on 12 April 2023. This split increased the number of shares issued, from 7 495 032 to 187 375 800, and reduced the nominal value per share, from CHF 1 to CHF 0.04. As a result, for comparability purposes, the Group recalculated the basic and diluted earnings per share (EPS) as of December 2022 and discloses it in note 11.

Adoption of new and revised International Financial Reporting Standards and Interpretations

Several new amendments and interpretations were adopted effective 1 January 2023 but have no material impact on the Group's consolidated financial statements. There are no IFRS standards or interpretations which are not yet effective and which would be expected to have a material impact on the Group.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Group. Control is achieved when the Group:

- Has power over the investee
- Is exposed, or has the right, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its return

The Company reassesses whether or not the Group controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The principal operating companies of the Group are listed on pages 155 to 157.

Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Initially they are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequently to the acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Associates

Associates are entities over which the Group has significant influence but no control or joint control over the financial and operating policies. The consolidated financial statements include the Group's share of the earnings of associates on an equity accounting basis from the date that significant influence commences until the date that significant influence ceases.

Joint ventures

A joint venture is a contractual arrangement over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement. The consolidated financial statements include the Group's share of the earnings and net assets on an equity accounting basis of joint ventures that it does not control, effective from the date that joint control commences until the date that joint control ceases.

Joint operations

A joint operation is an arrangement whereby the parties that have joint control have separable specific rights to the assets and the liabilities within the arrangement. When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly

Investments in companies not accounted for as subsidiaries, associates or jointly controlled entities

Investments in companies not accounted for as subsidiaries, associates or jointly controlled entities (normally below 20% shareholding levels) are stated at fair value through profit and loss. Dividends received from these investments are included in financial income.

Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the income statement.

Consolidation of foreign companies

All assets and liabilities of foreign companies that are consolidated are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the exchange rate at the average exchange rate for the year, or at the rate on the date of the transaction for significant items. Translation differences resulting from the application of this method are recognized in other comprehensive income and reclassified to profit or loss on disposal. Average exchange rates are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

Sales recognition

IFRS 15 Revenue from Contracts with Customers establishes a five-step model to account for sales arising from contracts with customers. Under IFRS 15, sales are recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes sales based on two main models: services transferred at a point in time and services transferred over time.

- The majority of SGS' sales are transferred at a point in time and recognized upon completion of performance obligations and measured according to the transaction price agreed in the contract. Once services are rendered, e.g. a report issued, the customer is invoiced and payment is due
- Services transferred over time mainly concern long-term contracts, where sales are recognized based on the measure of progress. When the Group has a right to consideration from a customer at the amount corresponding directly to the customer's value of the performance completed to date, the Group recognizes sales in the amount to which it has a right to invoice. In all other situations, the measure of progress is either based on observable output methods (usually the number of tests or inspection performed) or based on input methods such as the time incurred to date relative to the total expected hours to the satisfaction of the performance obligation. These invoices are usually issued per contractually agreed installments and prices. Payments are due upon invoicing

Segment information

The Group reports its operations by business segment, according to the nature of the services provided.

The Group operates in five business segments:

- Connectivity & Products (C&P): end-markets covered include Electrical and Electronic goods, Softlines, Hardlines and Trade Facilitation
- Health & Nutrition (H&N): end-markets covered include Food, Crop Science, Health Science and Cosmetics & Hygiene
- Industries & Environment (I&E): end-markets covered include Field Services and Inspection, Technical Assessment and Advisory, Industrial and Public Health & Safety, Environmental Testing and Public Mandates
- Natural Resources (NR): end-markets covered include Trade and Inspection of minerals, oil and gas and agricultural commodities, Laboratory Testing, Metallurgy and Consulting and Market Intelligence
- Business Assurance (prev. Knowledge): end-markets covered include Management System Certification, Customized Audits, Consulting and Academy

The chief operating decision maker evaluates segment performance and allocates resources based on several factors, of which sales, adjusted operating income and capital expenditures are the main criteria.

For the Group, the chief operating decision maker is the senior management, which is composed of the Chief Executive Officer, the Chief Financial Officer and the General Counsel.

All segment sales reported are from external customers. Segment sales and operating income are attributed to countries based on the location in which the services are rendered.

Capital additions represent the total cost incurred to acquire land, buildings and equipment as well as other intangible assets.

Property, plant and equipment

Land is stated at historical cost and is not depreciated. Buildings and equipment are stated at historical cost less accumulated depreciation. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property and equipment. All other expenditures are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Buildings 12–40 years
- Machinery and equipment 5–10 years
- Other tangible assets 5–10 years

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. They are adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The Group elected to use the practical expedient to account for each lease component and any non-lease components as a single lease component. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In the case that the implicit rate cannot be readily determined, the Group uses an incremental borrowing rate considering the country and the lease duration. The rate is estimated by the combination of the reference rate, the financing spread and any asset-specific adjustment when required.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interests and reduced for the lease payments made. Subsequently, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group applies the short-term lease and low-value recognition exemptions. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

Goodwill

In the case of acquisitions of businesses, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value. The difference between the purchase price and the fair value is classified as goodwill and recorded in the statement of financial position as an intangible asset.

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected amounts recognized at that date.

Goodwill arising on the acquisition of a foreign entity is recorded in the relevant foreign currency and is translated using the end of period exchange rate.

On disposal of part or all of a business that was previously acquired and which gave rise to the recording of acquisition goodwill, the relevant amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill acquired as part of business combinations is tested for possible impairment annually and whenever events or changes in circumstances indicate their value may not be fully recoverable.

For the purpose of impairment testing, the Group has adopted a uniform method for assessing goodwill recognized under the acquisition method of accounting. These assets are allocated to a cash generating unit or a group of cash generating units (CGU) which are expected to benefit from the business combination. The recoverable amount of a CGU or the group of CGUs is determined through a value-in-use calculation.

If the value-in-use of the CGU or the group of CGUs is less than the carrying amount of its net operating assets, then a fair value less costs to sell valuation is also performed with the recoverable amount of the CGU or the group of CGUs being the higher of its value-in-use and the fair value less costs to sell.

The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates, operating margins and expected changes to selling prices or direct costs during the period. Pre-tax discount rates used are based on the Group's weighted average cost of capital, adjusted for specific risks associated with the CGUs or the group of CGUs' cash flow projections. The growth rates are based on industry growth forecasts.

Expected changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For all CGUs or groups of CGUs, a value-in-use calculation is performed using cash flow projections covering the next five years and including a terminal growth assumption. These cash flow projections take into account the most recent financial results and outlook approved by management.

If the recoverable amount of the CGU or of the group of CGUs is less than the carrying amount of the unit's net operating assets, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Even if the initial accounting for an intangible asset acquired in the reporting period is only provisional, this asset is tested for impairment in the year of acquisition.

Other intangible assets

Intangible assets, including software, licenses, trademarks and customer relationships are capitalized and amortized on a straight-line basis over their estimated useful lives, normally not exceeding 20 years. The following useful lives are used in the calculation of amortization:

- Trademarks 5–20 years
- Customer relationships 2–20 years
- Computer software 3–5 years

Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if their fair value can be measured reliably. Internally generated intangible assets are recognized if the asset created can be identified, it is probable that future economic benefits will be generated from it, the related development costs can be measured reliably and sufficient financial resources are available to complete the development. These assets are amortized on a straight-line basis over their useful lives, which usually do not exceed five years. All other development costs are expensed as incurred.

Impairment of assets excluding goodwill

At each balance sheet date, or whenever there is an indication that an asset may be impaired, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether they have suffered an impairment loss. If indications of impairment are present, the assets are tested for impairment. If impaired, the carrying value of the asset is reduced to its recoverable value. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount of an asset is the greater of the fair value less cost of sale and its value-in-use. In assessing its value-in-use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset.

Reversal of impairment losses

Where an impairment loss on assets other than goodwill subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognized. A reversal of an impairment loss is recognized as income immediately.

Government grants

IAS 20 sets out the principle for the recognition, measurement, presentation and disclosure of government grants. Government grants that are not related to assets are credited to the income statement as a deduction of the related expenses. Government grants are recognized when there is a reasonable assurance that the grant will be received and all attached conditions will be met.

Trade receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any non-collectible amounts. An expected credit loss allowance is made in compliance with the simplified approach using a provision matrix (expected credit loss model). This provision matrix has been developed to reflect the country risk, the credit risk profile, as well as available forward looking and historical data. The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:

- Significant financial difficulty of the customer; or
- It is becoming probable that the customer will enter bankruptcy or other financial reorganization

Unbilled sales and work in progress

Unbilled sales are recognized for services completed but not yet invoiced and are valued at net selling price.

Work in progress is recognized for the partially finished performance obligations under a contract. The measure of progress is either based on observable output methods or based on input methods. A margin is recognized based on actual costs incurred, provided that the project is expected to be profitable once completed. Similarly to receivables, an allowance for unbilled sales and work in progress is made in compliance with the simplified approach using a provision matrix (expected credit loss model).

Cash and cash equivalents

Cash and cash equivalents include cash and deposits held with banks with an original maturity of three months or less and are subject to an insignificant risk of changes in value. Bank overdrafts are included within current loans.

Derivative financial instruments and hedging
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for on a mark-to-market basis.

Derivative financial instruments are initially recognized at fair value and subsequently remeasured at fair value at each balance sheet date. The gains and losses resulting from the fair value remeasurement are recognized in the income statement. The fair value of forward exchange contracts is determined with reference to market prices at the balance sheet date.

Corporate bonds
The corporate bonds issued by the Group are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Group uses financial instruments to economically hedge interest rate risks relating to its corporate bonds. The changes in fair value of finance instruments are recognized in the income statement.

Liabilities related to put options granted to holders of non-controlling interests
Written put options in favor of holders of non-controlling interests give rise to the recognition of a financial liability at the present value of the expected cash outflow. The present value is determined by management's best estimate of the cash outflow required to settle the obligation on exercise of the option, discounted by the Group's cost of debt. The financial liability is initially recorded with the corresponding entry within equity and in the absence of specific guidance in IFRS, subsequent changes in the valuation of the liability shall be recognized directly in equity attributable to owners, including the unwinding of the discount.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

- Level 1 fair value measurements are those derived from the quoted price in active markets
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques as it cannot be derived from publicly available information. The assumptions and inputs used in the model take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions often do not exist. External valuers are involved for valuation for significant assets and liabilities

Employee benefits
Pension plans
The Group maintains several defined benefit and defined contribution pension plans in accordance with local conditions and practices in the countries in which it operates. Defined benefit pension plans are based on an employee's years of service and remuneration earned during a predetermined period. Contributions to these plans are normally paid into funds, which are managed independently of the Group, except in rare cases where there is no legal obligation to fund.

In such cases, the liability is recorded in the Group's consolidated statement of financial position.

The Group's obligations towards defined benefit pension plans and the annual cost recognized in the income statement are determined by independent actuaries using the projected unit credit method. Remeasurement gains and losses are immediately recognized in the consolidated statement of financial position with the corresponding movement being recorded in the consolidated statement of comprehensive income.

Past service costs are immediately recognized as an expense. Net interest expense is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan. Payments to defined contribution plans are recognized as an expense in the income statement as incurred.

Post-employment plans other than pensions
The Group operates some non-pension post-employment defined benefit schemes, mainly healthcare plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

Equity compensation plans
The Group provides additional benefits to certain senior executives and employees through equity compensation plans. An expense is recognized in the income statement for shares and equity-linked instruments granted to senior executives and employees under these plans.

Trade payables
Trade payables are recognized at amortized cost that approximates the fair value.

Provisions
The Group records provisions when: it has an obligation, legal or constructive, to satisfy a claim; it is probable that an outflow of group resources will be required to satisfy the obligation; and a reliable estimate of the amount can be made.

In the case of litigation and claims relating to services rendered, the amount that is ultimately recorded is the result of a complex process of assessment of a number of variables, and relies on management's informed judgment about the circumstances surrounding the past provision of services. It also relies on expert legal advice and actuarial assessments.

Changes in provisions are reflected in the income statement in the period in which the change occurs.

Contract liabilities
Contract liabilities arise upon advance payments from clients and issuance of upfront invoices.

Restructuring costs
The Group recognizes costs of restructuring against operating income in the period in which management has committed to a formal plan, the costs of which can be reliably estimated, and has raised a valid expectation in those affected that the plan will be implemented and the related costs incurred. Where appropriate, restructuring costs include impairment charges arising from the implementation of the formal plan.

Capital management
Capital comprises equity attributable to equity holders, loans and other financial liabilities, lease liabilities and cash and cash equivalents.

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence, and to sustain the future development of the business. The Board also recommends the level of dividends to be distributed to ordinary shareholders on an annual basis. The Group maintains sufficient liquidity at the Group and subsidiary level to meet its working capital requirements, fund capital purchases and small and medium-sized acquisitions.

Treasury shares are intended to be used to cover the Group's employee equity participation plan, convertible bonds and/or cancellation of shares. Decisions to buy or sell are made on an individual transaction basis by management.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements.

Taxes
Income taxes include all taxes based upon the taxable profits of the Group, including withholding taxes payable on the transfer of income from group companies and tax adjustments from prior years. Taxes on income are recognized in the income statement except to the extent that they relate to items directly charged or credited to equity or other comprehensive income, in which case the related income tax effect is recognized in equity or other comprehensive income. Provisions of income and withholding taxes that could arise on the remittance of subsidiary retained earnings are only made where there is a current intention to remit such earnings. Other taxes not based on income, such as property taxes and capital taxes, are included within operating expenses.

Deferred taxes are provided using the full liability method. They are calculated on all temporary differences that arise between the tax base of an asset or liability and the carrying values in the consolidated financial statements except for non-tax-deductible goodwill and for those differences related to investments in subsidiaries where their reversal will not take place in the foreseeable future. Deferred income tax assets relating to the carry-forward of unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profits will be available against which they can be used.

Current income tax assets and liabilities are off-set where there is a legally enforceable right to off-set. Deferred tax assets and liabilities are determined based on enacted or substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Earnings per share
Basic earnings per share are calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, excluding treasury shares. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all potential dilutive shares. Group profit is also adjusted to reflect the after-tax impact of conversion.

Dividends
Dividends are reported as a movement in equity in the period in which they are approved by the shareholders.

Treasury shares
Treasury shares are reported as a deduction to equity. The original cost of treasury shares and the proceeds of any subsequent sale are recorded as movements in equity.

Significant accounting estimates and judgments

Use of estimates
The key assumptions concerning the future, and other key sources of estimation at the balance sheet date that may have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Business combinations
In a business combination, the determination of the fair value of the identifiable assets acquired, particularly intangibles, requires estimations which are based on all available information and in some cases on assumptions with respect to the timing and amount of future sales and expenses associated with an asset. The purchase price is allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The excess is reported as goodwill. As a result, the purchase price allocation impacts reported assets and liabilities, future net earnings due to the impact on future depreciation and amortization expense and impairment charges. The purchase price allocation is subject to a maximum period of 12 months adjustment.

Valuation of trade receivables, unbilled sales and work in progress
The balances are presented net of expected credit loss allowance. These allowances for potential uncollected amounts are estimated in compliance with the simplified approach using a provision matrix (expected credit loss model), which has been developed to reflect the country risk, the credit risk profile, as well as available historical data. In addition, an allowance is estimated based on individual client analysis when the collection is no longer probable.

Impairment of goodwill
The Group determines whether goodwill is impaired at a minimum on an annual basis. This requires identification of CGUs and an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of expected future cash flows from the CGU or group of CGUs that holds the goodwill at a determined discount rate in order to calculate the present value of those cash flows.

Estimations of employee post-employment benefits obligations

The Group maintains several defined benefit pension plans in accordance with local conditions and practices in the countries in which it operates. The related obligations recognized in the statement of financial position represent the present value of the defined benefit obligations calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates, salary progression rates and mortality rates. These actuarial assumptions vary according to the local prevailing economic and social conditions.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

In assessing how an uncertain tax treatment may affect the determination of the taxable profit (tax loss), the Group assumes that a taxation authority will examine amounts and have full knowledge of all related information.

If the Group concludes it is not probable that a taxation authority will accept a particular tax treatment, the Group reflects the effect of each uncertainty in determining the taxable profit (tax loss) by using one of the following methods:

- The single most likely amount
- The sum of probability-weighted amount in a range of possible outcomes

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due, including estimated interest and penalties where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Legal and warranty claims on services rendered

The Group is subject to litigation and other claims. Management bases its judgment on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedent, and evaluation of applicable insurance cover where appropriate. The process of estimation is complex, dealing with uncertainty, requiring the use of informed estimates, actuarial assessment, evaluation of the insurance cover where appropriate and the judgment of management. The timing of cash outflows from pending litigation and claims is uncertain since it depends, in the majority of cases, on the outcome of administrative and legal proceedings. The Group's legal and warranty claims are reviewed, at a minimum, on a quarterly basis by a cross-functional representation of management. Any changes in these estimates are reflected in the income statement in the period in which the estimates change.

Judgments

In the process of applying the entity's accounting policies described above, management has made the following judgment that has a significant effect on the amounts recognized in the financial statements.

Lease termination of contracts with renewal and exit options

The Group determines the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, for some of its leases to lease the assets for additional terms. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Exchange rates

The most significant currencies for the Group were translated at the following exchange rates into Swiss Francs:

			Statement of financial position period-end rates		Income statement period average rates	
			2023	2022	**2023**	2022
Australia	AUD	100	57.38	62.70	59.73	66.33
Canada	CAD	100	63.53	68.20	66.59	73.40
Chile	CLP	100	0.10	0.11	0.11	0.11
China	CNY	100	11.83	13.29	12.70	14.20
Eurozone	EUR	100	93.02	98.47	97.17	100.52
Korea	KRW	100	0.06	0.07	0.07	0.07
United Kingdom	GBP	100	107.16	111.47	111.69	118.01
Russia	RUB	100	0.94	1.31	1.07	1.43
Taiwan	TWD	100	2.74	3.01	2.89	3.21
USA	USD	100	84.11	92.43	89.87	95.44

3. Business combinations

The following business combinations occurred during 2023 and 2022:

Business combinations 2023

In 2023, the Group completed two business combinations for a total purchase price of CHF 9 million (note 21).

- 100% of Seafood Testing Business, from Asmecruz, a cooperative of mussels producers in Spain (effective 17 March 2023)
- 60% of Nutrasource, a company providing clinical trial management, full regulatory support, testing services as well as product development R&D in Canada and USA (effective 1 May 2023)

These companies were acquired for an amount of CHF 9 million and the total goodwill generated on these transactions amounted to CHF 9 million.

All the above transactions contributed a total of CHF 7 million in sales and CHF nil million in operating income in 2023. Had all acquisitions been effective 1 January 2023, the sales for the period from these acquisitions would have been CHF 11 million and the operating income would have been CHF 1 million.

None of the goodwill arising on these acquisitions is expected to be tax deductible.

Divestments 2023

In 2023, the Group completed three divestments, for a total consideration of CHF 22 million, resulting in a gain on disposal of CHF 7 million:

- Subsurface Consultancy business, in the Netherlands (effective 1 March 2023)
- Automotive Asset Assessment and Retail Network Services operations, in multiple countries (effective 1 July 2023)
- Powertrain Testing Operations, in North America (effective 1 October 2023)

On 18 December 2023, the Group announced the signing of an agreement to divest its crop science operations in several countries. The transaction will be effective in the course of 2024 upon realization of completion conditions and does not impact the 2023 consolidated financial results. Assets held for disposal are deemed immaterial.

Business combinations 2022

In 2022, the Group completed seven business combinations for a total purchase price of CHF 75 million (note 21).

- 100% of Gas Analysis Services (GAS), a company specialized in instrumentation and gas analysis testing in Ireland (effective 28 February 2022)
- 100% of Ecotecnos, a company providing sea monitoring and oceanography services in Chile (effective 6 May 2022)
- 100% of AIEX, a company providing technical and welding inspection services in the nuclear and marine industries in France (effective 9 May 2022)
- 100% of Silver State Analytical Laboratories and Excelchem Laboratories, companies providing quality analytical and microbiological testing and support services for clients in the environmental, water, utility, engineering, construction, food processing, chemical, mining, healthcare, resort and hospitality industries (effective 1 July 2022)
- 100% of proderm GmbH, a company conducting clinical studies from initial consultation to final reports in Germany (effective 7 July 2022)
- 100% of Penumbra Security, a recognized leader providing various types of information security conformance testing to government standards and regulatory compliance for multinational companies in the USA (effective 31 August 2022)
- 100% of Industry Lab, a company offering a comprehensive range of microbiological analysis services, from enumeration of indicator organisms to detection of foodborne pathogens, located in Romania (effective 3 November 2022)

These companies were acquired for an amount of CHF 75 million and the total goodwill generated on these transactions amounted to CHF 52 million.

All the above transactions contributed a total of CHF 20 million in sales and CHF 3 million in operating income in 2022. Had all acquisitions been effective 1 January 2022, the sales for the period from these acquisitions would have been CHF 32 million and the operating income would have been CHF 5 million.

On 7 July 2022, the Group has acquired proderm GmbH, a clinical research organization, specialized in advanced solutions for cosmetics and personal care as well as medical clinical studies. This acquisition further supports the group strategic expansion in cosmetics and hygiene. proderm GmbH has contributed CHF 6 million to the Group's sales and CHF 1 million to operating income in 2022. Had the company been acquired on 1 January 2022 the sales for the year would have been CHF 12 million and the operating income would have been CHF 2 million.

None of the goodwill arising on these acquisitions is expected to be tax deductible.

Divestment 2022

In 2022, the Group disposed of its US Drilling operations in the USA for a total consideration of CHF 2 million.

4. Information by business and geographical segment

The information presented is disclosed by business line and focuses on sales, operating income, capital expenditures and employee numbers because these are the performance measures used by the Chief Operating Decision Maker to assess segment performance.

Analysis of operating income

(CHF million)	2023	2022
Adjusted operating income[1]	**971**	**1 023**
Amortization and impairment of acquired intangibles	–55	–37
Restructuring costs	–21	–46
Goodwill impairment	–18	–
Gain on business disposals	7	–
Transaction and integration costs	–5	–13
Other non-recurring items	–22	–29
Operating income	**857**	**898**

1. Alternative Performance Measures – Appendix to the 2023 full year results.

Analysis of sales and operating income

2023

(CHF million)	Sales	Adjusted operating income[1]	Amortization and impairment of acquired intangibles	Restructuring costs	Goodwill impairment	Gain on business disposals	Transaction and integration costs	Other non-recurring items	Operating income by business
Industries & Environment	2 190	248	–15	–11	–18	3	–2	–16	189
Natural Resources	1 583	228	–1	–6	–	–	–	–2	219
Connectivity & Products	1 246	262	–5	–1	–	4	–1	–2	257
Health & Nutrition	857	80	–31	–2	–	–	–2	–	45
Business Assurance (prev. Knowledge)	746	153	–3	–1	–	–	–	–2	147
Total	**6 622**	**971**	**–55**	**–21**	**–18**	**7**	**–5**	**–22**	**857**

1. Alternative Performance Measures – Appendix to the 2023 full year results.

2022

(CHF million)	Sales	Adjusted operating income[1]	Amortization and impairment of acquired intangibles	Restructuring costs	Transaction and integration costs	Other non-recurring items	Operating income by business
Industries & Environment	2 157	224	–19	–15	–6	–29	155
Natural Resources	1 583	225	–1	–10	–1	–	213
Connectivity & Products	1 311	313	–5	–12	–1	–	295
Health & Nutrition	892	119	–9	–6	–4	–	100
Business Assurance (prev. Knowledge)	699	142	–3	–3	–1	–	135
Total	**6 642**	**1 023**	**–37**	**–46**	**–13**	**–29**	**898**

1. Alternative Performance Measures – Appendix to the 2023 full year results.

Restructuring costs

The Group incurred a pre-tax restructuring charge of CHF 21 million (2022: CHF 46 million). Total restructuring costs comprised personnel reorganization of CHF 15 million (2022: CHF 26 million) as well as fixed asset impairment of CHF 2 million (2022: CHF 2 million) and other charges of CHF 4 million (2022: CHF 18 million).

Other non-recurring items

The Group reported as non-recurring items a charge of CHF 22 million in 2023 (2022: CHF 29 million), including intangible impairment of CHF 16 million and other charges of CHF 6 million (2022: CHF 16 million of fixed assets impairment in addition to incurred personnel costs for CHF 3 million and other charges for CHF 10 million).

Sales from external customers by geographical area

(CHF million)	2023	%	2022	%
Europe/Africa/Middle East	2 937	44.4	2 944	44.3
Americas	1 406	21.2	1 364	20.5
Asia Pacific	2 279	34.4	2 334	35.2
Total	**6 622**	**100.0**	**6 642**	**100.0**

Sales in Switzerland from external customers for 2023 amounted to CHF 155 million (2022: CHF 164 million). No country represented more than 20% of sales from external customers in 2023 nor 2022.

Major customer information

In 2023 and 2022, no external customer represented 5% or more of the Group's total sales.

Specific non-current assets by geographical area

Specific non-current assets directly attributable to geographical segment mainly include property, land and equipment, right-of-use assets, goodwill and other intangible assets:

(CHF million)	2023	%	2022	%
Europe/Africa/Middle East	1 973	59.6	2 224	60.6
Americas	744	22.5	824	22.4
Asia Pacific	593	17.9	623	17.0
Total specific non-current assets	**3 310**	**100.0**	**3 671**	**100.0**

Specific non-current assets in Switzerland for 2023 amounted to CHF 155 million (2022: CHF 169 million). No country represented more than 20% of non-current assets in 2023 nor 2022.

Reconciliation with total non-current assets

(CHF million)	2023	2022
Specific non-current assets as above	3 310	3 671
Deferred tax assets	185	153
Retirement benefit assets	133	59
Non-current loans to third parties	4	4
Total	**3 632**	**3 887**

Capital additions[1] by business segment

(CHF million)	2023	%	2022	%
Industries & Environment	96	32.2	88	26.8
Natural Resources	70	23.5	75	22.8
Connectivity & Products	81	27.2	107	32.5
Health & Nutrition	44	14.8	52	15.8
Business Assurance (prev. Knowledge)	7	2.3	7	2.1
Total	**298**	**100.0**	**329**	**100.0**

1. Capital additions represent the total cost incurred to acquire land, buildings and equipment as well as other intangible assets.

Average number of employees by geographical area

(Average number of employees)	2023	2022
Europe/Africa/Middle East	39 986	39 906
Americas	20 702	19 370
Asia Pacific	37 857	37 483
Total	**98 545**	**96 759**
Number of employees at year end	99 589	98 152

5. Sales from contracts with customers

Group's sales from contracts with customers by timing of recognition

(CHF million)	2023 Services transferred at a point in time	2023 Services transferred over time	2022 Services transferred at a point in time	2022 Services transferred over time
Industries & Environment	71%	29%	71%	29%
Natural Resources	84%	16%	84%	16%
Connectivity & Products	86%	14%	86%	14%
Health & Nutrition	84%	16%	84%	16%
Business Assurance (prev. Knowledge)	89%	11%	90%	10%
Total	**81%**	**19%**	**81%**	**19%**

Assets and liabilities related to contracts with customers

(CHF million)	2023	2022
Unbilled sales and work in progress	223	210
Trade receivables	940	988
Contract liabilities	221	228

Sales evolution, timing and project maturity are the main factors impacting assets and liabilities related to contracts with customers. In 2023, SGS has recognized sales of CHF 170 million related to contract liabilities at 31 December 2022. In 2022, the sales recognized from contract liabilities at 31 December 2021 amounted to CHF 159 million. Sales recognized from performance obligations satisfied in previous periods were immaterial in 2023 and 2022.

The remaining performance obligations (unsatisfied or partially satisfied) expected to be recognized for long-term contracts amount to CHF 978 million at 31 December 2023, out of which CHF 518 million are expected to be recognized in sales within one year, CHF 258 million between one year and two years and CHF 202 million after the next two years.

SGS is applying the practical expedient IFRS 15.121 and does not disclose unsatisfied or partially unsatisfied performance obligations from contracts with an original duration of one year or less or where SGS may recognize sales from the satisfaction of the performance obligation in accordance with IFRS 15.B16. This paragraph permits as a practical expedient to exclude contracts where SGS has a right to payment for performance completed to date.

Assets recognized from costs to fulfill a contract in 2023 and 2022 were not significant, while amortization and impairment losses were nil.

6. Government grants

Government grants for the period amount to CHF 9 million (2022: CHF 12 million), presented as a deduction of salaries and wages expenses. The outstanding balance recognized in the statement of financial position amounted to CHF 1 million (2022: CHF 5 million).

7. Other operating expenses

(CHF million)	2023	2022
Consumables, repairs and maintenance	546	546
Travel costs	333	314
Rental expense, insurance, utilities and sundry supplies	166	168
External consultancy fees	116	115
IT expenses	135	116
Communication costs	48	53
Allowance for expected credit losses	11	22
Gain on disposal of property, plant and equipment	–3	–4
Miscellaneous operating expenses	159	163
Total	**1 511**	**1 493**

8. Financial income

(CHF million)	2023	2022
Interest income	20	11
Foreign exchange gains/(losses)	2	5
Other financial income	6	3
Net financial income on defined benefit plans	1	1
Total	**29**	**20**

9. Financial expenses

(CHF million)	**2023**	2022
Interest expense	70	43
Loss on derivatives at fair value	13	19
Other financial expenses	3	9
Total	**86**	**71**

10. Taxes

Major components of tax expense

(CHF million)	**2023**	2022
Current taxes	262	227
Deferred tax (credit) relating to the origination and reversal of temporary differences	–57	–8
Total	**205**	**219**

The Group has operations in various countries that have different tax laws and rates. Consequently, the effective tax rate on consolidated income varies from year to year. A reconciliation between the reported income tax expense and the amount that would arise using the weighted average statutory tax rate of the Group is as follows:

Reconciliation of tax expense

(CHF million)	**2023**	2022
Profit before taxes	802	849
Tax at statutory rates applicable to the profits earned in the country concerned	**147**	**162**
Tax effect of non-deductible or non-taxable items	13	10
Tax effect on losses not currently treated as being recoverable in future years	18	17
Tax effect on losses previously considered irrecoverable, now expected to be recoverable	–	–3
Non-creditable foreign withholding taxes	41	37
Minimum taxes	5	5
Prior period adjustments	24	–10
Rate changes	1	–
Other[1]	–44	1
Tax charge	**205**	**219**

1. Other includes the tax impact of an internal legal reorganization and some write-offs.

Deferred tax after netting

(CHF million)	**2023**	2022
Deferred tax assets	185	153
Deferred tax liabilities	–73	–79
Total	**112**	**74**

Components of deferred income tax balances

	2023		2022	
(CHF million)	**Assets**	**Liabilities**	Assets	Liabilities
Right-of-use assets	–	109	–	122
Fixed assets	41	8	44	11
Trade receivable, unbilled sales and work in progress	21	8	25	8
Defined benefit obligation	6	22	7	14
Provisions and other[2]	105	16	56	11
Lease liabilities	111	–	126	–
Intangible assets	3	66	3	75
Tax losses carried forward	54	–	54	–
Deferred income taxes	**341**	**229**	**315**	**241**

2. Other includes the tax impact of an internal legal reorganization.

Net change in deferred tax assets/(liabilities)

(CHF million)	Total
Net deferred income tax asset (liability) at 1 January 2022	**72**
Acquisition of subsidiaries	–4
(Charged)/credited to the income statement	8
(Charged)/credited to other comprehensive income	5
Exchange differences and other	–7
Net deferred income tax asset (liability) at 31 December 2022	**74**
Acquisition of subsidiaries	–1
(Charged)/credited to the income statement	57
(Charged)/credited to other comprehensive income	–8
Exchange differences and other	–10
Net deferred income tax asset (liability) at 31 December 2023	**112**

The Group has unrecognized tax losses carried forward amounting to CHF 247 million (2022: CHF 194 million).

Unrecognized tax losses carryforwards at 31 December 2023

(CHF million)	
Expiring in the next 3 years	14
Expiring in 4-10 years	40
Available without limitation	193
Total unrecognized tax losses	**247**

At 31 December 2023, the unrecognized deferred tax assets amount to CHF 66 million (2022: CHF 57 million).

At 31 December 2023, the retained earnings of subsidiaries and foreign incorporated joint ventures consolidated by the Group include approximately CHF 2 212 million (2022: CHF 2 415 million) of undistributed earnings that may be subject to tax if remitted to the parent company. As set out in note 22, the nature of the Group's business requires keeping a significant part of the cash reserves in the operating units. The Group takes the view that a deferred tax liability is required when it is probable that unremitted earnings will be distributed in the foreseeable future.

11. Earnings per share and dividend per share

On 28 March 2023, the Annual General Assembly approved a 25-1 stock split that went into effect on 12 April 2023. This split increased the number of shares issued, from 7 495 032 to 187 375 800, and reduced the nominal value per share, from CHF 1 to CHF 0.04.

As a result, for comparability purposes, the Group recalculated the basic and diluted earnings per share (EPS) as of December 2022 as follows:

	2023	2022 Restated	2022 Published
Profit attributable to equity holders of SGS SA (CHF million)	553	588	588
Weighted average number of shares (million)	184	186	7
Basic earnings per share (CHF)	**3.00**	**3.15**	**78.86**

Diluted earnings per share are calculated as basic earnings per share except that the weighted average number of shares only includes the dilutive effect of the Group's equity compensation plans detailed in note 29. For the year ended 31 December 2023, the Group calculated 742 208 dilutive potential shares (2022 restated: 438 500 and 2022 published: 17 540):

	2023	2022 Restated	2022 Published
Profit attributable to equity holders of SGS SA (CHF million)	553	588	588
Diluted weighted average number of shares (million)	185	187	7
Diluted earnings per share (CHF)	**2.99**	**3.15**	**78.67**

The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 26 March 2024) the approval of an optional scrip dividend of CHF 3.20 per share, subject to the approval of a capital increase, where shareholders can elect to receive the dividend in the form of shares or in cash. Shares will be sourced from the issuance of new shares in the proposed capital increase. The shares will be delivered at a discount, and the share dividend will be a tax- and cost-effective option for shareholders.

In 2022, the Board of Directors recommended the approval of a dividend of CHF 80 per share, equivalent to CHF 3.20 per share after the stock-split.

12. Property, plant and equipment

(CHF million)	Land & buildings	Machinery & equipment	Other tangible assets	Total
2023				
Cost				
At 1 January	460	2 340	702	3 502
Additions	14	138	108	260
Disposals	–18	–79	–36	–133
Disposals from subsidiaries	–7	–31	–4	–42
Exchange differences and other	–22	–180	–111	–313
At 31 December	427	2 188	659	3 274
Accumulated depreciation and impairment				
At 1 January	269	1 837	489	2 595
Depreciation	16	173	50	239
Impairment	–	3	–	3
Disposals	–11	–78	–33	–122
Disposals from subsidiaries	–6	–25	–3	–34
Exchange differences and other	–17	–172	–41	–230
At 31 December	251	1 738	462	2 451
Net book value at 31 December 2023	**176**	**450**	**197**	**823**

(CHF million)	Land & buildings	Machinery & equipment	Other tangible assets	Total
2022				
Cost				
At 1 January	463	2 327	719	3 509
Additions	11	154	126	291
Acquisition of subsidiaries	4	2	4	10
Disposals	–4	–98	–35	–137
Exchange differences and other	–14	–45	–112	–171
At 31 December	460	2 340	702	3 502
Accumulated depreciation and impairment				
At 1 January	267	1 826	491	2 584
Depreciation	17	184	52	253
Impairment	–	17	1	18
Acquisition of subsidiaries	–	1	2	3
Disposals	–3	–97	–33	–133
Exchange differences and other	–12	–94	–24	–130
At 31 December	269	1 837	489	2 595
Net book value at 31 December 2022	**191**	**503**	**213**	**907**

Included in the other tangible assets are leasehold improvements, office furniture and IT hardware, as well as construction-in-progress assets amounting to CHF 47 million (2022: CHF 52 million).

At 31 December 2023, the Group had commitments of CHF 3 million (2022: CHF 6 million) for the acquisition of land, buildings and equipment.

13. Right-of-use assets and lease liabilities

(CHF million)	Right-of-use assets: Land & buildings	Right-of-use assets: Machinery & equipment	Right-of-use assets: Other tangible assets	Total	Lease liabilities
At 1 January	**502**	**69**	**6**	**577**	**604**
Additions	103	48	3	154	147
Acquisition	2	–	–	2	2
Depreciation expense	–135	–42	–3	–180	–
Interest expense	–	–	–	–	17
Payment of lease liabilities and interests	–	–	–	–	–193
Exchange difference and other	–41	–6	–	–47	–50
At 31 December 2023	**431**	**69**	**6**	**506**	**527**

Analyzed as:	**2023**
Current liabilities	143
Non-current liabilities	384
Total	**527**

(CHF million)	Right-of-use assets: Land & buildings	Right-of-use assets: Machinery & equipment	Right-of-use assets: Other tangible assets	Total	Lease liabilities
At 1 January	**528**	**71**	**6**	**605**	**636**
Additions	136	44	3	183	174
Acquisition	3	–	–	3	3
Depreciation expense	–139	–42	–3	–184	–
Interest expense	–	–	–	–	21
Payment of lease liabilities and interests	–	–	–	–	–199
Exchange difference and other	–26	–4	–	–30	–31
At 31 December 2022	**502**	**69**	**6**	**577**	**604**

Analyzed as:	2022
Current liabilities	162
Non-current liabilities	442
Total	**604**

Included in machinery & equipment are mainly vehicles for CHF 63 million (2022: CHF 68 million).

The following table summarizes the main foreign currencies of the lease liabilities.

(CHF million)	**2023**	2022
Euro (EUR)	219	241
US Dollar (USD)	71	93
Renminbi Yuan (CNY)	52	63
Taiwan Dollar (TWD)	21	24
Australian Dollar (AUD)	19	17
Canadian Dollar (CAD)	16	18
Indian Rupee (INR)	11	13
Korean Won (KRW)	9	12
British Pound Sterling (GBP)	7	8
Chilean Peso (CLP)	6	7
Swedish Krona (SEK)	6	4
Singapore Dollar (SGD)	5	6
New Zealand Dollar (NZD)	5	5
Mexican Peso (MXN)	4	5
Other	76	88
Total	**527**	**604**

(CHF million)	**2023**	2022
IFRS 16 Other quantitative information		
Expense relating to short-term leases	3	4
Expense relating to leases of low value assets	2	5
Total expense recognized in income statement	**5**	**9**

The Group leases mainly offices, laboratory spaces and vehicles. During the year ended 31 December 2023, an additional CHF 5 million (2022: CHF 9 million) was recognized as an expense in the income statement.

14. Goodwill

(CHF million)	**2023**	2022
Cost		
At 1 January	**1 755**	**1 778**
Additions	9	52
Consideration/fair value adjustments on prior years' acquisitions	–	1
Impairment	–18	–
Exchange differences	–110	–76
At end of the period	**1 636**	**1 755**

The cash generating units (CGU) and groups of CGUs allocation has been done in accordance with IAS 36, which defines a CGU as the lowest level of a group of assets generating cash inflows that are largely independent from other assets and groups of assets.

In the case of the following two business lines, the CGU covers the entire worldwide operations since customer activities executed by the local entities, the clients and customers that they serve and the drivers of cash inflows are largely interdependent on a worldwide basis across each business line:

- Connectivity & Products (C&P)
- Natural Resources (NR)

The Health & Nutrition (H&N) business line is split into two worldwide CGUs to reflect the global nature of customer activities and drivers of cash inflows in each sub-business unit: Nutrition, Health Science and Cosmetics & Hygiene.

The Industry & Environment (I&E) business line includes Vehicle Compliance and Upstream activities. To best reflect the interdependency of the cash inflows, Vehicle Compliance has been split into two distinct CGUs regrouping regulated services activities in Spain and in France since customers in this sector are country specific. Upstream services is assessed as one separate CGU regrouping the worldwide Upstream activities for which cash inflows are independent from the rest of the I&E activities.

For the remaining I&E activities (excluding Vehicle Compliance and Upstream services), business is driven primarily by regional or local customer activities, therefore cash inflows are largely independent from each other. Consequently, a CGU organization by region has been maintained, split regionally into four CGUs in line with the Group's regional reporting structure.

The Business Assurance (BA) (prev. Knowledge) business line is split into two CGUs, one regrouping the Technical Consultancy business in the USA for which cash inflows remain largely independent from the rest of the business line's activities and the other regrouping the remaining worldwide BA activities for which there are synergies across the Group's network, generating interdependent cash inflows.

Allocation of goodwill to CGUs or group of CGUs

Goodwill allocated to the main CGUs or groups of CGUs, as of 31 December is broken down as follows:

(CHF million)	**2023**	2022
Industries & Environment[1]	833	904
Natural Resources	105	115
Connectivity & Products	155	166
Health & Nutrition[2]	452	471
Business Assurance (prev. Knowledge)[3]	91	99
Total	**1 636**	**1 755**

1. Within I&E, goodwill allocated to I&E Europe/Africa/Middle East CGU was CHF 437 million (2022: CHF 462 million).
2. Within H&N, goodwill allocated to Nutrition CGU was CHF 182 million (2022: CHF 184 million) and goodwill allocated to Health Science and Cosmetics & Hygiene CGU was CHF 270 million (2022: CHF 287 million).
3. Within BA, goodwill allocated to Technical consultancy USA CGU was CHF 74 million (2022: CHF 82 million).

Goodwill impairment reviews have been conducted for all goodwill balances allocated to the CGUs as described above.

For Vehicle Compliance Spain CGU, the recoverable amount, determined based upon a value-in-use calculation, was CHF 122 million and fell below the carrying amount by CHF 18 million, resulting in a goodwill impairment in 2023 for the same amount. This was mainly driven by discount rate increase (+1.9 percentage points, to 10.9%) and unfavorable market conditions.

For each of the remaining CGUs, the recoverable amount, determined based upon a value-in-use calculation, is higher than its carrying amount thus resulting in no additional goodwill impairment in 2023. Cash flow projections were used in this calculation, discounted at a pre-tax rate depending on the business activities and geographic profile of each of the respective CGUs.

Pre-tax discount rate used in 2023 for the main CGUs or group of CGUs impairment testing

	2023	2022
Industries & Environment[1]	8.4%-10.9%	7.6%-9.9%
Natural Resources	8.6%	8.4%
Connectivity & Products	8.9%	8.4%
Health & Nutrition[2]	8.5%	7.9%-8.0%
Business Assurance (prev. Knowledge)[3]	7.4%-8.8%	6.7%-8.2%

1. Within I&E, I&E Europe/Africa/Middle East pre-tax discount rate was 8.5% (2022: 7.8%).
2. Nutrition pre-tax discount rate was 8.5% (2022: 8.0%), while Health Science and Cosmetics & Hygiene pre-tax discount rate was 8.5% (2022: 7.9%).
3. Within BA, Technical consultancy USA pre-tax discount rate was 7.4% (2022: 6.7%).

The cash flow projections for the first five years were based upon financial plans, approved by the Group, for each CGU or group of CGUs. The overall assumptions used in the cash flow projections are consistent with the expected average growth rates of the segments served by the Group. For the subsequent years, the Group assumes a long-term growth rate in the range of 1%-1.7% (1% for CGUs where goodwill allocated is significant), in line with market long-term inflation rates projections (2022: range of 1%-2%, 1% for CGUs where goodwill allocated is significant), and stable operating margins depending on each CGU or group of CGUs.

Sensitivity to changes in assumption

Sensitivity analyses were conducted using the following key assumptions:

- Reducing the expected annual sales growth rates for the first five years by 2 percentage points
- Reducing the operating margin by 0.25 percentage points
- Increasing the discount rate assumption by 1 percentage point

For all impairment tests, changing the key assumptions retained in the scenario using the sensitivity analyses described above would not result in any impairment.

Vehicle Compliance Spain goodwill impairment test assumptions

The following key assumptions have been used in the impairment test for this CGU, for which goodwill amounted to CHF 92 million (2022: CHF 115 million):

- Pre-tax discount rate of 10.9% (2022: 9%)
- Expected average annual sales growth rate of 2.1% for the projected period 2024-2028 (2022: 3% for the projected period 2023-2027)
- Long-term growth rate of 1.7% after 2028 (2022: 2.0%)

15. Other intangible assets

(CHF million)	Trademarks and other	Customer relationships	Computer software and other assets: Internally generated	Computer software and other assets: Purchased	Total
2023					
Cost					
At 1 January	89	446	220	205	960
Additions	–	–	17	21	38
Acquisition of subsidiaries	–	4	–	–	4
Disposals	–	–3	–10	–21	–34
Disposals of subsidiaries	–	–17	–	–	–17
Exchange differences and other	–5	–24	8	–14	–35
At 31 December	84	406	235	191	916
Accumulated amortization and impairment					
At 1 January	68	199	176	167	610
Amortization	7	27	21	13	68
Impairment	–	21	14	2	37
Disposals	–	–3	–10	–21	–34
Disposals of subsidiaries	–	–14	–	–	–14
Exchange differences and other	–6	–13	–4	–3	–26
At 31 December	69	217	197	158	641
Net book value at 31 December 2023	**15**	**189**	**38**	**33**	**275**

(CHF million)	Trademarks and other	Customer relationships	Computer software and other assets: Internally generated	Computer software and other assets: Purchased	Total
2022					
Cost					
At 1 January	92	454	202	200	948
Additions	–	–	17	21	38
Acquisition of subsidiaries	–	17	–	1	18
Disposals	–	–2	–	–6	–8
Exchange differences and other	–3	–23	1	–11	–36
At 31 December	89	446	220	205	960
Accumulated amortization and impairment					
At 1 January	66	176	159	165	566
Amortization	5	32	18	11	66
Acquisition of subsidiaries	–	–	–	1	1
Disposals	–	–2	–	–6	–8
Exchange differences and other	–3	–7	–1	–4	–15
At 31 December	68	199	176	167	610
Net book value at 31 December 2022	**21**	**247**	**44**	**38**	**350**

16. Other non-current assets

(CHF million)	**2023**	2022
Non-current loans or amounts receivable from third parties	4	4
Retirement benefit asset	133	59
Other non-current assets	54	62
Total	**191**	**125**

Other non-current assets are measured at fair value through profit and loss except non-current loans or amounts receivable from third parties that are measured at amortized cost.

Depending on the nature of the balances, currency and date of maturity, interest rates on long-term balances or loans to third parties range between 0.0% and 14.0%.

In 2023, other non-current assets included deposits for guarantees and restricted cash of CHF 34 million (2022: CHF 38 million).

Typical examples of restricted cash are cash deposits for performance bonds, rentals and other operating obligations.

At 31 December 2023 and 2022, the fair value of the Group's other non-current assets approximates their carrying value.

17. Trade receivables

(CHF million)	**2023**	2022
Trade receivables	1 078	1 149
Allowance for expected credit losses	–138	–161
Total	**940**	**988**

The movement of allowance for expected credit losses is analyzed as follows:

(CHF million)	**2023**	2022
At 1 January	–161	–162
Acquisition of subsidiaries	–1	–1
(Increase) in allowance recognized in the income statement	–9	–16
Utilizations	16	10
Exchange differences	17	8
Total at 31 December	**–138**	**–161**

18. Other receivables and prepayments

(CHF million)	**2023**	2022
Accrued income, prepayments	83	86
Derivative assets	17	12
Other receivables	113	125
Total	**213**	**223**

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties. Other receivables consist mainly of sales taxes and other taxes recoverable as well as advances to suppliers.

19. Cash and cash equivalents

(CHF million)	**2023**	2022
Cash and short-term deposits	1 569	1 623
Total	**1 569**	**1 623**

20. Cash flow statement

20.1. Non-cash and non-operating items

(CHF million)	Notes	**2023**	2022
Depreciation of property, plant and equipment	12	239	253
Impairment of property, plant and equipment and other intangible assets	12 and 15	40	18
Depreciation/impairment right-of-use asset	13	180	184
Amortization of intangible assets	15	68	66
Impairment of goodwill	14	18	–
ECL[1] on trade receivables, unbilled sales and work in progress		11	22
Net financial expenses	8 and 9	57	51
(Decrease) in provisions and employee benefits		–6	–13
Share-based payment expenses		24	18
Gain on disposals	3	–7	–
Gain on disposals of property, land and equipment		–3	–4
Share of results from associates and other entities		–2	–2
Taxes	10	205	219
Non-cash and non-operating items		**824**	**812**

1. Expected Credit Losses.

20.2. (Increase)/decrease in working capital

(CHF million)	**2023**	2022
(Increase) in unbilled sales and inventories	–43	–53
(Increase) in trade receivables	–66	–125
Decrease/(increase) in other receivables and prepayments	7	–25
Increase in trade and other payables	33	7
Increase in other creditors and accruals	25	25
(Decrease)/increase in other provisions	–11	9
(Increase) in working capital	**–55**	**–162**

20.3. Changes in liabilities arising from financing and investing activities

		Cash impact		**Non cash impact**				
(CHF million)	**1 January**	**Financing cash flows**	**Investing cash flows**	**Equity movement**	**Acquisition and disposals**	**New leases**	**Other movements[1]**	**31 December**
2023								
Corporate bonds	3 310	–1	–	–	–	–	–40	3 269
Bank loans	469	100	–	–	5	–	–16	558
Put option on acquisition	29	–12	–	7	–	–	–	24
Lease liabilities	604	–178	–	–	2	147	–48	527
Other financial liabilities	26	–	–3	–	–	–	–1	22
Total	**4 438**	**–91**	**–3**	**7**	**7**	**147**	**–105**	**4 400**

1. Other movements mainly include currency effects.

		Cash impact	Non cash impact				
(CHF million)	1 January	Financing cash flows	Equity movement	Acquisition and disposals	New leases	Other movements[1]	31 December
2022							
Corporate bonds	3 100	249	–	–	–	–39	3 310
Bank loans	5	469	–	3	–	–8	469
Put option on acquisition	33	–4	1	–	–	–1	29
Lease liabilities	636	–183	–	3	174	–26	604
Other financial liabilities	26	–5	–	5	–	–	26
Total	**3 800**	**526**	**1**	**11**	**174**	**–74**	**4 438**

1. Other movements mainly include currency effects.

21. Acquisitions

Assets and liabilities arising from acquisitions

(CHF million)	**Total fair value on acquisitions December 2023**	Total fair value on acquisitions December 2022
Property, plant and equipment	–	7
Right-of-use assets	2	3
Intangible assets	4	17
Trade receivable	2	5
Other current assets	2	2
Cash and cash equivalents	–	6
Current liabilities	–3	–9
Non-current liabilities	–7	–8
Net assets acquired	**–**	**23**
Goodwill	9	52
Total purchase price	**9**	**75**
Acquired cash and cash equivalents	–	–6
Consideration payable	–	–5
Payment on prior year acquisitions	3	3
Net cash outflow on acquisitions	**12**	**67**

In compliance with IFRS 3, fair value on acquisition remains provisional for a 12-month period following the date of acquisition, during which the Group can finalize the purchase price allocation.

The goodwill arising on these acquisitions relates mainly to the value of expected synergies and the value of the qualified workforce that do not meet the criteria for recognition as separable intangible assets. Consideration payable relates mainly to environmental and commercial warranty clauses and the fair value of contingent future earn-out payments.

The Group incurred transaction-related costs of CHF 2 million (2022: CHF 5 million) related to external legal fees and due diligence expenses. These expenses are reported within other operating expenses in the consolidated income statement.

22. Financial risk management

Risk management policies and objectives

The Group's activities expose it primarily to market, credit and liquidity risk. Market risk includes foreign exchange, interest rate and equity price risks.

The risk management policies and objectives are governed by the Group's policies approved by the Board of Directors.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls and to monitor the risk and limits continually by means of reliable and up-to-date administrative and information systems.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies. The Audit Committee is assisted in its oversight role by Internal Audit.

Risk management activities

The Group uses foreign exchange contracts to manage the Group's exposure to fluctuations in foreign currency exchange rates. These activities are carried out in accordance with the Group's risk management policies and objectives in areas such as counterparty exposure and economic hedging practices. Counterparties to these agreements are major international financial institutions with high credit ratings and positions are monitored using market value and sensitivity analyses. The associated credit risk is therefore limited. These agreements generally include the exchange of one currency for a second currency at a future date.

The following table summarizes foreign exchange contracts outstanding at year end. The notional amount of derivatives summarized below represents the gross amount of the contracts and includes transactions, which have not yet matured. Therefore the figures do not reflect the Group's net exposure at year end. The market value approximates the costs to settle the outstanding contracts. These market values should not be viewed in isolation but in relation to the market values of the underlying hedged transactions and the overall reduction in the Group's exposure to adverse fluctuations in foreign exchange rates.

Currently, the Group has certain exposure to interest and credit risks and no exposure to equity price risk.

(CHF million)	Notional amount 2023	Notional amount 2022	Market value 2023	Market value 2022
Foreign exchange forward contracts				
Currency:				
Australian Dollar (AUD)	–9	–15	–	–
Brazilian Real (BRL)	–5	–5	–	–1
Canadian Dollar (CAD)	–13	–5	–	–
Chilean Peso (CLP)	–33	–34	–1	–3
Chinese Renminbi (CNY)	–22	–22	1	–
Colombian Peso (COP)	–10	–4	–	–
Euro (EUR)	392	441	1	–
British Pound Sterling (GBP)	–114	–119	–	2
Hong Kong Dollar (HKD)	17	18	–	–
Indian Rupee (INR)	1	1	–	–
Japanese Yen (JPY)	–4	–3	–	–
Kenyan Shilling (KES)	–2	–	–	–
Korean Won (KRW)	1	3	–	–
New Zealand Dollar (NZD)	–6	–6	–	–
Philippines Peso (PHP)	–11	–13	–	–1
Polish Zloty (PLN)	–6	1	–	–
Turkish New Lira (TRY)	3	1	–	–
US Dollar (USD)	–307	–268	9	7
South African Rand (ZAR)	–4	–10	–	–
Other	–36	–38	–1	–1
Total	**–168**	**–77**	**9**	**3**

Credit risk management

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. It arises principally from the Group's commercial activities. Trade receivable, unbilled sales and work in progress are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits and approval procedures. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivable, unbilled sales and work in progress.

As at 31 December 2023, the Group has unbilled sales and work in progress of CHF 223 million (2022: CHF 210 million) which is net of an allowance for expected credit losses of CHF 20 million (2022: CHF 20 million).

Receivables are recognized and carried at original invoice amount less an allowance for any non-collectible amounts. A credit loss allowance is made in compliance with the simplified approach using a provision matrix (expected credit loss model). This provision matrix has been developed to reflect the country risk, the credit risk profile and available historical data. Similarly to receivables, an allowance for unbilled sales and work in progress is made using a provision matrix.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on aging of trade receivables as of invoice date at 31 December 2023:

(CHF million)	**Expected credit loss range**	**Gross carrying amount**	**Expected credit loss**
0 – 90 days	0%-5%	866	3
91 – 120 days	10%-25%	46	9
121 – 180 days	20%-50%	39	14
181 – 240 days	35%-75%	20	11
241 – 300 days	50%-75%	14	9
301 – 360 days	75%-100%	9	8
> 360 days	100%	84	84
Total		**1 078**	**138**

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on aging of trade receivables as of invoice date at 31 December 2022:

(CHF million)	Expected credit loss range	Gross carrying amount	Expected credit loss
0 – 90 days	0%-5%	910	2
91 – 120 days	10%-25%	47	10
121 – 180 days	20%-50%	47	19
181 – 240 days	35%-75%	25	15
241 – 300 days	50%-75%	14	10
301 – 360 days	75%-100%	10	9
> 360 days	100%	96	96
Total		**1 149**	**161**

As part of financial management activities, the Group enters into various types of transaction with international banks, usually with a credit rating of at least A. Exposure to these risks is closely monitored and kept within predetermined parameters. The Group does not expect any non-performance by these counterparties. The maximum credit risk to which the Group is theoretically exposed at 31 December 2023 is the carrying amount of financial assets including derivatives.

In addition, the Group has issued CHF 166 million (2022: CHF 181 million) financial guarantees to certain financial institutions that have provided credit facilities and foreign exchange lines to its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

Analysis of financial assets by class and category at 31 December 2023:

			Fair value					
	Amortized cost		**At fair value through Equity**		**At fair value through P&L**		**Total**	
(CHF million)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash-equivalents	1 569	1 569	–	–	–	–	1 569	1 569
Trade receivables	940	940	–	–	–	–	940	940
Other receivables[1]	123	123	–	–	–	–	123	123
Unbilled sales and work in progress	223	223	–	–	–	–	223	223
Loans to third parties – non-current	4	4	–	–	–	–	4	4
Derivatives	–	–	–	–	17	17	17	17
Total financial assets	**2 859**	**2 859**	**–**	**–**	**17**	**17**	**2 876**	**2 876**

1. Excluding VAT and other tax related items.

Analysis of financial assets by class and category at 31 December 2022:

			Fair value					
	Amortized cost		At fair value through Equity		At fair value through P&L		Total	
(CHF million)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash-equivalents	1 623	1 623	–	–	–	–	1 623	1 623
Trade receivables	988	988	–	–	–	–	988	988
Other receivables[1]	132	132	–	–	–	–	132	132
Unbilled sales and work in progress	210	210	–	–	–	–	210	210
Loans to third parties – non-current	4	4	–	–	–	–	4	4
Derivatives	–	–	–	–	12	12	12	12
Total financial assets	**2 957**	**2 957**	**–**	**–**	**12**	**12**	**2 969**	**2 969**

1. Excluding VAT and other tax related items.

In the fair value hierarchy, Level 1 measurements are those derived from the quoted price in active markets. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Derivative assets (2023: CHF 17 million; 2022: CHF 12 million) qualify as Level 2 fair value measurement category in accordance with the fair value hierarchy. Derivative assets consist of foreign currency forward contracts that are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

Liquidity risk management

The objective of the Group's liquidity and funding management is to ensure that all its foreseeable financial commitments can be met when due. Liquidity and funding are primarily managed by Group Treasury in accordance with practices and limits set in the risk management policies and objectives approved by the Board of Directors.

The nature of the Group's business requires keeping a significant part of the cash reserves in the operating units.

Due to the significant cash position, liquidity risk is limited. The Group has various committed and uncommitted bilateral credit facilities with its banks.

Analysis of financial liabilities by class and category at 31 December 2023:

	Amortized cost		Fair value				Total	
			At fair value through Equity		At fair value through P&L			
(CHF million)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade payables	335	335	–	–	–	–	335	335
Other payables[1]	123	123	–	–	–	–	123	123
Loans and other financial liabilities	3 842	3 778	24	24	15	15	3 881	3 817
Lease liabilities	527	527	–	–	–	–	527	527
Total financial liabilities	**4 827**	**4 763**	**24**	**24**	**15**	**15**	**4 866**	**4 802**

1. Excluding VAT and other tax related items.

The corporate bonds qualify as fair value Level 1, which amounts to CHF 3 205 million (2022: CHF 3 124 million).

Other financial liabilities include CHF 24 million qualifying as fair value Level 3 (2022: CHF 29 million), which represents the estimated present value of the redemption amount to acquire the remaining non-controlling interests of acquisitions if the put/call option is exercised.

Subsequent changes in the valuation of the redemption amount to acquire the remaining non-controlling interests of acquisitions if the put/call option is exercised shall be recognized directly in equity attributable to owners, including the unwinding of the discount.

The remaining financial liabilities qualify as Level 2 determined in accordance with generally accepted pricing models.

Analysis of financial liabilities by class and category at 31 December 2022:

	Amortized cost		Fair value				Total	
			At fair value through Equity		At fair value through P&L			
(CHF million)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade payables	360	360	–	–	–	–	360	360
Other payables[1]	130	130	–	–	–	–	130	130
Loans and other financial liabilities	3 792	3 606	29	29	21	21	3 842	3 656
Lease liabilities	604	604	–	–	–	–	604	604
Total financial liabilities	**4 886**	**4 700**	**29**	**29**	**21**	**21**	**4 936**	**4 750**

1. Excluding VAT and other tax related items.

Undiscounted contractual maturities of financial liabilities including interest payments at 31 December 2023:

(CHF million)	**Trade payables**	**Other payables[1]**	**Gross settled derivative financial instruments outflows**	**Gross settled derivative financial instruments inflows**	**Loans and Other financial liabilities**	**Lease liabilities**	**Total**
On demand or within one year	335	123	1 141	–1 134	856	155	1 476
Within the second year	–	–	–	–	417	114	531
Within the third year	–	–	–	–	736	84	820
Within the fourth year	–	–	–	–	957	56	1 013
Within the fifth year	–	–	–	–	191	39	230
After five years	–	–	–	–	863	103	966

1. Excluding VAT and other tax related items.

Undiscounted contractual maturities of financial liabilities including interest payments at 31 December 2022:

(CHF million)	Trade payables	Other payables[1]	Gross settled derivative financial instruments outflows	Gross settled derivative financial instruments inflows	Loans and Other financial liabilities	Lease liabilities	Total
On demand or within one year	360	130	1 301	–1 299	1 014	173	1 679
Within the second year	–	–	–	–	283	125	408
Within the third year	–	–	–	–	409	89	498
Within the fourth year	–	–	–	–	716	64	780
Within the fifth year	–	–	–	–	747	45	792
After five years	–	–	–	–	771	135	906

1. Excluding VAT and other tax-related items.

The Group economically hedges its foreign exchange exposure on a net basis. The net position of the gross settled derivative financial instruments of CHF 7 million (2022: CHF 2 million) represents the net nominal value expressed in CHF of the Group's foreign currency contracts outstanding at 31 December 2023.

Sensitivity analyses

The estimated changes in the value of net foreign currency positions are based on an instantaneous 5% weakening of the Swiss Franc against all other currencies from the level applicable at 31 December 2023 and 2022 with all other variables remaining constant.

Sensitivity analysis based on net hedged positions at 31 December 2023 and 2022:

	2023		2022	
(CHF million)	**Income statement impact income/(expense)**	**Equity impact increase/(decrease)**	Income statement impact income/(expense)	Equity impact increase/(decrease)
US Dollar (USD)	**3**	**–1**	4	–2
Euro (EUR)	**–1**	**–**	–2	–
CFA Franc BEAC (CFA)	**2**	**–**	2	–
Russian Ruble (RUB)	**–1**	**–**	–	–
Canadian Dollar (CAD)	**–**	**1**	–	2
U.A.E. Dirham (AED)	**–1**	**–**	–1	–

Interest rate risk management

The Group is exposed to fair value interest rate risk because the Group borrows funds at fixed interest rates. Where appropriate, the risk is managed by the Group using Interest Rate Swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

If interest rates were 100 basis points higher/lower, the profit for the year ended 31 December 2023 would increase/decrease by CHF 5 million (2022: CHF 5 million).

23. Share capital and treasury shares

	Shares in circulation	Treasury shares	Total shares issued	Total share capital (CHF million)
Balance at 1 January 2022	**7 491 672**	**3 360**	**7 495 032**	**7**
Treasury shares released into circulation	3 381	–3 381	–	–
Treasury shares purchased for equity compensation plans	–12 500	12 500	–	–
Treasury shares purchased for cancellation	–113 499	113 499	–	–
Balance at 31 December 2022	**7 369 054**	**125 978**	**7 495 032**	**7**
Treasury shares released into circulation	1 964	–1 964	–	–
Balance at 12 April 2023 before share split	**7 371 018**	**124 014**	**7 495 032**	**7**
Share split 25-1	176 904 432	2 976 336	179 880 768	–
Balance at 12 April 2023 after share split	**184 275 450**	**3 100 350**	**187 375 800**	**7**
Treasury shares released into circulation	35 665	–35 665	–	–
Balance at 31 December 2023	**184 311 115**	**3 064 685**	**187 375 800**	**7**

Issued share capital

On 28 March 2023, the Annual General Assembly approved a 25-1 stock split that went into effect on 12 April 2023. This split increased the number of shares issued, from 7 495 032 to 187 375 800, and reduced the nominal value per share, from CHF 1 to CHF 0.04.

As at 31 December 2023, SGS SA has a share capital of CHF 7 495 032 (2022: CHF 7 495 032) fully paid. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

Treasury shares

On 31 December 2023, SGS SA held 3 064 685 treasury shares (2022 restated: 3 149 450 and 2022 published: 125 978 shares). The shares purchased for cancellation are directly held by SGS SA, while the shares to cover the equity compensation plans are held by a subsidiary company.

In 2023, 84 765 treasury shares were sold or given in relation with the equity compensation plans.

Authorized and Conditional issue of share capital

The shareholders have conditionally approved an increase of share capital in the amount of CHF 1 100 000, divided into 27 500 000 registered shares of a par value of CHF 0.04 each. This conditional share capital increase is intended to procure the necessary shares to satisfy employee equity participation plans and option or conversion rights to be incorporated in convertible bonds or similar equity-linked instruments that the Board is authorized to issue. The right to subscribe to such conditional capital is reserved for beneficiaries of employee equity participation plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorized to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed ten years from the date of issuance of the equity-linked instruments.

24. Loans and other financial liabilities

(CHF million)	**2023**	2022
Bank loans and commercial paper	558	469
Corporate bonds	3 269	3 310
Put option on acquisition	24	29
Other financial liabilities	22	26
Derivatives	8	8
Total	**3 881**	**3 842**
Current	841	1 009
Non-current	3 040	2 833

In 2023, the Group continued to issue commercial paper out of its EUR 1 billion Euro Commercial Paper (ECP) program, for an amount of EUR 124 million (CHF 105 million) as at 31 December 2023.

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans from third parties range between 0.125% and 8.00% and on short-term loans from third parties range between 0.00% and 14.00%.

The loans from third parties exposed to fair value interest rate risk amounted to CHF 3 825 million (2022: CHF 3 778 million) and the loans from third parties exposed to cash flow interest rate risk amounted to CHF less than 0.7 million (2022: CHF less than 0.7 million).

SGS SA issued the following corporate bonds listed on the SIX Swiss Exchange:

Date of issue	Face value in CHF million	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
27.02.2014	250	1.750	2024	101.019	100.000
08.05.2015	225	0.875	2030	100.245	100.000
03.03.2017	375	0.550	2026	100.153	100.000
29.10.2018	225	0.750	2025	100.068	100.000
29.10.2018	175	1.250	2028	101.157	100.000
06.05.2020	325	0.950	2026	100.182	100.000
05.09.2022	150	1.250	2025	100.000	100.000
05.09.2022	350	1.700	2029	100.197	100.000
17.11.2023	240	2.000	2027	100.038	100.000
17.11.2023	260	2.300	2031	100.127	100.000

SGS Nederland Holding BV has issued the following corporate bond, which is guaranteed by SGS SA and which is listed on the Luxembourg Stock Exchange:

Date of issue	Face value in EUR million	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
21.04.2021	750	0.125	2027	99.761	100.000

The currency composition of bank loans, corporate bonds and other financial liabilities is as follows:

	Bank loans and corporate bond		Put option and other financial liabilities	
(CHF million)	**2023**	2022	**2023**	2022
Swiss Franc (CHF)	2 573	2 574	12	12
Euro (EUR)	1 251	1 201	7	20
Singapore Dollar (SGD)	2	3	11	13
US Dollar (USD)	–	–	1	1
British Pound Sterling (GBP)	–	–	–	1
Canadian Dollar (CAD)	–	–	12	4
New Zealand Dollar (NZD)	–	–	3	3
Other	1	1	–	1
Total	**3 827**	**3 779**	**46**	**55**

25. Defined benefit obligations

The Group mainly operates defined benefit pension plans in Switzerland, the USA, the UK, the Netherlands, Germany, Italy, France, Belgium, South Korea and Taiwan. Contributions to most plans are paid to pension funds that are legally separate entities.

The Group also operates post-employment benefit plans, principally healthcare plans, in the USA and Switzerland. They represent a defined benefit obligation at 31 December 2023 of CHF 6 million (2022: CHF 5 million). The method of accounting and the frequency of valuation are similar to those used for defined benefit pension plans. Healthcare cost trend assumptions do not have a significant effect on the amounts recognized in the income statement.

There is a risk to the Group that adverse experience could lead to a requirement for the Group to make additional contributions to recover any deficit that arises.

The Group's material defined benefit plans are in Switzerland, the USA and the UK.

Switzerland

The Group jointly operates with the employees a retirement foundation in Switzerland. The assets and liabilities of the retirement foundation are held separately from the Group. The foundation board is equally composed of representatives of the employees and representatives of the employer. This foundation covers all the employees in Switzerland and provides benefits on a defined contribution basis.

Each employee has a retirement account to which the employee and the Group contribute at a rate set out in the foundation rules based on a percentage of salary. Every year, the foundation decides the level of interest, if any, to apply to retirement accounts based on the agreed policy. At retirement, employees can elect either to withdraw all or part of the balance of their retirement account or to convert it into annuities at pre-defined conversion rates.

As the foundation board is expected to eventually pay out all of the foundation's assets as benefits to employees and former employees, no surplus is deemed to be recoverable by the Group. Similarly, unless the assets are insufficient to cover minimum benefits, the Group does not expect to make any deficit contribution to the foundation.

According to IFRS, the foundation has to be classified as a defined benefit plan due to underlying benefit guarantees and has to be accounted for on this basis.

The weighted average duration of the expected benefit payment is approximately 12 years (2022: 12 years).

The Group expects to contribute CHF 5 million to this plan in 2024.

The Group also operates an employer fund. The assets are held separately from the Group. This foundation has unilateral power to provide benefits and consequently has no obligations. Therefore, this foundation has no pension liabilities.

United States of America

The Group operates a non-contributory defined benefit plan, which is subject to the provisions of the Employee Retirement Income Security Act (ERISA).

The assets of the plan are held separately from the Group by the trustee-custodian and the plan's third-party pension administrator who disburses payments directly to retirees or beneficiaries under the plan. Both the trustee-custodian and the administrator ensure adherence to ERISA rules.

Funding valuations are calculated on an actuarial basis and contributions are made as necessary. The funding target is to provide the plan with sufficient assets to meet future plan obligations.

Effective 16 March 2004, non-exempt participants ceased accruing any additional benefits; only exempt employees of certain SGS business units in the USA are eligible for annual benefit accrual. In addition, the pension benefit was changed and is defined as a percentage of the current year's pensionable compensation; the cost of additional benefit accrual is evaluated annually. The Group reserves the right to make future changes to the benefit accrual structure of the plan.

Eligible employees become participants in the plan after the completion of one year of service and after reaching the age of 21. Participants become fully vested in the plan after five years of service.

The weighted average duration of the expected benefit payment is approximately 10 years (2022: 10 years).

The Group expects to contribute CHF nil million to this plan in 2024.

United Kingdom

The Group operates a defined benefit plan through a trust, with the assets of the plans held separately from the Group and trustees who ensure the plan's rules are strictly adhered to. This plan has been closed to new entrants since 2002 and, effective 31 October 2020, all remaining participants ceased accruing any additional benefits in the defined benefit plan. Employees are now offered membership in defined contribution plans operated by the Group.

Funding valuations of the defined benefit plans are carried out and agreed between the Group and the plan trustees at least once every three years. The funding target is for the plans to hold assets equal in value to the accrued benefits based on projected salaries. As part of the valuation process, if there is a shortfall against this target, then the Group and trustees will agree on deficit contributions to meet this deficit over a specified period.

The weighted average duration of the expected benefit payments from the combined plans is approximately 13 years (2022: 14 years).

The Group expects to contribute CHF nil million to this plan in 2024.

Other countries

The Group sponsors defined retirement benefits plans in other countries where the Group operates. No individual countries other than those described above are considered material and need to be separately disclosed. The Group expects to contribute CHF 6 million to those plans in 2024.

The assets and liabilities recognized in the statement of financial position at 31 December for defined benefit obligations and for post-employment benefit plans are as follows:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2023					
Fair value of plan assets	496	128	145	75	844
Present value of funded defined benefit obligation	–395	–111	–137	–84	–727
Funded/(unfunded) status	**101**	**17**	**8**	**–9**	**117**
Present value of unfunded defined benefit obligation	–5	–	–2	–41	–48
Unrecognized asset due to asset ceiling	–	–	–	–2	–2
Net asset/(liability) at 31 December	**96**	**17**	**6**	**–52**	**67**

(CHF million)	CH	UK	USA	Other	Total
2022					
Fair value of plan assets	494	134	156	77	861
Present value of funded defined benefit obligation	–357	–115	–150	–79	–701
Funded/(unfunded) status	**137**	**19**	**6**	**–2**	**160**
Present value of unfunded defined benefit obligation	–5	–	–3	–41	–49
Unrecognized asset due to asset ceiling	–98	–	–	–1	–99
Net asset/(liability) at 31 December	**34**	**19**	**3**	**–44**	**12**

The net asset of CHF 67 million (2022: net asset of CHF 12 million) includes CHF 133 million (2022: CHF 59 million) of pension fund assets recognized in the item other non-current assets in note 16 and CHF 66 million (2022: CHF 47 million) of pension fund liability recognized in the item Defined Benefit Obligation in statement of financial position.

Amounts recognized in the income statement:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2023					
Service cost expense	5	–	–	7	12
Net interest income on defined benefit plan	–1	–1	–1	2	–1
Administrative expenses	–	1	1	–	2
Total expense due to defined benefit obligation at 31 December	**4**	**–**	**–**	**9**	**13**
Expense charged in:					
Salaries and wages	5	1	1	7	14
Financial expenses	–1	–1	–1	2	–1
Total expense due to defined benefit obligation at 31 December	**4**	**–**	**–**	**9**	**13**

(CHF million)	CH	UK	USA	Other	Total
2022					
Service cost expense	8	–	1	6	15
Net interest income on defined benefit plan	–	–1	–	–	–1
Administrative expenses	–	1	1	–	2
Total expense due to defined benefit obligation at 31 December	**8**	**–**	**2**	**6**	**16**
Expense charged in:					
Salaries and wages	8	1	2	6	17
Financial expenses	–	–1	–	–	–1
Total expense due to defined benefit obligation at 31 December	**8**	**–**	**2**	**6**	**16**

Amounts recognized in the statement of other comprehensive income:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2023					
Remeasurement on net defined benefit liability					
Change in demographic assumptions	–	–2	–	–	–2
Change in financial assumptions	31	3	2	6	42
Experience adjustments on benefit obligations	10	1	1	3	15
Actual return on plan assets excluding net interest expense	–1	–	–6	2	–5
Asset ceiling	–100	–	–	–	–100
Total recognized in the statement of other comprehensive income at 31 December	**–60**	**2**	**–3**	**11**	**–50**

(CHF million)	CH	UK	USA	Other	Total
2022					
Remeasurement on net defined benefit liability					
Change in demographic assumptions	–	–	–	–1	–1
Change in financial assumptions	–87	–68	–43	–34	–232
Experience adjustments on benefit obligations	3	7	–1	3	12
Actual return on plan assets excluding net interest expense	–21	99	50	14	142
Asset ceiling	98	–	–	1	99
Total recognized in the statement of other comprehensive income at 31 December	**–7**	**38**	**6**	**–17**	**20**

Change in unrecognized asset due to the asset ceiling:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2023					
Unrecognized asset at 1 January	**98**	**–**	**–**	**1**	**99**
Interest on unrecognized asset recognized in P&L	2	–	–	1	3
Other changes in unrecognized asset due to the asset ceiling	–100	–	–	–	–100
Unrecognized asset at 31 December	**–**	**–**	**–**	**2**	**2**

(CHF million)	CH	UK	USA	Other	Total
2022					
Unrecognized asset at 1 January	**–**	**–**	**–**	**1**	**1**
Other changes in unrecognized asset due to the asset ceiling	98	–	–	–	98
Unrecognized asset at 31 December	**98**	**–**	**–**	**1**	**99**

In 2023, the Group recognized a CHF 2 million asset ceiling (2022: CHF 99 million). The movement in 2023 was mainly made of a CHF 100 million decrease (2022: CHF 98 million increase) for the SGS Swiss Pension Plan. The maximum economic benefit available in the SGS Swiss Pension Plan was determined applying the common approach prescribed by IFRIC 14, and reflects the present value of reductions in future contributions to the plan. In making this estimate, assumptions used for future service costs are consistent with those used to determine the defined benefit obligation as at 31 December 2023.

Movements in the net asset/(liability) during the period:

(CHF million)	CH	UK	USA	Other	Total
2023					
Net asset/(liability) at 1 January	**34**	**19**	**3**	**–44**	**12**
Expense recognized in the income statement	–4	–	–	–9	–13
Remeasurements recognized in other comprehensive income	60	–2	3	–11	50
Contributions paid by the Group	6	–	–	8	14
Employer benefit payments	–	–	–	2	2
Exchange differences	–	–	–	2	2
Net asset/(liability) at 31 December	**96**	**17**	**6**	**–52**	**67**

(CHF million)	CH	UK	USA	Other	Total
2022					
Net asset/(liability) at 1 January	**29**	**61**	**4**	**–74**	**20**
Expense recognized in the income statement	–8	–	–2	–6	–16
Remeasurements recognized in other comprehensive income	7	–38	–6	17	–20
Contributions paid by the Group	6	–	7	13	26
Employer benefit payments	–	–	–	3	3
Exchange differences	–	–4	–	3	–1
Net asset/(liability) at 31 December	**34**	**19**	**3**	**–44**	**12**

Change in the defined benefit obligation is as follows:

(CHF million)	CH	UK	USA	Other	Total
2023					
Opening present value of the defined benefit obligation	362	115	153	120	750
Current service cost	5	–	–	6	11
Interest cost	7	5	7	4	23
Plan participants' contributions	5	–	–	1	6
Past service cost	–	–	–	1	1
Actual net benefit payments	–20	–6	–10	–7	–43
(Gains)/losses due to changes in demographic assumptions	–	–2	–	–	–2
(Gains)/losses due to changes in financial assumptions	31	3	2	6	42
Experience differences	10	1	1	3	15
Exchange rate (gains)/losses	–	–5	–14	–9	–28
Defined benefit obligation at 31 December	**400**	**111**	**139**	**125**	**775**

(CHF million)	CH	UK	USA	Other	Total
2022					
Opening present value of the defined benefit obligation	456	194	197	159	1 006
Current service cost	8	–	1	6	15
Interest cost	1	4	6	2	13
Plan participants' contributions	5	–	–	1	6
Actual net benefit payments	–24	–7	–10	–9	–50
(Gains)/losses due to changes in demographic assumptions	–	–	–	–1	–1
(Gains)/losses due to changes in financial assumptions	–87	–68	–43	–34	–232
Experience differences	3	7	–1	3	12
Exchange rate (gains)/losses	–	–15	3	–7	–19
Defined benefit obligation at 31 December	**362**	**115**	**153**	**120**	**750**

Change in fair value of plan assets is as follows:

(CHF million)	CH	UK	USA	Other	Total
2023					
Opening fair value of plan assets	494	134	156	77	861
Interest income on plan assets	10	6	8	3	27
Return on plan assets excluding amounts included in net interest income	1	–	6	–2	5
Actual employer contributions	6	–	–	10	16
Actual plan participants' contributions	5	–	–	1	6
Actual net benefit payments	–20	–6	–10	–7	–43
Actual admin expenses paid	–	–1	–1	–	–2
Exchange differences	–	–5	–14	–7	–26
Fair value of plan assets at 31 December	**496**	**128**	**145**	**75**	**844**

(CHF million)	CH	UK	USA	Other	Total
2022					
Opening fair value of plan assets	485	255	201	85	1 026
Interest income on plan assets	1	5	6	2	14
Return on plan assets excluding amounts included in net interest income	21	–99	–50	–14	–142
Actual employer contributions	6	–	7	16	29
Actual plan participants' contributions	5	–	–	1	6
Actual net benefit payments	–24	–7	–10	–9	–50
Actual admin expenses paid	–	–1	–1	–	–2
Exchange differences	–	–19	3	–4	–20
Fair value of plan assets at 31 December	**494**	**134**	**156**	**77**	**861**

There are no reimbursement rights included in plan assets. The actual return on plan assets was a gain of CHF 32 million (2022: loss of CHF 128 million).

The major categories of plan assets at the balance sheet date are as follows:

(CHF million)	CH	UK	USA	Other	Total
2023					
Cash and cash equivalents	16	14	–	12	42
Equity securities	138	24	–	–	162
Debt securities	78	88	145	2	313
Assets held by insurance company	3	–	–	22	25
Properties	226	–	–	–	226
Investment funds	32	–	–	–	32
Other	3	2	–	39	44
Total plan assets at 31 December	**496**	**128**	**145**	**75**	**844**

(CHF million)	CH	UK	USA	Other	Total
2022					
Cash and cash equivalents	26	12	–	18	56
Equity securities	136	15	17	–	168
Debt securities	68	106	138	1	313
Assets held by insurance company	3	–	–	21	24
Properties	217	–	–	–	217
Investment funds	44	–	–	–	44
Other	–	1	1	37	39
Total plan assets at 31 December	**494**	**134**	**156**	**77**	**861**

In 2023 and 2022, the Group did not occupy any property that was included in the plan assets.

Properties are rented at fair market rental rates. There are no SGS SA shares or any other financial securities used by the Group included in the plan assets.

The plan assets are primarily held within instruments with quoted market prices in an active market, with the exception of the property and insurance policy holdings.

The investment strategy in Switzerland is to invest, within the statutory and legal requirements, in a diversified portfolio with the aim of generating long-term returns, which will enable the Board of the foundation to grow the accounts of the members of the pension fund, whilst taking on the lowest possible risk in order to do so.

In the USA, the pension plan target policy is determined by both quantitatively and qualitatively assessing the risk tolerance level and return requirements of the plan as determined by the Investment Committee. In 2023 the investment portfolio asset was shifted to 100% Liability Driven Investment as the company decided to freeze the plan effective 31 December 2022. In the UK, the Trustees review the investment strategy of the scheme and the plan on a regular basis in order to ensure that they remain appropriate. The last review for both the scheme and plan was recently undertaken and is in the process of being implemented.

Actuarial assumptions vary according to local prevailing economic and social conditions. The principal weighted average actuarial assumptions used in determining the cost of benefits for both 2023 and 2022 are as follows:

(Weighted average %)	**CH**	**UK**	**USA**	**Other**
2023				
Discount rate	1.4	4.5	5.1	4.2
Mortality assumption	LPP 2020, CMI 2019 1.25%	SPA03M103%/ F99% CMI_2022 1.25%	PRI 2012 MP 2021	–
Salary progression rate	1.7	2.5	–	3.1
Future increase for pension in payments	–	3.0	–	0.4
Healthcare cost trend assumed for the next year	–	–	6.4	–
Ultimate trend rate	–	–	4.5	–
Year that the rate reaches the ultimate trend rate			**2030**	

(Weighted average %)	CH	UK	USA	Other
2022				
Discount rate	2.1	4.7	5.2	3.9
Mortality assumption	LPP 2020, CMI 2019 1.25%	SNA03M104%/ F94% CMI 2021 1.25%	PRI 2012 MP 2021	–
Salary progression rate	1.7	2.5	3.3	3.1
Future increase for pension in payments	–	3.0	–	0.4
Healthcare cost trend assumed for the next year	–	–	6.7	–
Ultimate trend rate	–	–	4.5	–
Year that the rate reaches the ultimate trend rate			**2030**	

The weighted average rate for each assumption used to measure the benefits obligation is also shown. The assumptions used to determine the end-of-year benefits obligation are also used to calculate the following year's cost.

In Switzerland, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 26 million; a 0.5% increase in assumed salary would increase the obligation by CHF 1 million; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 10 million.

In the USA, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 6 million; a 0.5% increase in assumed salary would not impact the obligation; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 2 million.

In the UK, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 7 million; a 0.5% increase in assumed salary would not impact the obligation; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 3 million.

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation and assume no other changes in market conditions at the accounting date. This is unlikely in practice; for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the plans.

The amount recognized as an expense in respect of defined contribution plans during 2023 was CHF 80 million (2022: CHF 81 million).

26. Provisions

(CHF million)	Legal and warranty claims on services rendered	Demobilization and reorganization	Other provisions	Total
At 1 January 2023	**39**	**60**	**55**	**154**
Charge to income statement	15	27	11	53
Release to income statement	–6	–5	–9	–20
Payments	–10	–28	–6	–44
Exchange differences	–2	–7	–2	–11
At 31 December 2023	**36**	**47**	**49**	**132**

Analyzed as:	**2023**	2022
Current liabilities	41	58
Non-current liabilities	91	96
Total	**132**	**154**

A number of group companies are subject to litigation and other claims arising out of the normal conduct of their business that can be best viewed as claims on services rendered. The claim provision represents the sum of estimates of amounts payable on identified claims and of losses incurred but not yet reported. They therefore reflect estimates of the future payments required to settle both reported and unreported claims. In the opinion of management, based on all currently available information, the provisions adequately reflect the Group's exposure to legal and warranty claims on services rendered. The ultimate outcome of these matters is not expected to materially affect the Group's financial position, results of operations or cash flows.

Demobilization and reorganization provisions relate to present legal or constructive obligations of the Group towards third parties, such as termination payments to employees upon leaving the Group, which in some jurisdictions are a legal obligation. For specific long-term contracts, typically with two to five years' duration, the Group is required to dismantle infrastructure and terminate the services of personnel upon completion of the contract. These demobilization costs are provided for during the life of the contract. Experience has shown that these contracts may be either extended or terminated earlier than expected.

Other provisions include present legal or constructive obligations towards tax authorities for indirect tax exposure as well as other provisions towards third parties.

27. Trade and other payables

(CHF million)	**2023**	2022
Trade payables	335	360
Other payables	299	311
Total	**634**	**671**

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs. At 31 December 2023 and 2022, the fair value of the Group's trade accounts and other payables approximates the carrying value.

28. Contingent liabilities

In the normal course of business, the Group and its subsidiaries are parties to various lawsuits and claims. Management does not expect that the outcome of any of these legal proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

Guarantees and performance bonds

(CHF million)	**2023**	2022
Guarantees	186	461
Performance bonds	191	189
Total	**377**	**650**

The Group has issued unconditional guarantees of CHF 186 million (2022: CHF 461 million), as well as performance bonds and bid bonds of CHF 191 million (2022: CHF 189 million) to commercial customers on behalf of its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

29. Equity compensation plans

Selected employees of the SGS Group are eligible to participate in equity compensation plans.

i) Grants to members of the Board of Directors

In 2023, a total of 6 859 restricted shares were granted to members of the Board of Directors, in settlement of part of their remuneration for the Annual General Meeting 2023 to 2024 mandate. The restricted shares are blocked for a period of three years from the grant date, until May 2026. The value at grant date of the restricted shares granted was CHF 564 839 (defined as the average closing price of the share during a 20-day period following the payment of the dividends after the Annual General Meeting 2023).

ii) Grants to members of the Operations Council

In 2023, a total of 105 045 Performance Share Units (PSUs) under the long-term incentive plan 2023-2025 were granted to members of the Operations Council. The PSUs vest after a three-year performance period 2023-2025, in March 2026, subject to performance conditions and to continuity of employment of the beneficiaries during the vesting period. The value at grant date of the PSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 8 727 139.

More information on the long-term incentive plan for the members of the Operations Council is disclosed in the SGS Remuneration report.

In 2023, a total of 26 921 Restricted Shares were granted to members of the Operations Council, in settlement of 50% of the annual incentive related to the 2022 performance. The Restricted Shares are blocked for a period of three years from the grant date, until May 2026. The value at grant date of the Restricted Shares granted, being defined as the average closing price of the share during a 20-day period following the payment of the dividends after the 2023 Annual general Meeting, was CHF 2 216 944.

50% of the Annual Incentive related to the 2023 performance will be settled in Restricted Shares. The grant of the Restricted Shares will be done after the 2024 Annual General Meeting; the total number of Restricted Shares to be granted will be calculated dividing 50% of the annual Incentive amount by the average closing price of the share during a 20-day period following the payment of the dividends after the 2024 Annual General Meeting, rounded up to the nearest integer. The Restricted Shares will be blocked for a period of three years from the grant date, until May 2027.

More information on the short-term incentive for the members of the Operations Council in disclosed in the SGS Remuneration report.

iii) Grants to other employees

In 2023, a total of 184 464 performance share units (PSUs) under the long-term incentive plan 2023-2025 were granted to selected senior managers. The PSUs vest after a three-year performance period 2023-2025, in March 2026, subject to performance conditions and to continuity of employment of the beneficiaries during the vesting period. The value at grant date of the PSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 15 325 269.

In 2023, a total of 89 475 restricted share units (RSUs) were granted to selected key employees under the restricted share units plan 2023. The RSUs vest three years after the grant date. The value at grant date of the RSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 7 433 583.

Performance share unit (PSU) and restricted share unit (RSU) plans

Description	Vesting period from	Units outstanding at 31 December 2022	Granted	Forfeited	Vested	**Units outstanding at 31 December 2023**
SGS-PSU-21	February 24	376 800	–	–20 880	–795	355 125
SGS-PSU-22	February 25	219 900	–	–12 805	–345	206 750
SGS-PSU-23	March 26	–	289 509	–2 948	–	286 561
SGS-RSU-20	April 23	48 700	–	–225	–48 475	–
SGS-RSU-21	April 24	42 225	–	–2 600	–300	39 325
SGS-RSU-22	April 25	70 750	–	–3 500	–900	66 350
SGS-RSU-23	April 26	–	89 475	–2 355	–170	86 950
Total		**758 375**	**378 984**	**–45 313**	**–50 985**	**1 041 061**

The Group does not issue new shares to grant employees in relation to the equity-based compensation plans but uses treasury shares, acquired through share buyback programs.

In total, as of 31 December 2023, the equity overhang, defined as the total number of unvested share units (1 041 061 units) divided by the total number of outstanding shares (187 375 800 shares) amounted to 0.56%.

The Company's burn rate, defined as the number of equities (shares, restricted shares and share units) granted in 2023 (412 764 units) divided by the total number of outstanding shares, was 0.22%.

The Group recognized during the year a total expense of CHF 27 million (2022: CHF 20 million) in relation to equity compensation plans.

Shares available (required) for future plans:

	Total
At 1 January 2022	**–18 323**
Repurchased shares	12 500
Granted SGS-RSU-22 plan	–2 915
Granted SGS-PSU-22 plan	–8 907
Shares for PSU forfeited	991
Shares for RSU forfeited	461
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	–1 663
At 31 December 2022	**–17 856**
At 31 December 2022 restated after stock-split	**–446 400**
Granted SGS-RSU-23 plan	–89 475
Granted SGS-PSU-23 plan	–289 509
Shares for PSU forfeited	36 633
Shares for RSU forfeited	8 680
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	–33 780
At 31 December 2023	**–813 851**

At 31 December the Group had the following shares available to satisfy various programs:

	2023 Total	2022 Total Restated	2022 Total Published
Number of shares held	227 210	311 975	12 479
Shares allocated for 2020 RSU plan	–	–48 700	–1 948
Shares allocated for 2021 RSU plan	–39 325	–42 225	–1 689
Shares allocated for 2021 PSU plan	–355 125	–376 800	–15 072
Shares allocated for 2022 RSU plan	–66 350	–70 750	–2 830
Shares allocated for 2022 PSU plan	–206 750	–219 900	–8 796
Shares allocated for 2023 RSU plan	–86 950	–	–
Shares allocated for 2023 PSU plan	–286 561	–	–
Shares required for future equity compensation plans at 31 December	**–813 851**	**–446 400**	**–17 856**

30. Related-party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed.

Compensation to Directors and members of the Operations Council

The remuneration of Directors and members of the Operations Council during the year was as follows:

(CHF million)	**2023**	2022
Short-term benefits	15	15
Post-employment benefits	1	1
Share-based payments[1]	12	12
Total	**28**	**28**

1. 2023 represents the value at grant of restricted share units and performance share units granted in 2023 while 2022 represents the value at grant of restricted share units and performance share units granted in 2022.

The remuneration of Directors and members of the Operations Council is determined by the Nomination and Remuneration Committee. Additional information is disclosed in the SGS Remuneration report.

During 2023 and 2022, no member of the Board of Directors or of the Operations Council had a personal interest in any business transactions of the Group.

The Operations Council (including senior management) participates in the equity compensation plans as disclosed in note 29.

The total compensation, including social charges, received by the Board of Directors amounted to CHF 2 820 000 (2022: CHF 2 797 000).

The total compensation (cash and shares/options), including social charges, received by the Operations Council (including senior management) amounted to CHF 24 678 000 (2022: CHF 24 474 000).

Loans to members of governing bodies

As at 31 December 2023, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies (unchanged from previous year).

Transactions with other related parties

In 2023 and in 2022, the Group did not perform any activity generating sales for the other related parties.

During 2023 and 2022, neither related trade receivable balances unpaid nor expense in respect of any bad or doubtful debts due from these related parties were recognized.

31. Significant shareholders

As at 31 December 2023, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 19.31% (December 2022: 19.11%) and BlackRock Inc. held 5.18% (December 2022: 5.18%) and UBS Fund Management (Switzerland) AG held 3.03% (December 2022: below 3%) of the share capital and voting rights of the Company. At the same date, the Group held 1.64% of the share capital of the Company (December 2022: 1.68%).

32. Approval of financial statements and subsequent events

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorized for issue by the Board of Directors on 21 February 2024, and will be submitted for approval on 26 March 2024 during the Annual General Meeting. There are no subsequent events to be reported in these consolidated financial statements.

Report of the statutory auditor

to the General Meeting of SGS SA

Geneva

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SGS SA and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2023, the consolidated statement of financial position as at 31 December 2023, the consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 94 to 133 and pages 155 to 157) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

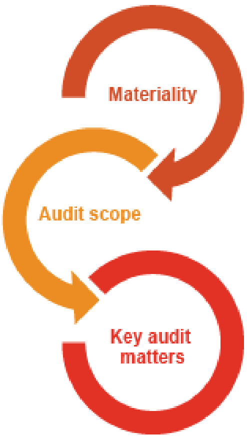
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our audit approach

Overview



Overall Group materiality: CHF 42 million

We concluded full scope audit work at 21 reporting units and audits of specific balances were performed on a further 16 reporting units. Our audit scope addressed over 68% of the Group's sales.

As key audit matters the following areas of focus have been identified:

- Testing the Vehicle Compliance Spain CGU for impairment
- Unbilled sales and work in progress (WIP)
- Taxation

PricewaterhouseCoopers SA, avenue Giuseppe-Motta 50, case postale, 1211 Genève 2, Switzerland
Téléphone: +41 58 792 91 00, www.pwc.ch

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 42 million
Benchmark applied	Three-years average profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. The three-years average reflects current market volatility. Moreover, profit before tax is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Due to the nature of its business and its organisation, the Group has a decentralised structure and operates in 116 countries in three main regions (Asia Pacific, Europe/Africa/Middle East and Americas). We instructed audit teams in 17 countries to perform a full scope audit and audit teams in another 14 countries to perform an audit of specific balances (principally sales, account receivable, work in progress and unbilled sales). These teams audit the respective account balances as well as classes of transactions and report to us on their audit results in response to the audit instructions we sent to them.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Testing the Vehicle Compliance Spain CGU for impairment

Key audit matter	How our audit addressed the key audit matter
The Group's share of goodwill allocated to the Vehicle Compliance Spain CGU (cash generating unit) amounts to CHF 92 million as at 31 December 2023. We identified the valuation and recoverability of goodwill and other intangible assets allocated to the Vehicle Compliance Spain CGU as a key audit matter because technical assumptions used in the determination of the CGUs recoverable amount are highly sensitive to the current	We obtained the Group's impairment test for the Vehicle Spain Compliance CGU and, in particular: • We assessed the appropriateness of the impairment testing methodology; • We reconciled the five-year projections to the financial forecasts that were approved by management;

economic situation. At the same time, the business is highly dependent on the renewal of concessions in the coming years. The discounted cash flow model is based on the value-in-use methodology and on a five-year plan. The valuation and assessment in connection with the impairment testing of the goodwill of Vehicle Compliance Spain CGU were of particular importance. As a result of this analysis, the goodwill of the CGU was written down by CHF 18 million. Management's judgement is required to determine the assumptions relating to the future business results, the long-term growth rate after the forecast period and the discount rate applied to the forecasted cash flows. Refer to the corresponding accounting policy in note 2 – Significant accounting policies and exchange rates and note 14 – Goodwill in the notes to the consolidated financial statements.	• We challenged management to substantiate the key assumptions used in the cash flow projections of the Vehicle Compliance Spain CGU's business during the forecasted period; • We obtained comfort over the appropriateness of cash flow assumptions by corroborating them with external market data; • We tested, with the support of PwC's valuation experts, the reasonableness of the long-term growth rate after the forecast period and the discount rate; • We tested the mathematical accuracy of the model; • We assessed the quality of the cash flow projections by comparing the actual results of the CGU to the prior year's budget to identify in retrospect whether any of the assumptions might have been too optimistic; • We evaluated the Group's sensitivity analysis of key assumptions to ascertain the effect of changes in those assumptions on the value-in-use; • We assessed the adequacy of the disclosures included in note 14 related to goodwill. On the basis of the procedures performed, we consider that the conclusions drawn by management regarding the impairment test of the Vehicle Compliance Spain CGU was reasonable.

Unbilled sales and work in progress (WIP)

Key audit matter	How our audit addressed the key audit matter
The amounts on the balance sheet related to unbilled sales and work in progress total CHF 223 million. Unbilled sales are recognised for services completed but not yet invoiced and is measured at the net selling price. WIP is recognised for partially completed performance obligations under a contract. The measure of progress is based on observable output or input methods. A proportion of the expected margin on completion is recognised based on the actual costs incurred in proportion to total expected costs, provided that the project is expected to be profitable once completed. The assessment of the degree of progress and the estimated margin requires judgement by management. Given the significance and relevance of their impact on the consolidated financial statements and because the progress and the expected margin on completion must be estimated at the end of each reporting period, we deemed the measurement of unbilled sales and work in progress to be a key audit matter. Refer to the corresponding accounting policy in note 2 – Significant accounting policies and exchange rates and to note 5 – Sales from contracts with customers in the notes to the consolidated financial statements.	We reviewed SGS's sales recognition policy and obtained an understanding of how unbilled sales and WIP are accounted for. Our audit approach consisted of the following procedures, in particular: • We assessed the design and implementation of the key controls relating to the monitoring of unbilled sales and WIP balances. • We selected samples of unbilled sales and WIP balances and traced them to underlying contracts and invoices with customers. • We obtained comfort over the degree of progress from discussions with project managers and performed reconciliations to actual numbers recognised in the financial statements in selected cases. • We selected samples of unbilled sales and WIP balances recorded at the previous period-end and compared them to subsequent invoices and cash received from clients in order to evaluate the reliability of management's estimation process. • We analysed the aging of the open balances and assessed the appropriateness of provisions recognised in accordance with the Group's provision grid.

	• For entities with significant unbilled or WIP balances not subject to our Group audit, we performed central audit procedures. On the basis of the procedures performed, we consider management's estimates and disclosures regarding unbilled sales and work in progress balances to be reasonable.

Taxation

Key audit matter	How our audit addressed the key audit matter
The Group is subject to taxation in many jurisdictions and management makes judgements about the incidence and magnitude of tax liabilities that are subject to the future outcome of assessments by the relevant tax authorities. Accordingly, the calculation of tax expense and the related liability are subject to inherent uncertainty. To make these judgements, the Group has a structured process whereby management systematically monitors and assesses the existence, development and settlement of tax risks in each of its jurisdictions. The Group's main tax risks are i) that the tax authorities might not accept the transfer prices applied and ii) potential adverse results of ongoing tax audits. In accordance with its methodology, provisions for uncertain tax positions are calculated and included within current tax liabilities (CHF 176 million as at 31 December2023). Refer to the corresponding accounting policy in note 2 – Significant accounting policies and exchange rates and to note 10 – Taxes in the notes to the consolidated financial statements.	Our audit approach consisted of the following procedures, in particular: • We assessed the existence of tax exposures by means of inquiry with local and Group management. • We discussed management's process to assess the risk of tax liabilities in the different jurisdictions as a result of potential challenges to the tax positions, and tested the measurement and timing of recognition of the provision when applicable. • With the support of PwC's internal tax experts, we examined the documentation outlining the matters in dispute or at risk and the benchmarks relied upon for transfer pricing, and used our knowledge of the tax laws and other similar taxation matters to assess the available evidence, management's judgmental processes and the provisions. On the basis of the procedures performed, we conclude that management's tax estimates were reasonable.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet	Louise Rolland
Licensed audit expert Auditor in charge	Licensed audit expert

Geneva, 21 February 2024

2. SGS SA

2.1. Income Statement

For the years ended 31 December

(CHF million)	Notes	**2023**	2022
Operating income			
Dividends from subsidiaries		646	696
Total operating income		**646**	**696**
Operating expenses			
Other operating expenses		–6	–4
Total operating expenses		**–6**	**–4**
Operating result		**640**	**692**
Financial income	6	98	48
Exchange gain, net		1	30
Financial expenses	6	–79	–51
Liquidation of subsidiaries, net		–	–
Financial result		**20**	**27**
Extraordinary losses	7	–26	–67
Profit before taxes		**634**	**652**
Taxes		–	3
Withholding taxes		–8	–6
Profit for the year		**626**	**649**

2.2. Statement of Financial Position at 31 December

(Before appropriation of available retained earnings)

(CHF million)	Notes	**2023**	2022
Assets			
Current assets			
Cash and cash equivalents		419	424
Derivative assets		18	12
Amounts due from subsidiaries		449	434
Other receivables and prepayments		6	4
Total current assets		**892**	**874**
Non-current assets			
Loans to subsidiaries		1 667	1 666
Other financial assets		4	5
Other assets		2	2
Investments in subsidiaries		2 003	2 008
Total non-current assets		**3 676**	**3 681**
Total assets		**4 568**	**4 555**
Shareholder's equity and liabilities			
Current liabilities			
Bank overdraft		8	9
Derivative liabilities		14	9
Trade and other payables		1	10
Amounts due to subsidiaries		625	590
Corporate bonds	3	250	500
Deferred income and accrued expenses		12	12
Total current liabilities		**910**	**1 130**
Non-current liabilities			
Amounts due to subsidiaries		570	623
Corporate bonds	3	2 325	2 075
Total non-current liabilities		**2 895**	**2 698**
Shareholder's equity			
Share capital	4 to 5	7	7
Legal reserve	4 to 5	34	34
Retained earnings	4 to 5	951	907
Treasury shares for share buyback	4 to 5	–250	–250
Reserve for treasury shares held by a subsidiary	4 to 5	21	29
Total shareholder's equity		**763**	**727**
Total shareholder's equity and liabilities		**4 568**	**4 555**

2.3. Notes

SGS SA ('the Company') is the ultimate parent company of the SGS Group which owns and finances, either directly or indirectly, its subsidiaries and joint ventures throughout the world. The head office is located in Geneva, Switzerland.

The average number of employees is less than 10 people for this company (2022: less than 10).

1. Significant accounting policies

The financial statements are prepared in accordance with the accounting principles required by the provisions of commercial accounting as set out in the Swiss Code of Obligations.

Investments in subsidiaries

Investments in subsidiaries are valued individually at acquisition cost less an adjustment for impairment where appropriate.

Foreign currencies

Balance sheet items denominated in foreign currencies are converted into Swiss Francs at year-end exchange rates with the exception of investments in subsidiaries which are valued at the historical exchange rate.

Foreign currency transactions are translated using the actual exchange rates prevailing during the year. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Derivatives

SGS SA uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for on a mark-to-market basis.

Derivative financial instruments are initially recognized at fair value and subsequently remeasured at fair value at each balance sheet date. The gains and losses resulting from the fair value remeasurement are recognized in the income statement. The fair value of forward exchange contracts is determined with reference to market prices at the balance sheet date.

Dividends from subsidiaries

Dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid, rather than as an appropriation of profit in the year to which they relate or for which they are proposed by the Board of Directors.

As a result, dividends are recognized in income in the year in which they are received, on a cash basis. Dividends are recorded in the currency defined for each affiliate and converted at spot rate in the income statement.

Bonds

Bonds are recorded at nominal value.

2. Subsidiaries

The list of principal Group subsidiaries appears in the annual report on pages 155 to 157.

In 2020, SGS SA acquired 80% of the capital of Ryobi Geotechnique Pte Ltd in Singapore. The share purchase agreement includes an option to acquire the remaining 20% of Ryobi Geotechnique Pte Ltd in 2025.

3. Corporate bonds

SGS SA made the following bond issuances:

Date of issue	Face value in CHF Million	Coupon in %	Year of Maturity	Issue price in %	Redemption price in %
27.02.2014	250	1.750	2024	101.019	100.000
Short-term bonds	**250**				
08.05.2015	225	0.875	2030	100.245	100.000
03.03.2017	375	0.550	2026	100.153	100.000
29.10.2018	225	0.750	2025	100.068	100.000
29.10.2018	175	1.250	2028	101.157	100.000
06.05.2020	325	0.950	2026	100.182	100.000
05.09.2022	150	1.250	2025	100.000	100.000
05.09.2022	350	1.700	2029	100.197	100.000
17.11.2023	240	2.000	2027	100.038	100.000
17.11.2023	260	2.300	2031	100.127	100.000
Long-term bonds	**2 325**				

As at 31 December 2023, one bond in the above table is classified as short-term liabilities as the due date is less than a year.

On 17 November 2023, SGS SA issued two bonds, one CHF 240 million bond with a 2.000% coupon and one CHF 260 million bond with a 2.300% coupon.

The Company has listed all bonds on the SIX Swiss Exchange.

4. Total equity

(CHF million)	Share capital	Legal reserve	Reserve for treasury shares held by a subsidiary	Treasury shares for share buyback	Retained earnings	Total
Balance at 1 January 2022	**7**	**34**	**8**	**–**	**878**	**927**
Dividends paid	–	–	–	–	–599	–599
Increase in the reserve for own shares	–	–	21	–	–21	–
Share buyback program	–	–	–	–250	–	–250
Profit for the year	–	–	–	–	649	649
Balance at 31 December 2022	**7**	**34**	**29**	**–250**	**907**	**727**
Dividends paid	–	–	–	–	–590	–590
Decrease in the reserve for own shares	–	–	–8	–	8	–
Profit for the year	–	–	–	–	626	626
Balance at 31 December 2023	**7**	**34**	**21**	**–250**	**951**	**763**

5. Share capital

	Shares in circulation	Treasury shares	Total shares issued	Total share capital CHF (million)
Balance at 1 January 2022	**7 491 672**	**3 360**	**7 495 032**	**7**
Treasury shares released into circulation	3 381	–3 381	–	–
Treasury shares purchased for equity compensation plans	–12 500	12 500	–	–
Treasury shares purchased for cancellation	–113 499	113 499	–	–
Balance at 31 December 2022	**7 369 054**	**125 978**	**7 495 032**	**7**
Treasury shares released into circulation	1 964	–1 964	–	–
Balance at 12 April 2023 before share split	**7 371 018**	**124 014**	**7 495 032**	**7**
Share split 25-1	176 904 432	2 976 336	179 880 768	–
Balance at 12 April 2023 after share split	**184 275 450**	**3 100 350**	**187 375 800**	**7**
Treasury shares released into circulation	35 665	–35 665	–	–
Balance at 31 December 2023	**184 311 115**	**3 064 685**	**187 375 800**	**7**

Issued share capital

On 28 March 2023, the Annual General Assembly approved a 25-1 stock split that went into effect on 12 April 2023. This split increased the number of shares issued, from 7 495 032 to 187 375 800, and reduced the nominal value per share, from CHF 1 to CHF 0.04.

As at 31 December 2023, SGS SA has a share capital of CHF 7 495 032 (2022: CHF 7 495 032) fully paid-in and divided into 187 375 800 (2022: 7 495 032) registered shares of a par value of CHF 0.04 (2022: CHF 1). All shares, other than treasury shares, participate equally in the dividends declared by the Company and have equal voting rights.

Treasury shares

On 31 December 2023, SGS SA held 3 064 685 treasury shares, thereof 2 837 475 directly and 227 210 through an affiliate company.

In 2023, 84 765 shares were released into circulation.

On 31 December 2022, SGS SA held 125 978 treasury shares, thereof 113 499 directly and 12 479 through an affiliate company.

On 21 June 2022, SGS SA announced a CHF 250 million share buyback program for the purpose of capital reduction. The program ended on 21 December 2022 and 113 499 shares were repurchased for a total amount of CHF 250 million at an average purchase price of CHF 2 203 per share.

In 2022, 12 500 shares have been repurchased through an affiliate company for covering future equity compensation plans, whilst 3 381 shares were released into circulation.

6. Financial income and financial expenses

(CHF million)	**2023**	2022
Financial income		
Interest income 3rd party	5	1
Interest income Group	93	47
Financial income	**98**	**48**
Financial expenses		
Interest expenses 3rd party	–31	–21
Interest expenses Group	–41	–14
Other financial expenses	–7	–16
Financial expenses	**–79**	**–51**

7. Extraordinary losses

The extraordinary loss is composed of impairment respectively on investments in subsidiaries of CHF –27 million (2022: CHF –52 million) and on loan to subsidiaries of CHF 1 million (2022: CHF –15 million).

8. Guarantees and comfort letters

(CHF million)	**2023 issued**	**2023 utilized**	2022 issued	2022 utilized
Guarantees	3 105	1 467	2 511	1 563
Performance bonds	68	38	55	55
Total	**3 173**	**1 505**	**2 566**	**1 618**

The Company has unconditionally guaranteed or provided comfort to financial institutions providing credit facilities (loans and guarantee bonds) to its subsidiaries. In addition, it has issued performance bonds to commercial customers on behalf of its subsidiaries.

The Company is part of a VAT Group comprising itself and other group companies in Switzerland.

9. Remuneration

9.1. Remuneration policy and principles

This section appears in the SGS Remuneration report paragraph 2 in the annual report on pages 69 to 70.

9.2. Remuneration model

This section appears in the SGS Remuneration report paragraph 3 in the annual report on pages 71 to 78.

9.3. Remuneration awarded to the Board of Directors

This section appears in the SGS Remuneration report paragraph 4 in the annual report on pages 79 to 81.

9.4. Remuneration awarded to the Operations Council members

This section appears in the SGS Remuneration report paragraph 5 in the annual report on pages 82 to 89.

10. Shares and options held by members of governing bodies

10.1. Shares and options held by members of the Board of Directors

The following table shows the shares held by members of the Board of Directors as at 31 December 2023:

Name	Shares
C. Grieder	**14 128**
S.R. du Pasquier	**2 257**
J. Riedl	**607**
P. Cheung	**1 082**
K. Sorenson	**3 207**
I. Gallienne	**1 082**
S. Atiya	**3 382**
T. Hartmann	**1 082**
J. Vergis	**1 082**

The following table shows the shares held by members of the Board of Directors as at 31 December 2022:

Name	Shares[1]
C. Grieder	485
S.R. du Pasquier	66
P. Desmarais	56
P. Cheung	19
K. Sorenson	104
I. Gallienne	20
S. Atiya	111
T. Hartmann	19
J. Vergis	19

10.2. Shares and options held by senior management

The following table shows the shares and restricted shares held by senior management as at 31 December 2023:

Name	Corporate responsibility	Restricted shares	Shares
F. Ng	Chief Executive Officer	**14 726**	**95 000**
G. Picaud	Chief Financial Officer (from 1 December 2023)	**–**	**500**
O. Merkt	General Counsel and Chief Compliance Officer	**3 001**	**8 750**

The following table shows the shares and restricted shares held by senior management as at 31 December 2022:

Name	Corporate responsibility	Restricted shares[1]	Shares[1]
F. Ng	Chief Executive Officer	648	3 556
D. de Daniel	Chief Financial Officer	406	1 165
O. Merkt	General Counsel and Chief Compliance Officer	144	287

1. Prior to share split implemented on 12 April 2023.

Details of the various plans are explained in the SGS Remuneration report.

11. Significant shareholders

As at 31 December 2023, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 19.31% (December 2022: 19.11%), BlackRock Inc. held 5.18% (December 2022: 5.18%) and UBS Fund Management (Switzerland) AG held 3.03% (December 2022: below 3%) of the share capital and voting rights of the Company.

At the same date, the SGS Group held 1.64% of the share capital of the Company (December 2022: 1.68%).

Proposal of the Board of Directors for the appropriation of available retained earnings

(CHF)	**2023**	2022
Profit for the year	625 502 400	649 821 069
Balance brought forward from previous year	657 434 309	877 874 780
Dividend paid[2]	–589 608 000	–599 419 601
Share buyback program	–	–250 000 741
(Transfer to) / Reversal from the reserve for treasury shares	7 846 448	–20 841 198
Total retained earnings available for appropriation	**701 175 157**	**657 434 309**

2. No dividend is paid on own shares held directly or indirectly by SGS SA.

Distribution to shareholders

The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 26 March 2024) the approval of an optional scrip dividend of CHF 3.20 per share (CHF 590 million), subject to the approval of a capital increase, where shareholders can elect to receive the dividend in the form of shares or in cash. Shares will be sourced from the issuance of new shares in the proposed capital increase. The shares will be delivered at a discount, and the share dividend will be a tax and cost-effective option for shareholders.

Depending on the choices of the shareholders the above total amount of retained earnings will be reduced:

- By CHF 3.20 for each share for which a cash dividend is paid (no dividends are paid on treasury shares)
- By CHF 0.04 for each dividend share

The remaining amount will constitute the balance being carried forward.

Approval of financial statements and subsequent events

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorized for issue by the Board of Directors on 21 February 2024 and will be submitted for approval by the Annual General Meeting to be held on 26 March 2024.

Report of the statutory auditor

to the General Meeting of SGS SA

Geneva

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SGS SA (the Company), which comprise statement of financial position as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements presented on pages 140 to 146, comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our audit approach

Overview

Overall materiality: CHF 42 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

As key audit matter the following area of focus has been identified:

- Valuation of investments in subsidiaries

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

PricewaterhouseCoopers SA, avenue Giuseppe-Motta 50, case postale, 1211 Genève 2, Switzerland
Téléphone: +41 58 792 91 00, www.pwc.ch

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 42 million
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark, because, in our view, it is the benchmark against which the performance of the Company, which has limited operating activities and which mainly holds investments in subsidiaries and intra-group loans, is most commonly measured, and it is a generally accepted benchmark for holding companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2023, SGS SA's investments in subsidiaries amount to CHF 2,003 million. Given the significance of this amount in the financial statements and because of the judgement used by management in determining its value, we consider the valuation of investments in subsidiaries a key audit matter. The Company measures individually the investment in each subsidiary. The Company conducts an annual risk assessment based on several impairment indicators to identify investments with an impairment risk. For those investments in subsidiaries with a higher identified risk of impairment, the recoverable amount is determined based on a five-year discounted cashflow forecast. The main judgements applied by management relate to revenue and margin growth throughout the period of the five-year plan, the long-term growth rate beyond the detailed forecast period and the discount rate. An impairment is recognised if the recoverable amount of an individual investment is lower than the associated carrying value.	We obtained the Company's work on the valuation of investments in subsidiaries, and we performed the following procedures: • We obtained an understanding of management's process and controls relating to the valuation of investments in subsidiaries. • We tested the mathematical accuracy of the calculations and reconciled the balances to the financial statements. • We challenged the appropriateness of management's process to identify impairment indicators by comparing the triggers used to common indicators such as historical profitability and capacity to pay dividends. • We also performed testing by calculating revenue and operating profit multipliers based on the market capitalisation of the Group and comparing those to the respective multiples of the individual investments in subsidiaries. For those investments in subsidiaries with a higher identified risk of impairment, we critically assessed the reasonableness of the underlying key assumptions and judgements applied by performing the following procedures in particular: • We assessed the quality of the five-year cashflow forecast projections by comparing forecasted revenue and margin growth to historical and market trends as well as by holding discussions with group management

Key audit matter	How our audit addressed the key audit matter
The results of management's impairment testing indicated that some investments in subsidiaries were impaired. As a result, management recognised an impairment in the amount of CHF 27 million. Refer to note 1 – Significant accounting policies	to assess their intention and ability to execute the strategic initiatives. • We evaluated, with the support of PwC's valuation specialists, the reasonableness of the discount rate and long-term growth rate applied to those future cash flows. We consider management's approach as an acceptable and reasonable basis for the valuation of the investments in subsidiaries.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the financial statements.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Geneva, 21 February 2024

Guillaume Nayet	Louise Rolland
Licensed audit expert Auditor in charge	Licensed audit expert

3. Historical data

3.1. SGS Group – Five-Year Statistical Data Consolidated Income Statements

For the years ended 31 December

(CHF million)	**2023**	2022	2021	2020	2019
Sales	**6 622**	**6 642**	**6 405**	**5 604**	**6 600**
Salaries and wages	–3 316	–3 331	–3 180	–2 797	–3 357
Subcontractors' expenses	–400	–399	–385	–352	–386
Depreciation, amortization and impairment	–545	–521	–499	–517	–548
Gain on business disposal	7	–	–	63	268
Other operating expenses	–1 511	–1 493	–1 364	–1 206	–1 495
Operating income (EBIT)	**857**	**898**	**977**	**795**	**1 082**
Financial income	29	20	16	12	18
Financial expenses	–86	–71	–69	–66	–79
Share of profit of associates and joint ventures	2	2	–	1	–4
Profit before taxes	**802**	**849**	**924**	**742**	**1 017**
Taxes	–205	–219	–269	–237	–315
Profit for the year	**597**	**630**	**655**	**505**	**702**
Profit attributable to:					
Equity holders of SGS SA	553	588	613	480	660
Non-controlling interests	44	42	42	25	42
Operating income margins in %	**13**	**14**	**15**	**14**	**16**
Average number of employees	**98 545**	**96 759**	**93 297**	**89 098**	**94 494**

3.2. SGS Group – Five-Year Statistical Data Consolidated Statements of Financial Position

At 31 December

(CHF million)	**2023**	2022	2021	2020	2019
Property, plant and equipment	823	907	925	872	926
Right-of-use assets	506	577	605	590	611
Goodwill	1 636	1 755	1 778	1 651	1 281
Other intangible assets	275	350	382	333	187
Investments in joint-ventures, associates and other	16	20	26	34	35
Deferred tax assets	185	153	164	161	174
Other non current-assets	191	125	173	154	149
Total non-current assets	**3 632**	**3 887**	**4 053**	**3 795**	**3 363**
Inventories	57	59	59	57	45
Unbilled sales and work in progress	223	210	175	160	195
Trade receivables	940	988	928	856	953
Other receivables and prepayments	213	223	204	188	219
Current tax assets	127	132	108	77	77
Marketable securities	–	–	–	9	9
Cash and cash equivalents	1 569	1 623	1 480	1 766	1 466
Total current assets	**3 129**	**3 235**	**2 954**	**3 113**	**2 964**
Total assets	**6 761**	**7 122**	**7 007**	**6 908**	**6 327**
Share capital	7	7	7	8	8
Reserves	723	954	1 118	1 282	1 536
Treasury shares	–271	–279	–8	–230	–30
Equity attributable to equity holders of SGS SA	**459**	**682**	**1 117**	**1 060**	**1 514**
Non-controlling interests	69	81	85	74	81
Total equity	**528**	**763**	**1 202**	**1 134**	**1 595**
Loans and other financial liabilities	3 040	2 833	2 889	2 390	2 199
Lease liabilities	384	442	481	470	490
Deferred tax liabilities	73	79	92	53	23
Defined benefit obligations	66	47	84	136	151
Provisions	91	96	90	88	91
Total non-current liabilities	**3 654**	**3 497**	**3 636**	**3 137**	**2 954**
Trade and other payables	634	671	687	658	638
Contract liabilities	221	228	221	189	155
Current tax liabilities	176	165	169	140	145
Loans and other financial liabilities	841	1 009	282	863	38
Lease liabilities	143	162	155	151	154
Provisions	41	58	60	85	74
Other creditors and accruals	523	569	595	551	574
Total current liabilities	**2 579**	**2 862**	**2 169**	**2 637**	**1 778**
Total liabilities	**6 233**	**6 359**	**5 805**	**5 774**	**4 732**
Total equity and liabilities	**6 761**	**7 122**	**7 007**	**6 908**	**6 327**

3.3. SGS Group – Five-Year Statistical Share Data

(CHF unless indicated otherwise)	**2023**	2022	2021	2020	2019
Share information					
Registered shares					
Number of shares issued	187 375 800	7 495 032	7 495 032	7 565 732	7 565 732
Number of shares with dividend rights	184 311 115	7 369 054	7 491 672	7 469 238	7 552 390
Price					
High	94	3 076	3 059	2 843	2 689
Low	72	2 002	2 595	1 974	2 213
Year-end	73	2 150	3 047	2 670	2 651
Par value	0.04	1	1	1	1
Key figures by shares					
Equity attributable to equity holders of SGS SA per share in circulation at 31 December	2.49	92.56	149.20	141.91	200.37
Basic earnings per share[1]	3.00	78.86	81.91	64.05	87.45
Dividend per share ordinary	3.20	80.00	80.00	80.00	80.00
Total dividend per share	3.20	80.00	80.00	80.00	80.00
Dividends (CHF million)					
Ordinary[2]	590	590	599	598	604
Total	**590**	**590**	**599**	**598**	**604**

1. Calculation of the basic earnings per share (weighted average for the year) is disclosed in note 11 of SGS Group Results.
2. The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 26 March 2024) the approval of an optional scrip dividend of CHF 3.20 per share, subject to the approval of a capital increase, where shareholders can elect to receive the dividend in the form of shares or in cash. Shares will be sourced from the issuance of new shares in the proposed capital increase. The shares will be delivered at a discount, and the share dividend will be a tax- and cost-effective option for shareholders.

3.4. SGS Group share information

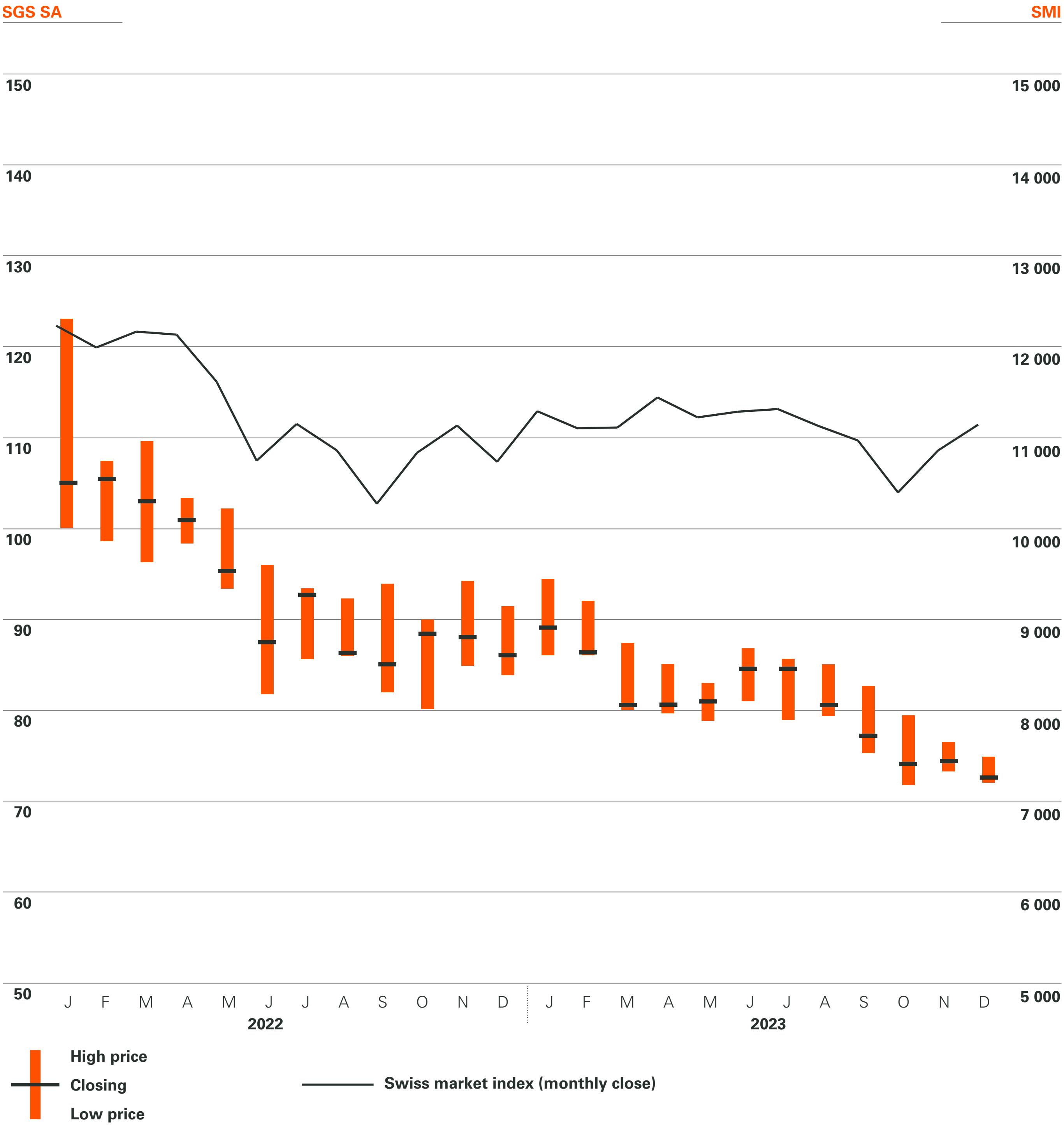
Share transfer

SGS SA has no restrictions as to share ownership, except that registered shares acquired in a fiduciary capacity by third parties may not be registered in the shareholders' register, unless a special authorization has been granted by the Board of Directors.

Market capitalization

At the end of 2023 market capitalization was approximately CHF 13 370 million (2022: CHF 16 114 million). Shares are quoted on the SIX Swiss Exchange.

3.5. Closing prices for SGS and the Swiss market index (SMI) 2022-2023



4. Material operating companies and ultimate parent

The disclosure of legal entities is limited to entities whose contribution to the Group sales in 2023 represent at least 1% of the consolidated sales, but includes, in addition, the main operating legal entity in every country where the Group has permanent operations, even when such legal entities represent less than 1% of the Group consolidated sales. This definition of materiality excludes dormant companies, pure sub-holding companies or entities used solely for the detention of assets.

Country	Name and domicile	Issued capital currency	Issued capital amount	% held by Group	Direct/ indirect
Albania	SGS Albania, Tirana	ALL	15 100 000	100	D
Algeria	SGS Qualitest Algérie SpA, Alger	DZD	50 000 000	100	D
Angola	SGS Serviços Angola SA, Luanda	USD	30 000	49	I
Argentina	SGS Argentina SA, Buenos Aires	ARS	1 139 599 536	100	D
Australia	SGS Australia Pty. Ltd., Bentley	AUD	200 000	100	I
Austria	SGS Austria Controll-Co. Ges.m.b.H., Vienna	EUR	185 000	100	D
Azerbaijan	SGS Azerbaijan LLC	USD	100 000	100	D
Bangladesh	SGS Bangladesh Limited, Dhaka	BDT	10 000 000	100	D
Belarus	SGS Minsk Ltd., Minsk	USD	20 000	100	D
Belgium	SGS Belgium N.V., Antwerpen	EUR	35 995 380	100	D
Botswana	SGS Botswana (Proprietary) Limited, Gaborone	BWP	1 000	100	D
Brazil	SGS do Brasil LTDA, São Paulo	BRL	648 683 068	100	D
Bulgaria	SGS Bulgaria Ltd., Sofia	BGN	5 010 000	100	D
Burkina Faso	SGS Burkina SA, Ouagadougou	XOF	601 080 000	100	D
Cambodia	SGS (Cambodia) Ltd., Phnom Penh	KHR	4 000 000 000	100	D
Cameroon	SGS Cameroun SA, Douala	XAF	10 000 000	98.9	D
Canada	SGS Canada Inc., Mississauga	CAD	20 900 000	100	D
Central African Republic	SGS Centrafrique SA, Bangui	XAF	10 000 000	100	D
Chile	SGS Minerals S.A., Santiago de Chile	CLP	29 725 583 703	100	I
China	SGS-CSTC Standards Technical Services Co. Ltd., Beijing	USD	3 966 667	85	I
China	SGS-CSTC Standards Technical Services (Shanghai) Co., Ltd., Shanghaï	CNY	180 000 000	85	I
Colombia	SGS Colombia SAS, Bogota	COP	135 546 166 036	100	D
Congo	SGS Congo SA, Pointe-Noire	XAF	1 510 000 000	100	D
Croatia	SGS Adriatica d.o.o., Zagreb	HRK	1 300 000	100	I
Czech Republic	SGS Czech Republic s.r.o., Praha	CZK	7 707 000	100	I
Denmark	SGS Analytics Denmark A/S, Nørresundby	DKK	506 000	100	I
Democratic Republic of Congo	SGS Minerals RDC SARL, Lubumbashi	CDF	46 144 617	49	D
Ecuador	Consorcio SGS – Revisiones Técnicas	USD	25 000	100	I
Egypt	SGS Egypt Ltd., Cairo	EGP	1 500 000	100	D
Estonia	SGS Estonia Ltd., Tallinn	EUR	42 174	100	I
Ethiopia	SGS Ethiopia Private Limited	ETB	15 000	100	D
Finland	SGS Fimko Oy, Helsingfors	EUR	260 000	100	I
France	SGS France SAS, Arcueil	EUR	3 172 613	100	I
Georgia	SGS Georgia Ltd., Batumi	USD	80 000	100	D
Germany	SGS Germany GmbH, Hamburg	EUR	1 210 000	100	I
Germany	SGS Institut Fresenius GmbH, Taunusstein	EUR	7 490 000	100	I
Ghana	SGS Laboratory Services Ghana LTD, Accra	GHS	13 501 602	100	D
Great Britain	SGS United Kingdom Limited, Ellesmere Port	GBP	8 000 000	100	I
Greece	SGS Greece SA, Marousi	EUR	301 731	100	D
Guam	SGS Guam Inc., Guam	USD	25 000	100	D
Guatemala	SGS Central America SA, Guatemala-City	GTQ	14 568 000	100	D
Guinea-Conakry	SGS Mineral Services (Guinée) Sàrl Unipersonnelle, Conakry	GNF	50 000 000	100	D

Country	Name and domicile	Issued capital currency	Issued capital amount	% held by Group	Direct/ indirect
Hong Kong	SGS Hong Kong Limited, Hong Kong	HKD	200 000	100	D
Hungary	SGS Hungária Kft., Budapest	HUF	518 000 000	100	I
India	SGS India Private Ltd., Mumbai	INR	960 000	100	D
Indonesia	P.T. SGS Indonesia, Jakarta	USD	872 936	100	D
Iran	SGS Iran (Private Joint Stock) Limited, Tehran	IRR	50 000 000	99.99	D
Ireland	SGS Ireland Limited, Dublin	EUR	5 000	100	I
Italy	SGS Italia S.p.A., Milan	EUR	2 500 000	100	D
Ivory Coast	Société Ivoirienne de Contrôles Techniques Automobiles et Industriels SA, Abidjan	XOF	200 000 000	95	D
Japan	SGS Japan Inc., Yokohama	JPY	100 000 000	100	D
Jordan	SGS (Jordan) Private Shareholding Company, Amman	JOD	100 000	50	D
Kazakhstan	SGS Kazakhstan Limited, Almaty	KZT	228 146 527	100	D
Kenya	SGS Kenya Limited, Mombasa	KES	3 000 000	100	D
Korea (Republic of)	SGS Korea Co. Ltd., Seoul	KRW	15 617 540 000	100	D
Kuwait	SGS Kuwait W.L.L, Kuwait City	KWD	50 000	49	D
Kyrgyzstan	SGS Bishkek LLC, Bishkek	KGS	3 463 000	100	D
Lao (People's Democratic Republic)	SGS (Lao) Sole Co., Ltd., Vientiane	LAK	2 444 700 000	100	D
Latvia	SGS Latvija Limited, Riga	EUR	118 382	100	I
Lebanon	SGS (Liban) S.A.L., Beirut	LBP	30 000 000	99.97	D
Liberia	SGS Liberia Inc, Monrovia	LRD	100	100	D
Lithuania	SGS Klaipeda Ltd., Klaipeda	EUR	711 576	100	I
Luxembourg	SGS Luxembourg, Windhof	EUR	38 000	100	I
Madagascar	Malagasy Community Network Services SA, Antananarivo	MGA	10 000 000	70	D
Malaysia	Petrotechnical Inspection (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	750 000	100	D
Mali	SGS Mali Sàrlu, Kayes	XOF	300 000 000	100	D
Mauritius	SGS (Mauritius) LTD, Phoenix	MUR	100 000	100	D
Mexico	SGS de Mexico, SA de C.V., Mexico	MXN	281 370 828	100	D
Moldova	SGS (Moldova) SA, Chisinau	MDL	488 050	100	D
Mongolia	SGS-IMME Mongolia LLC, Ulaanbaatar	MNT	8 066 764 376	55	I
Morocco	SGS Maroc SA, Casablanca	MAD	17 982 000	100	D
Mozambique	SGS MCNET Moçambique Limitada, Maputo	MZN	343 716 458	100	I
Myanmar	SGS (Myanmar) Limited, Yangon	MMK	300 000	100	D
Netherlands	SGS Nederland B.V., Spijkenisse	EUR	250 000	100	I
New Zealand	SGS New Zealand Limited, Auckland-Onehunga	NZD	12 022 190	100	D
Nigeria	SGS Inspection Services Nigeria Limited, Lagos	NGN	200 000	49	D
Norway	SGS Analytics Norway AS, Hamar	NOK	1 250 000	100	I
Oman	SGS Inspection and Testing Services SPC, Oman	OMR	800 000	100	D
Pakistan	SGS Pakistan (Private) Limited, Karachi	PKR	2 300 000	100	D
Panama	SGS Panama Control Services Inc., Panama	USD	7 899 339	100	D
Papua-New-Guinea	SGS PNG Pty. Limited, Port Moresby	PGK	2	100	I
Paraguay	SGS Paraguay SA, Asunción	PYG	1 962 000 000	100	D
Peru	SGS del Perú S.A.C., Lima	PEN	43 813 182	100	D
Philippines	SGS Philippines, Inc., Manila	PHP	24 620 000	100	D
Poland	SGS Polska Sp.z o.o., Warsaw	PLN	27 167 800	100	D
Portugal	SGS Portugal – Sociedade Geral de Superintendência SA, Lisboa	EUR	500 000	100	I
Qatar	SGS Qatar WLL, Doha	QAR	200 000	49	D
Romania	SGS Romania SA, Bucharest	RON	100 002	100	I
Russia	AO SGS Vostok Limited, Moscow	RUB	18 000 000	100	D

Country	Name and domicile	Issued capital currency	Issued capital amount	% held by Group	Direct/ indirect
Saudi Arabia	SGS Inspection Services Saudi Arabia Ltd., Jeddah	SAR	1 000 000	75	D
Senegal	SGS Sénégal SA, Dakar	XAF	35 000 000	100	D
Serbia	SGS Beograd d.o.o., Beograd	EUR	66 161	100	I
Sierra Leone	SGS (SL) Ltd., Freetown	SLL	200 000	100	D
Singapore	SGS Testing and Control Services Singapore Pte Ltd., Singapore	SGD	20 100 000	100	D
Slovakia	SGS Slovakia spol.s.r.o., Kosice	EUR	19 917	100	I
Slovenia	SGS Slovenija d.o.o. – Podjetje za kontrol blaga, Koper	EUR	10 432	100	I
South Africa	SGS South Africa (Proprietary) Limited, Johannesburg	ZAR	452 000 500	100	I
Spain	SGS Tecnos, SA, Sociedad Unipersonal, Madrid	EUR	92 072 034	100	I
Sri Lanka	SGS Lanka (Private) Limited, Colombo	LKR	9 000 000	100	D
Sweden	SGS Analytics Sweden AB, Linköping	SEK	1 018 250	100	I
Switzerland	SGS Société de Surveillance SA, Geneva	CHF	100 000	100	D
Switzerland	SGS SA, Geneva	CHF	7 495 032		Ultimate parent company
Taiwan	SGS Taiwan Limited, Taipei	TWD	62 000 000	100	I
Tanzania	African Assay Laboratories (Tanzania) Ltd, Dar Es Salaam	TZS	2 000	100	I
Thailand	SGS (Thailand) Limited, Bangkok	THB	20 000 000	99.99	D
Togo	SGS Togo SA, Lomé	XOF	10 000 000	100	D
Trinidad and Tobago	SGS Trinidad Ltd, San Fernando	USD	1 000	100	D
Tunisia	SGS Tunisie SA, Tunis	TND	50 000	50	D
Türkiye	SGS Supervise Gözetme Etud Kontrol Servisleri Anonim Sirketi, Istanbul	TRY	6 550 000	100	I
Turkmenistan	SGS Turkmen Ltd., Ashgabat	USD	50 000	100	D
Uganda	SGS Uganda Limited, Kampala	UGX	5 000 000	100	D
Ukraine	SGS Ukraine, Foreign Enterprise, Odessa	USD	400 000	100	D
United Arab Emirates	SGS Gulf Limited Dubai Airport Free Zone Branch	–	–	–	–
United States	SGS North America Inc., Wilmington	USD	73 701 996	100	I
Uruguay	SGS Uruguay Limitada, Montevideo	UYU	1 500	100	D
Uzbekistan	SGS Tashkent Ltd., Tashkent	USD	50 000	100	D
Vietnam	SGS Vietnam Ltd., Ho Chi Minh City	USD	288 000	100	D
Zambia	SGS Inspections Services Ltd., Lusaka	ZMK	16 944 000	100	I

Non-financial statements

Our approach to sustainability reporting

At SGS, we are committed to providing stakeholders with accurate and timely updates on our sustainability activities and performance, and we strive to produce a report that is fair, transparent and balanced, and meets the needs of stakeholders.

Scope and boundaries

The scope of the sustainability information contained in this integrated annual report covers all regions and business lines of the SGS Group for the 2023 calendar year. A list of SGS affiliates can be found on pages 155 to 157 of this report. Unless stated otherwise, our reported data scope covers the Group business and targets for the period 1 January to 31 December 2023.

We have identified and prioritized the most material impacts on our business and on stakeholders across our value chain. This integrated annual report includes performance data for our direct operations, as well as information on how we manage the most material issues.

For more information on material issues
Page 24

We report key performance indicators (KPIs) from all of our facilities, subsidiaries, and other business units, as determined by our reporting boundaries.

Under the financial control approach, we account for 100% of the KPIs from operations over which we have control. We do not account for KPIs from operations in which we own an interest but not a control. Control is defined in financial terms.

We do not include a KPI in our accounting or reporting if we do not have reliable information about it. This omission is noted in the report. As an example, we currently do not account for district heating and refrigerants in our total carbon dioxide (CO_2) emissions.

In this report, we present our historical and current performance over a three-year period. Sometimes historical data may differ from that included in previous reports due to the availability of more accurate data or improved data gathering and/or reporting. Variations in the data that are less than 5% are usually considered not material in these situations. Significant modifications to data from previous years, however, are noted in the report when they initially appear.

Data collection process

Robust data gathering is important to set targets and monitor performance. The majority of our data is collected locally through centralized software then reviewed and consolidated in a centralized manner. The remaining data is gathered directly from global functions.

All sustainability data is gathered on a half-year basis. Remaining data is collected annually at the full year.

External standards

We have published sustainability information at SGS for more than 10 years, and since 2015, we have integrated sustainability content into our integrated annual report. We support the principles of integrated reporting, and continue to move towards a fully integrated reporting structure in line with the Integrated Reporting Framework.

Since 2013, our non-financial information has been developed using the guidelines for the AA1000 Accountability Principles Standard and the Global Reporting Initiative's Standards (GRI). We also align our reporting with the Sustainability Accounting Standard for the Professional & Commercial Services Industry (SASB). Our reporting approach is explained further in our Sustainability Basis of Reporting.

For more information on our Sustainability Basis of Reporting
www.sgs.com/en/sustainability/corporate-sustainability/reporting-hub

Where GRI or SASB standards do not provide a methodology for a sustainability performance indicator, or their methodology is not appropriate, we apply the methodology provided in our Basis of reporting.

Assurance and basis of preparation

Each year, around 10% of our 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.

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.

Since 2021, PricewaterhouseCoopers SA (PwC) provides independent limited assurance over certain sustainability metrics, indicated with AL in this report on pages 177 to 184. PwC's Assurance Report describes the work undertaken and their conclusion for the reporting period to 31 December 2023. Documents relating to independent external assurance in the years prior to 2022 are available in our website.

Please see Independent practitioner's limited assurance report
Pages 187 to 189

Our progress towards our sustainability ambitions 2030

2023 marks the end of a strategic cycle and we have taken the opportunity to reflect on our achievements as we set new focus areas for 2027.

1 Environment

2023 targets	2023 performance
Climate change mitigation	
Continue working towards our SBTi ambition by:	**Achieved** 14% reduction since 2019 in scope 1 and 2 absolute GHG emissions. 5% reduction compared to 2022 in scope 3 absolute GHG emissions.
• Increase annually the number of energy efficiency measures in our 100 most energy intensive owned buildings	**Achieved** The coverage of our energy efficiency measures in these buildings has now reached 85% of our consumption, representing a 10% increase compared to 2022. The number of energy efficiency measures has increased by 12%.
• Reduce total car fleet CO_2 average emissions by 10% compared to 2019	**Achieved** 10% reduction in car fleet GHG emissions since 2019.
• Ensure 10% of our cars have low-carbon technologies	**Achieved** 15% of cars have low-carbon technologies.
• Further adopt Task Force on Climate-related Financial Disclosures (TCFD) recommendations	**Achieved** See TCFD report on page 190.

2 Social

Human rights protection	
• Achieve 30% women in senior leadership positions (CEO-3)	**Achieved** 31.9% women at CEO-3 level.
• Reduce our Total Recordable Incident Rate (TRIR) by 20% and Lost Time Incident Rate (LTIR) by 10% compared to 2018	**Achieved** LTIR of 0.17 and TRIR of 0.32, a 31% and 22% reduction respectively compared to 2018.
• HSE Certify main operational sites to ISO 45001 and ISO 14001	**On track** An additional 20% of operational sites obtained independent certification to ISO 45001 and ISO 14001, bringing the cumulative total to 644 sites.
• Continue performing annual risk assessments on human right across the Group, keep developing our human rights due diligence program to avoid violations across our operations and train 100% of our employees on our human rights principles annually	**On track** See Human Rights report on page 197.
Knowledge and engagement	
• Increase by 10% the completion rate of job-related training compared to 2020	**Achieved** 4.7 million hours and 48.1 hours per FTE of job-related training (27% and 15% variation compared to 2020).
• Improve year on year our employee engagement and manager effectiveness scores	**Achieved** 7.6/10 employee engagement average score and 8.3/10 of management support average score, an improvement compared to last year.
Community	
• Increase our positive impact on our communities through employee volunteering by 10% compared to 2019	**Achieved** CHF 1.7 million of community donations and 32 590 hours of volunteering (22% and 89.5% increase respectively compared to 2019).

3 Governance

2023 targets	2023 performance
Excellence	
• Promote a culture of efficiency and excellence through our WCS program, with 20% of WCS labs reaching WCM Bronze	**On track** 10% of labs reached Bronze level.
• Expand the program to at least 10 new sites considering 2020 perimeter	**Achieved** 13 additional sites adopted World Class Methodology.
Brand	
• Achieve a customer satisfaction score of 85%	**Achieved** 90.6% customer satisfaction score.
Integrity	
• Ensure 100% of employees are trained on our Integrity Principles on an annual basis	**On track** 99.9% employees trained on our Integrity Principles.[1]
Digitalization, information protection and privacy	
• Enhance the SGS Information Governance Framework, data privacy framework and standardized information security management systems	**Achieved** Security governance maturity has been improved and security structure expanded.
• Harmonize processes for third-party vendors/processors for risk evaluation purposes	**Achieved** The process of 'Third party security assessments' (TPSA) has been formalized.
Supply chain	
• >50% of our goods and services spend from suppliers who have signed our Code of Conduct or commit to comparable standards	**Achieved** 65% of our goods and services spend now come from suppliers having signed the Code of Conduct.
• 100% of the selected SGS strategic suppliers will have completed our sustainability self-assessment questionnaire (SAQ)	**Achieved** We have extended the SAQ to all countries in scope (25 countries and suppliers with over CHF 1 million spend).
• 75% of requests for proposals to be online and include the relevant SGS sustainability criteria, enabling comparison and selection of suppliers	**Achieved** Sustainability criteria now embedded in new RFP tool as mandatory fields for all online RFPs.
• Actively contribute to the reduction of our SGS CO_2 footprint by sourcing energy efficient solutions from our suppliers • Leverage SGS buying power to request strategic suppliers to report their own CO_2 footprint and subsequently target carbon reduction in their own operations	**Achieved** New classification of spend and more accurate numbers embedded in a new dashboard. Based on new spend classification, suppliers with high CO_2 intensity are being identified. The next steps would be to work proactively with those suppliers to reduce their footprint. CO_2 questionnaire included in SAQ to collect real footprint data.

1. The calculation is based exclusively on permanent employees who completed the annual integrity training.

Quantifying our value through six capitals

Like all organizations we depend on various capitals to be successful. We are one of a small number of companies that measure value creation by capital using our Impact Valuation Framework.

2022 SGS value to society (CHF million)

	Positive impacts		Negative impacts		Net impact
	Supply chain	Direct operations	Supply chain	Direct operations	
Financial capital	1 988	4 180	–	–	6 168
Industrial capital	482	157	–	–18	621
Human capital	–	62	–120	–137	–195
Natural capital	–	7	–372	–15	–380
Intellectual capital	–	365	–	–24	341
Social and relationship capital	–	218	–	–136	82

The framework is based on six forms of capital, as defined by the International Integrated Reporting Council. We use it to help us to make better decisions, by considering non-financial as well as financial aspects of our business. We measure our progress using 32 indicators that support how we track our measurable positive impact.

Applying our Impact Valuation Framework methodology, we have calculated that our total value to society calculated in 2023 for 2022 was +CHF 6 637 million, and that the value of our positive benefit to society was +CHF 7 459 million.

We created the majority of this value through profit generation, the paying of taxes and wages, and our investments in training programs and information security.

The framework also shows that we generated CHF 822 million of negative societal impacts, arising from the environmental footprint of our supply chain.

Our value in action

Our SGS Impact Valuation Framework allows us to quantify the effects of events that occur within our operations and throughout our supply chain. Furthermore, we are dedicated to assessing the results of the services we provide.

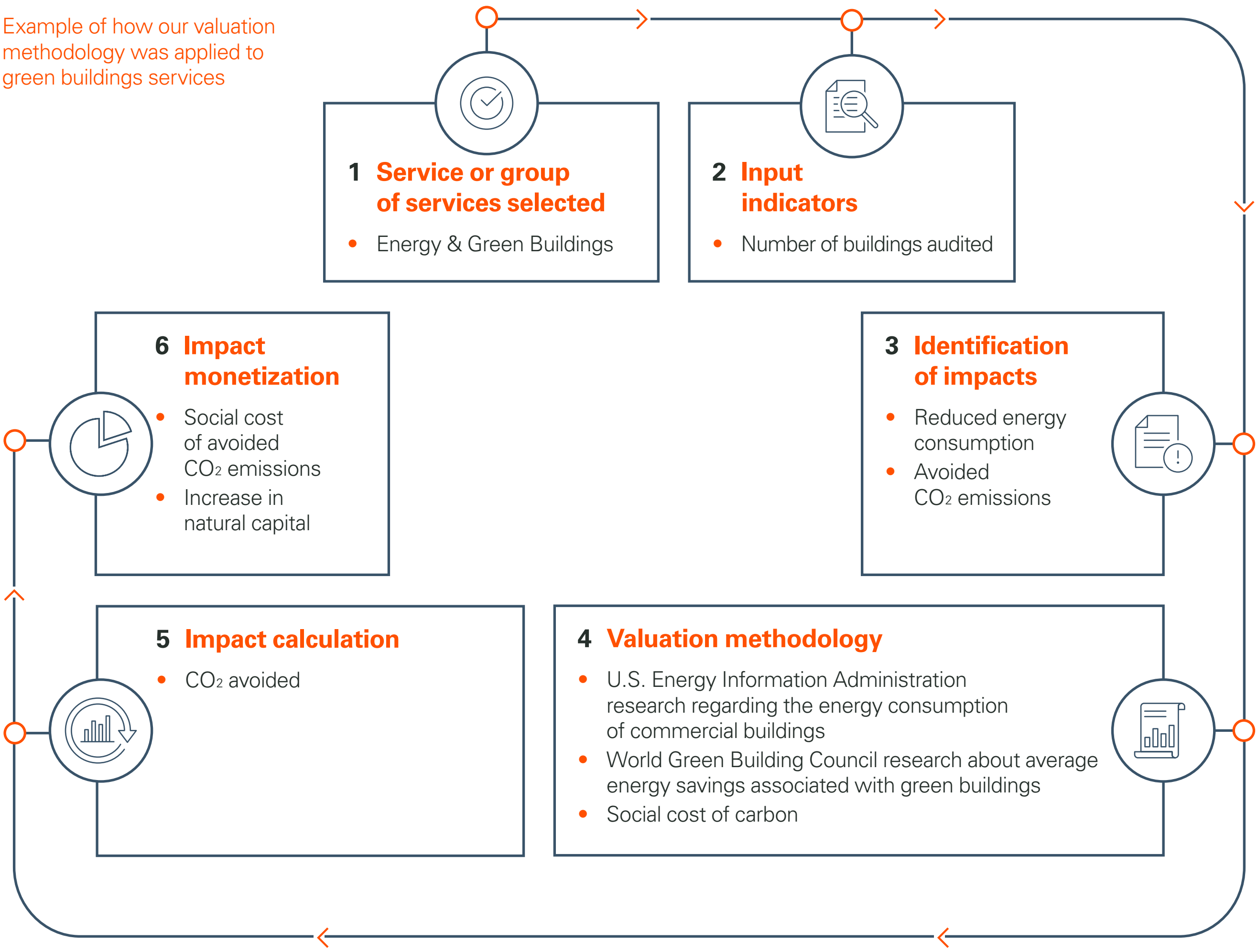
We worked across all five of our business lines to identify services and their impacts in order to develop a valuation approach based on independently verified data and research. We are then able to determine the impact and monetize it using a combination of research and input data.

This exercise helps us better understand the impact of our services in terms of how much value they add to the different capitals. We have covered almost 50% of our sales and our initial impact calculation shows a significant positive impact in many different areas. Among the main impact indicators we have looked at so far are consumption of energy and CO_2 emissions avoided; water consumption avoided; injuries avoided; and lost disability-adjusted life years avoided.

Main impact indicators:

Avoided energy consumption (billion kWh)	Avoided injuries (million)	Avoided water consumption (billion liters)	Avoided CO_2 emissions (million metric tons)
+28	**+14**	**+68**	**+14**

Example of how our valuation methodology was applied to green buildings services



Databank

Compliance and integrity

Integrity is one of our six business principles. Our Code of Integrity acts as a blueprint for our employees, affiliated companies, contractors, subcontractors, joint venture partners and agents.

Any employee or third party can report violations through our Integrity Helpline. All the reports received are considered and evaluated. Based on the data received we assess whether an investigation is needed or whether more information is needed. Reported issues might be discarded only if the information provided was not sufficient or if the issue reported is not in the scope of the Code of Integrity.

	2023	2022	2021
Total number of integrity issues reported through integrity helplines[1]	**450**	374	262
Total number of substantiated breaches of the Code of Integrity received through integrity helplines[1]	**89**	73	35
Broken down by type of breach:			
Integrity of services	**23**	23	6
Integrity of financial records	**3**	3	4
Conflict of interest	**8**	12	–
Employee relations	**20**	10	9
Fair competition	**–**	–	–
Compliance with laws	**9**	7	2
Gifts and entertainment	**–**	–	–
Confidentiality	**3**	2	1
Use of company assets and resources	**10**	2	6
Environment, health and safety	**5**	7	–
Bribery and corruption[4]	**6**	7	7
Intellectual property	**2**	–	–
External communication	**–**	–	–
Insider dealing	**–**	–	–
Political donations and charitable contributions	**–**	–	–
Consequences adopted during the reporting year, broken down by type[2]:			
Termination	**48**	38	11
Disciplinary action	**48**	29	18
Corrective actions (including improvement in processes)	**19**	12	17
No action possible or needed	**4**	18	5
Under decision process	**1**	–	7
Percentage of employees signing the Code of Integrity	**100.0%**	100.0%	100.0%
Percentage of employees trained on the Code of Integrity[5]	**99.9%**	99.9%	99.0%
Percentage of operations analyzed for risks related to corruption	**100.0%**	100.0%	100.0%
Number and nature of confirmed incidents of corruption identified through corporate helplines[1, 3]	**6**	7	7
Public legal cases regarding corruption brought against the organization/employees	**–**	–	–

1. 'Helplines' means channels used by employees and external parties to report suspected violations of the Code of integrity and submitted online, by phone call, sent via fax, email or post.
2. Consequences adopted during the reporting year. Some of these consequences may refer to breaches confirmed in previous years.
3. Measures taken for these six cases were the following: service or employment contract termination (14) and disciplinary action (1).
4. Breaches of integrity reported as bribery and corruption include also instances of SGS employees accepting improper advantages in the course of their duties (so-called passive corruption).
5. The calculation is based exclusively on permanent employees who completed the annual integrity training.

Customer relationship management

How well we manage our customer relationships determines what we are able to achieve as a business, in the long term. That is why we aim to anticipate and respond to customer needs as they arise. We track customer sentiment annually through our global Voice of the Customer (VoC) program. Results are shared with all relevant stakeholders across the organization and corrective actions are developed to increase customer satisfaction.

	2023	2022	2021
Customer satisfaction score (% score)	**90.6%**	84.5%	88.0%
Group's sales covered by Voice of the Customer surveys (% of total sales)	**84%**	76%	34%
Countries participating in Voice of the Customer survey (# of countries)	**27**	27	12
Reponses in Voice of the Customer surveys (# of responses)	**26 140**	19 000	12 560

Public policy

We do not provide any financial or in-kind support, given directly or indirectly, to political parties, their elected representatives or persons seeking political office. We support some industry associations, but the sum is not material, representing approximately 0.01% of our sales.

	2023	2022	2021
Lobbying, interest representation or similar (CHF)	**–**	–	–
Contributions to local, regional or national political campaigns, organizations or candidates (CHF)	**–**	–	–
Trade associations or tax-exempt groups (e.g. think tanks)[1] (CHF)	**909 129**	1 121 161	716 652
Other (e.g. spending related to ballot measures or referendums) (CHF)	**–**	–	–
Total contributions and other spending (CHF)	**909 129**	1 121 161	716 652
Contribution to industry associations as % of sales (% of sales)	**0.01%**	0.02%	0.01%

1. The main associations we contributed to in 2023 were: Association of Professional Social Compliance Auditors: CHF 269 154.46; TIC Council: CHF 74 119.43; Energy Institute: CHF 59 811.58; Swissholding: CHF 50 000.

Databank
continued

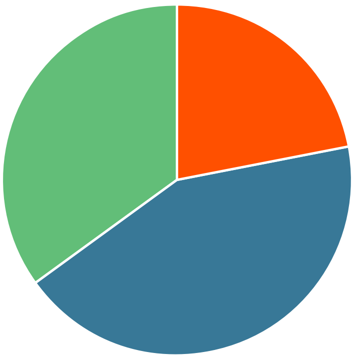
Sustainable procurement and supply chain

Our supply chain is diverse and covers over 100 countries from large industrial to small developing countries. These suppliers are key stakeholders to SGS and we are committed to engage in an ongoing dialog to reach the highest social, economic and environmental standards.

	2023	2022	2021
Spend analyzed for sustainability risks[1] (%)	**100%**	100%	100%
Tier 1 Suppliers analyzed for sustainability risks[2] (% of total Tier 1 suppliers)	**100%**	100%	100%
Number of local suppliers (% of total suppliers)	**99%**	98%	98%
Number of global suppliers (% of total suppliers)	**1%**	2%	2%
Spend of local suppliers (% of total spend)	**89%**	84%	82%
Spend of global suppliers (% of total spend)	**11%**	16%	18%

1. Potential sustainability risks identified in the supply chain in 2022 assessment (as a % of spend): – Economic risk: low: 59%; medium: 40%; high: 1% – Social risk: low: 65%; medium: 35%; high: 0 – Environmental risk: low: 49%; medium: 49%; high: 2%.
2. Tier 1 suppliers within the scope of the SAQ.

Spend by SGS supra-region



Americas	**22%**
Europe, Africa and Middle East	**43%**
Asia Pacific	**35%**

Spend by SGS category

Capex	**13%**
External services	**23%**
Material and supplies	**21%**
General repairs and maintenance	**6%**
Travel and vehicles	**17%**
Other OPEX	**20%**

Human rights

Our human rights policy clearly sets out our commitment to treat everyone with whom we come into contact with fairness, dignity and respect. It is in line with leading international human rights legislation and principles, and it applies to all those working for SGS or in our supply chains.

	2023	2022	2021
Number of operations identified as having a significant risk of incidences of child labor, forced or compulsory labor, or where the right to exercise freedom of association may be violated	**–**	–	–
Total number of proven incidents of discrimination	**2**	4	–
Number of grievances identified through helplines[2] related to human rights[1]	**3**	4	–
Total number of employees trained on our Human Rights Principles	**88 885**	79 893	39 137
Percentage of employees trained on our Human Rights Principles	**86%**	78%	39%
Percentage of employees covered by collective bargaining[3]	**46%**	46%	44%

1. Measures taken for these three cases were the following: termination of employee (1) and disciplinary action (3).
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.
3. Employees covered by collective consultation/representation processes. The scope is limited to those affiliates where collective bargaining exists according to the International Labour Organization database for coverage rate.

Information security and data privacy

Protection of personal data is key to every part of our business. It is at the heart of our commitment to our clients, our values, our principles, our conduct and our success and is essential to maintaining trust. We are committed to conducting our business in accordance with all relevant data protection and privacy laws of the countries in which we operate and in line with the highest standards of ethical conduct.

	2023	2022	2021
Number of complaints received from outside parties and substantiated by the organization (# of complaints)	**–**	–	–
Substantiated complaints concerning breaches of data customer policy (# of complaints)	**–**	–	1
Number of complaints from regulatory bodies (# of complaints)	**–**	–	–

Workforce breakdown

Our workforce is characterized by diversity in generation, nationality and gender identity.

Type of contract	**2023**	2022	2021
Number of employees at year end (#)	**103 193**	101 860	99 374
Permanent workers (% of total employees)	**92%**	92%	91%
Casual workers[1] (% of total employees)	**8%**	8%	9%
Number of FTEs[2] at year end (#)	**99 589**	98 152	96 216

1. Casual employees are those people who are engaged for short periods of time (man-day, job by job basis).
2. Full-time equivalent employment is the number of full-time equivalent jobs, defined as total hours worked divided by average annual hours worked in full-time jobs.

Databank
continued

Workforce breakdown continued

Gender, generation and other diversity indicators	2023	2022	2021
Employees by gender (female) (% of total employees)	**37.3%**	37.0%	36.5%
Employees by gender (male) (% of total employees)	**62.7%**	63.0%	63.5%
Employees by age – under 30 years old (female) (# of employees by ranges of age)	**11 148**	10 997	10 162
Employees by age – under 30 years old (male) (# of employees by ranges of age)	**14 500**	14 248	13 877
Employees by age – 30 to 50 years old (female) (# of employees by ranges of age)	**22 759**	22 255	21 229
Employees by age – 30 to 50 years old (male) (# of employees by ranges of age)	**39 432**	39 695	39 672
Employees by age – over 50 years old (female) (# of employees by ranges of age)	**4 611**	4 394	4 875
Employees by age – over 50 years old (male) (# of employees by ranges of age)	**10 743**	10 271	9 559
Manager employees (# of manager employees)	**8 525**	8 490	8 246
Manager by gender (female) (% of managers)	**34.3%**	33.9%	34.8%
Manager by gender (male) (% of managers)	**65.7%**	66.1%	65.2%
CEO-3 employees # of CEO-3 employees	**1 299**	1 235	1 274
CEO-3 by gender (female) – 'Women in Leadership' (% of CEO-3 employees)	**31.9%**	31.1%	29.0%
CEO-3 by gender (male) (% of CEO-3 employees)	**68.1%**	68.9%	71.0%
Women in management positions in sales-generating functions (% of women)	**32.3%**	31.8%	34.4%
Women in STEM-related positions (% of women)	**34.3%**	33.8%	31.1%
Employees from vulnerable groups	**2 292**	2 285	1 299
With disabilities	**906**	796	660
Employees with disabilities – female	**434**	369	290
Employees with disabilities – male	**472**	427	370
With other vulnerabilities	**1 386**	1 489	639
Employees with other vulnerabilities – female	**578**	547	269
Employees with other vulnerabilities – male	**808**	942	370

Workforce breakdown continued

Nationality	2023
Employees by top five nationalities[1] (% of share in total workforce)	
Chinese	**17.0%**
Indian	**5.6%**
Spanish	**4.5%**
German	**3.7%**
Brazilian	**3.7%**
Management workforce by top five nationalities[1] (% of share in total workforce)	
Chinese	**14.9%**
Indian	**5.6%**
French	**4.8%**
German	**4.6%**
Brazilian	**4.1%**

1. This data covers 97% of our employees as USA employees are not included in this breakdown.

Learning and development

Each year we invest in the upskilling our employees' capabilities in line with our business priorities and growth strategy. We promote self-directed learning, tailor our talent development programs to fit local markets, business needs and employee expectations, and invest in digital tools for training and development.

Regarding performance reviews, we tailor the type of performance review to the job position and category. This includes management by objectives, multidimensional performance appraisal, team-based performance appraisal or agile conversations. We encourage manager positions to deliver ongoing feedback to their teams and we have a formal process for performance reviews once a year.

	2023	2022	2021
Training ratio[1] (% of total employment cost spent on training)	**3.6%**	3.2%	2.6%
Training hours per FTE (# of hours per FTE)	**61.2**	54.7	45.8
Job related training hours per FTE (# of hours per FTE)	**48.1**	43.3	38.9
Total training hours[2] (# million of hours)	**6.0**	5.3	4.3
Job related training hours (# million of hours)	**4.7**	4.2	3.6
Performance reviews (% of employees who have received performance reviews out of the total eligible[3])	**79%**	85%	88%

1. Training and hours spent cost per total employment cost, including safety training hours. On a constant currency basis.
2. Broken down by type of training: Management and leadership development: 2%; Apprentice & trainee training programs: 3%; Technical training: 14%; Non-Technical training: 3%; Operational integrity training: 57%; Compliance training: 17%; Other: 4%
3. 62% of employees were eligible for performance reviews in 2023 .

Databank
continued

Employee engagement

We value feedback and encourage employees to voice their opinions via our voluntary annual employee engagement survey. Each year we survey different geographies, and we benchmark ourself against external norms; local management takes appropriate actions to improve our scores. This year we have implemented a new Employee Voice & Engagement platform. The score is now shown in a scale out of 10.

	2023	2022	2021
Employees invited to participate in the employee engagement survey (# of employees)	**25 412**	28 569	30 129
Response rate (%)	**81%**	79%	86%
Engagement index (2023: average score out of 10; 2022 and previous: average score out of 100)	**7.6**	69	75
Actively engaged employees[1] (%)	**79%**	64%	73%
Management support index[2] (2023: score out of 10; 2022 and previous: score out of 100)	**8.3**	72	78

1. Employees that are Promoters and Passives (those that gave score from 10 to 7) based on employee NPS.
2. Management support index (formerly, 'Manager effectiveness index' before the new Employee Voice & Engagement platform) is calculated based on the combination of the two questions of the engagement survey: 'My manager provides me with the support that I need to complete my work' and 'My manager communicates openly and honestly with me.'

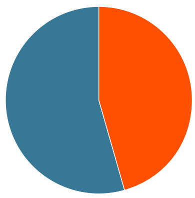
Talent attraction and retention

Our recruitment process is designed to enable us to select creative, innovative people who have passion, potential and integrity. We make our selection based on a combination of candidates' skills, competencies, experience and motivation. Through this approach and targeted talent attraction strategies, we have welcomed 27 288 new hires (internal and external) in 2023.

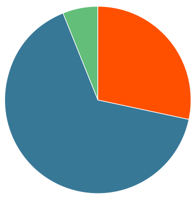
	2023	2022	2021
New hires (# of employees)	**27 289**	28 430	29 486
Internal new hires (% of total new hires)	**16.3%**	15.1%	14.8%
New hires (female) (% of internal hires)	**45.8%**	50.3%	50.3%
New hires (male) (% of internal hires)	**54.2%**	49.7%	49.7%
External new hires (% of total new hires)	**83.7%**	84.9%	85.2%
New hires (female) (% of external hires)	**36.1%**	36.8%	35.2%
New hires (male) (% of external hires)	**63.9%**	63.2%	64.8%
Voluntary turnover (% of permanent employees)	**12.7%**	14.8%	14.7%
Total turnover (% of total permanent employees)	**18.8%**	20.3%	20.5%
Total turnover female (% of total female employees)	**18.3%**	19.6%	20.1%
Total turnover male (% of total male employees)	**19.1%**	20.8%	20.7%

Talent attraction and retention continued

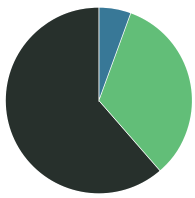
Internal new hires



Male	**45.8%**
Female	**54.2%**

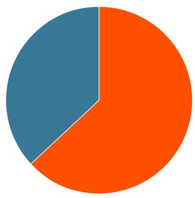


<30 years	**28.5%**
30-50 years	**65.6%**
>50 years	**5.9%**

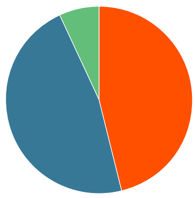


Top management	**0.2%**
Middle management	**5.5%**
Junior management	**33.1%**
Non-management positions	**61.2%**

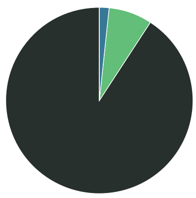
External new hires



Male	**63.9%**
Female	**36.1%**

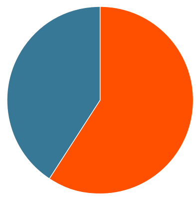


<30 years	**46.3%**
30-50 years	**47.0%**
>50 years	**6.7%**

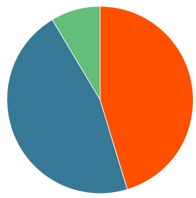


Top management	**0.1%**
Middle management	**1.7%**
Junior management	**7.7%**
Non-management positions	**90.5%**

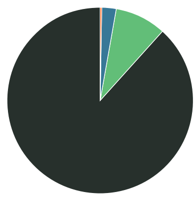
Employees that left on their own will



Male	**59.4%**
Female	**40.6%**



<30 years	**38.0%**
30-50 years	**53.3%**
>50 years	**8.7%**



Top management	**0.4%**
Middle management	**2.5%**
Junior management	**8.8%**
Non-management positions	**88.3%**

Remuneration

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

	2023	2022	2021
Mean gender pay gap[1] (% of difference between men and women employees)	**3.0%**	2.4%	3.0%
Median gender pay gap[1] (% of difference between men and women employees)	**–4.7%**	–7.3%	–4.7%
Mean bonus gap[1] (% of difference between men and women employees)	**21.4%**	21.0%	17.3%
Median bonus gap[1] (% of difference between men and women employees)	**–4.0%**	–6.3%	–20.1%
CEO and mean employee compensation ratio[2]	**31.9**	28.5	40.6

1. This data has a coverage of 94.5% of all SGS employees. 0% means no gap, negative percentage benefits women and positive percentage benefits men.
2. To make the ratio comparable, we have implemented cost of living adjustments using the Purchasing Power Parity conversion rates and it is calculated based only on base salary and bonuses (excluding pension funds and extra hours).

Databank
continued

Operational integrity

Employee health and safety along with environmental protection are a priority. As detailed in our business principles, protecting employees and the environment from harm are fundamental behaviors at SGS. In 2023, we have continued to make progress towards our target and have achieved a further reduction in our incident rates.

	2023	2022	2021
Total Recordable Incident Rate (TRIR)[1] (occurrences per 200 000)	**0.32**	0.35	0.37
TRIR variation (% against a 2018 baseline)	**–22%**	–16%	–9%
Number of recordable incidents[2] (# of incidents)	**326**	346	357
Lost Time Incident Rate (LTIR)[3] (occurrences per 200 000)	**0.17**	0.19	0.22
LTIR variation (% against a 2018 baseline)	**–31%**	–25%	–14%
Sites certified to ISO 45001 and/or ISO 14001 standards (number of sites)	**644**	562	537
Sites dual certified to ISO 45001 and ISO 14001 standards (number of sites)	**278**	229	224
FTE covered by ISO 45001 standard (number of FTE)	**28 222**	20 862	12 750
FTE covered by ISO 14001 standard (number of FTE)	**26 204**	18 195	8 750
FTE covered by ISO 45001 and/or ISO 14001 standards (number of FTE)	**54 426**	39 057	21 500
Safety training hours (# of hours)	**3 423 056**	2 937 914	2 692 702
Operational Integrity training per employee (# of hours per FTE)	**34.7**	30.4	28.9
Total absence rate[4] (% of days of sickness absence plus days lost per incidents with lost time per total days worked)	**1.91%**	2.22%	1.85%
Sickness absence rate (% of days of sickness absence per total days worked)	**1.89%**	2.20%	1.82%
Work-related absence rate (% of days of days of lost time and restricted duty due to recordable incidents per total days worked)	**0.02%**	0.02%	0.03%

1. Number of lost time, restricted duty, medical treatment incidents and fatalities per 200 000 hours worked.
2. Number of lost time, restricted duty, medical treatment incidents and fatalities.
3. Number of lost time incidents per 200 000 hours worked.
4. Days of sickness absence and restricted duty per total days worked.

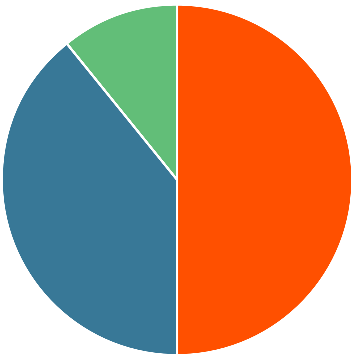
Community donations

We are committed to give back to the communities where we operate, and we do so across three pillars: empowerment, education and environmental sustainability. In doing so, we are helping to tackle global challenges such as poverty, equal opportunities, health, education, climate change and environmental degradation. In 2023, we have almost doubled the number of volunteering hours.

	2023	2022	2021
Community donations[1] (CHF thousands on constant currency basis)	**1 722**	1 850	1 384
Community donations variation (% against a 2019 baseline)	**22.0%**	43.4%	7.2%
Total community projects (# of projects)	**595**	526	382
Community hours (# of hours dedicated to community)	**32 590**	18 691	9 284
Community hours variation (% against a 2019 baseline)	**89.5%**	8.7%	–46.0%

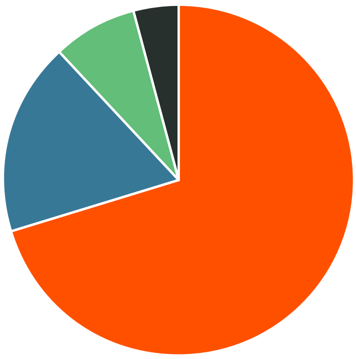
1. Community donations include: cash, donations in kind and volunteering hours.

Donation per type



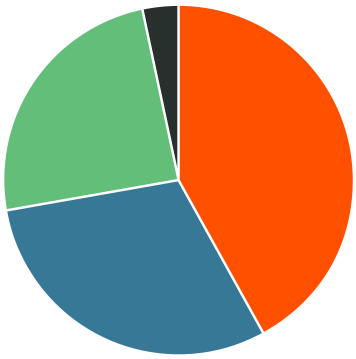
Community donation	**53.6%**
Occasional charitable donation	**40.0%**
Philanthropic sponsorship	**6.4%**

Donation per nature of contribution



Cash contributions	**55.5%**
Volunteering contributions	**29.0%**
In-kind contributions	**8.3%**
Management contributions	**7.2%**

Donations per pillar



Empowerment	**42.1%**
Education	**30.2%**
Environmental sustainability	**24.6%**
Disaster relief	**3.1%**

Databank
continued

Climate change – energy consumption

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

	2023	2022	2021
Total energy consumption (MWh)	**948 152**	947 571	927 654
Total energy consumption by use (MWh)			
Vehicle fuels energy	**311 551**	310 792	300 624
Non-transport fuels energy	**140 695**	149 182	147 242
Total electricity	**495 906**	487 597	479 788
Standard electricity[1]	**12 794**	15 541	15 674
Renewable electricity[2]	**483 112**	472 056	464 116
Total energy production (MWh)			
Non-renewable energy production	**–**	–	–
Renewable energy production	**3 981**	2 312	305
Total renewable electricity (% of total electricity consumption)	**97%**	97%	97%
Energy intensity per sales[3] (MWh/CHF million)	**143**	155	149
Energy intensity per average FTE[4] (MWh/FTE)	**9.6**	9.8	9.9
Electricity intensity per sales[3] (KWh/CHF million)	**74.9**	79.6	77.1
Electricity intensity per average FTE[4] (MWh/FTE)	**5.0**	5.0	5.1

1. Electricity bought from a non renewable tariff linked to Energy Attribute Certificates.
2. Electricity bought from local renewable sources of production and through Energy Attribute Certificates.
3. Being the denominator the sales on a constant currency basis. Energy consumption within the organization.
4. Being the denominator the average FTEs (see table 'Average number of employees by geographical area' on p. 107). Energy consumption within the organization.

Climate change – energy efficiency in buildings program

The energy used in our offices and laboratories worldwide accounts for 84% of our global energy consumption. It is therefore a key area of focus for us to reduce energy use. In 2023, additional buildings were included in the program and further measures were identified across the network.

	2023	2022	2021
Buildings covered by the EEB program (# of buildings)	**722**	701	694
Energy consumption from buildings covered by the EEB program (% of total energy consumed by SGS buildings)	**84%**	80%	83%
Energy conservation measures identified (# of measures identified since beginning)	**904**	786	708
Vehicle fleet average theoretical emissions (gCO_2/km)	**126.7**	129.2[1]	134.6

1. 2022 vehicle fleet average theoretical emissions was updated following a fleet reclassification.

Climate change – greenhouse gas (GHG) emissions

We have committed to reducing greenhouse gas emissions through the Science Based Targets initiative (SBTi), which advocates the setting of targets and deadlines in line with climate science in order to future-proof growth. In 2023, we have continued our efforts towards these targets by focusing on our major source of scope 1 and 2 emissions (vehicle emissions) and our scope 3 emissions associated to our supply chain.

	Retrospective				Milestones and target years	
	Base year	Comparative	N	%N / N-1		
	2019	2022	**2023**		2030	2050
Scope 1 GHG emissions[1]						
Gross scope 1 GHG emissions (tCO_2e)	113 443	108 046	**104 760**	–3%	61 033	11 344
Percentage of scope 1 GHG emissions from regulated emission trading schemes (%)	0%	0%	**0%**		0%	0%
Scope 2 GHG emissions[2]					–	–
Gross location-based scope 2 GHG emissions (tCO_2e)	215 752	220 398	**225 036**	2%	116 075	21 575
Gross market-based scope 2 GHG emissions[3] (tCO_2e)	16 758	8 459	**7 269**	–14%	9 016	1 676
Significant scope 3 GHG emissions					–	–
Total Gross indirect (scope 3) GHG emissions (tCO_2e)	786 371	850 621	**812 049**	-5%	423 067	78 637
1 Purchased goods and services	441 064	525 111	**498 086**	-5%	237 292	44 106
2 Capital goods	137 633	131 003	**127 168**	-3%	74 047	13 763
3 Fuel and energy related activities (not included in scope 1 and scope 2)	76 354	87 454	**72 932**	–17%	41 078	7 635
4 Upstream transportation and distribution	–	–	**–**		–	–
5 Waste generated in operations	10 531	19 128	**19 045**	0%	5 666	1 053
6 Business travel	29 647	18 125	**23 003**	27%	15 950	2 965
7 Employee commuting	91 142	69 800	**71 815**	3%	49 034	9 114
8 Upstream leased assets	–	–	**–**		–	–
9 Downstream transportation and distribution	–	–	**–**		–	–
10 Processing of sold products	–	–	**–**		–	–
11 Use of sold products	–	–	**–**		–	–
12 End-of-life treatment of sold products	–	–	**–**		–	–
13 Downstream leased assets	–	–	**–**		–	–
14 Franchises	–	–	**–**		–	–
15 Investments	–	–	**–**		–	–
Total GHG emissions						
Total GHG emissions (location-based) (tCO_2e)	1 115 566	1 179 065	**1 141 845**	–3%	600 174	111 557
Total GHG emissions (market-based) (tCO_2e)	916 572	967 126	**924 078**	–5%	493 115	91 657
Carbon off-setting credits						
Voluntary carbon-offsetting CO_2 credits retired[4] (CO_2e tons)	159 848	116 505	**112 029**	–4%		
Carbon off-setting credits						
Scope 1+2 intensity per sales market based[1,2,3,5] (CO_2e tons/CHF million)	21.7	19.0	**16.9**	–11%		
Scope 1+2 intensity per average FTE market based[2,3,6] (CO_2e tons/FTE)	1.4	1.2	**1.1**	–6%		
Scope 3 intensity per sales[7] (CO_2e tons/CHF million)	131.3	138.8	**122.6**	–4%		

1. Refrigerant gas emissions are not included in this figure.
2. District Heating emissions are not included in this figure.
3. 97% of total electricity consumption is linked to purchased electricity bundled with instruments: 66% I-RECs, 29% guarantees of origin, 2% RECs, and 3% other country-specific certificates.
4. 100% of carbon credits retired are linked to carbon reduction projects verified against the Clean Development Mechanism standard.
   The total amount of carbon credits purchased during 2023 were cancelled during the year, with no credits pending to be cancelled next year.
   0% of carbon credits were issued from projects in the EU and 0% qualify as a corresponding adjustment under Article. 6 of the Paris Agreement.
   2019 credits retired correspond to offsetting emissions of scopes 1, 2 and business travel (3.6) while in 2022 and 2023 credits were retired to offset scopes 1 and 2 only.
5. Being the numerator the total scope 1 + 2 market-based GHG emissions and the denominator the sales on a constant currency basis.
6. Being the numerator the total scope 1 + 2 market-based GHG emissions and the denominator the average FTEs (see table 'Average number of employees by geographical area' on p. 107).
7. Being the numerator the total scope 3 GHG emissions and the denominator the sales on a constant currency basis.

Databank
continued

Water and waste management

While our water consumption and waste impact is relatively small compared to other industries, we monitor our impact and reduce our resources' footprint.

	2023	2022	2021[1]
Water purchased (m^3)	**2 051 434**	1 985 965	1 919 430
Water use/average FTE[2] (m^3/FTE)	**20.8**	20.5	20.6
Weight of waste generated (metric tons)	**70 348**	78 560	65 199
Weight of hazardous waste generated (metric tons)	**15 020**	16 217	13 377*
SGS offices and labs	**8 598**	10 829	9 710*
Client samples	**6 422**	5 388	3 667
Weight of non-hazardous waste generated (metric tons)	**55 328**	62 343	51 822*
SGS offices and labs	**29 448**	36 558	29 829*
Client samples	**25 880**	25 785	21 993
Weight of waste recovered (metric tons)	**22 616**	24 783	20 888
Weight of hazardous waste recovered (metric tons)	**5 643**	5 107	3 521*
SGS offices and labs	**2 792**	2 343	2 435*
Client samples	**2 851**	2 764	1 087
Weight of non-hazardous waste recovered (metric tons)	**16 973**	19 676	17 366*
SGS offices and labs	**8 018**	8 943	9 374*
Client samples	**8 955**	10 733	7 993
Environmental incidents (# of environmental incidents including significant spills)	**29**	26	45

1. 2021 values were updated after a reclassification: 1.3 tons of SGS waste were reclassified from non-hazardous to hazardous waste resulting in a change of the figures marked with an *.
2. See table "Average number of employees by geographical area" on p. 107.

2023 Global Reporting Initiative (GRI) content index

SGS has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.

GRI standard and disclosure		Reference	Assured quantitative indicators	Assurance
GRI 2: General Disclosures 2021				
2-1	Organizational details	Page 98		AL
2-2	Entities included in the organization's sustainability reporting	Pages 155-157 and 159		AL
2-3	Reporting period, frequency and contact point	Pages 159, 204, and 187-189		AL
2-4	Restatements of information	Page 159		AL
2-5	External assurance	Pages 65, 159 and 187-189		AL
2-6	Activities, value chain and other business relationships	Pages 2, 10-11, 32-33, 44-45, 52, 155, 157, 161, 166 and 202	– Spend by SGS category[1] – Spend by SGS supra-region[1]	AL
2-7	Employees	Pages 42, 167-168 Information regarding the total number of non-guaranteed hours employees, full-time employees and part-time employees including its breakdown by gender and by region is not disclosed. Information not broken down by region as this is considered confidential information.	– Number of employees at year end (# of employees) – Permanent workers (as a % of total employees) – Casual workers (as a % of total employees)	AL
2-9	Governance structure and composition	Pages 50-65		AL
2-10	Nomination and selection of the highest governance body	Page 54 and 58		AL
2-11	Chair of the highest governance body	Page 18, 55 and 60		AL
2-12	Role of the highest governance body in overseeing the management of impacts	Page 59-60		AL
2-13	Delegation of responsibility for managing impacts	Page 18 and 59-60		AL
2-14	Role of the highest governance body in sustainability reporting	Page 18 and 59-60		AL
2-15	Conflicts of interest	Page 58 and 61		AL
2-16	Communication of critical concerns	Page 61, 164 and 203	– Total number of substantiated breaches of the Code of Integrity received through integrity helplines and broken down by type of breach – Total number of integrity issues reported through integrity helplines	AL
2-17	Collective knowledge of the highest governance body	Pages 18 and 59 The sustainability committee receives regular information about SGS sustainability programs and initiatives. New regulations or requirements are analyzed during the regular meetings to assess their potential impact in SGS operations, supply chain and services. Specific analysis sessions are organized on demand depending on the level of complexity of a given topic and additional training needs are constantly evaluated.		AL
2-18	Evaluation of the performance of the highest governance body	Page 54, 58 and 66		AL
2-19	Remuneration policies	Pages 66-91		AL
2-20	Process to determine remuneration	Pages 66-91		AL
2-21	Annual total compensation ratio	Pages 66-91 and 171 The information is limited only to CEO and mean employee compensation ratio as this is confidential information.	– CEO and mean employee compensation ratio	AL
2-22	Statement on sustainable development strategy	Pages 5-7		AL
2-23	Policy commitments	Page 3 and 199 **Code of integrity** **SGS Code of Conduct for Suppliers**		AL

1. Additional information to the GRI requirements.

2023 GRI content index continued

GRI standard and disclosure		Reference	Assured quantitative indicators	Assurance
2-24	Embedding policy commitments	Page 3, 61 and 202		AL
2-25	Processes to remediate negative impacts	Pages 25-31 and 197-203		AL
2-26	Mechanisms for seeking advice and raising concerns	Page 203		AL
2-27	Compliance with laws and regulations	As indicated in our Code of Integrity, SGS complies with applicable laws in the countries where it does business. During 2023 the SGS Group was not condemned to any significant fines or penalties for non-compliance with any kind of laws and regulations.	– Fines for non-compliance with regulations	AL
2-28	Membership associations	Page 165	– Contributions to trade associations	AL
2-29	Approach to stakeholder engagement	Pages 22-23	– Customer satisfaction score[1] (as a % score) – Engagement index[1]	AL
2-30	Collective bargaining agreements	Page 167 We respect our employees' right to have collective representation and to enter into collective bargaining agreements where this is accepted by local law.	– Percentage of employees covered by collective bargaining	AL
GRI 3: Material Topics 2021				
3-1	Process to determine material topics	Pages 22-24, 159		AL
3-2	List of material topics	Pages 24, 159		AL
3-3	Management of material topics	Pages 24, 159		AL
GRI 201: Economic Performance 2016				
3-3	Management of material topics	Pages 34-37		
201-1	Direct economic value generated and distributed	– Total economic value generated: CHF 6 651 million (Sales: CHF 6 622 million; Financial income: CHF 29 million) – Total economic value distributed: CHF 6 697 million (Salaries and wages: CHF 3 316 million; Subcontractors' expenses: CHF 400 million; Depreciation, amortization and impairment: CHF 545 million; Other operating expenses (including other taxes, community contributions and charitable donations): CHF 1 511 million; Financial expenses: CHF 86 million; Dividends distributed (expected): CHF 634 million; Income taxes CHF 205 million) – Total economic value retained: CHF –46 million	– Total economic value generated – Total economic value distributed – Total economic value retained	AL
201-2	Financial implications and other risks and opportunities due to climate change	Pages 190-196		
201-3	Defined benefit plan obligations and other retirement plans	Page 124-129		AL
201-4	Financial assistance received from government	SGS does not receive any significant financial assistance from governments, but we benefit from incentives in the form of grants from certain government schemes, such as energy-saving incentives. However, these benefits are of low value. This information is based on our global information gathering system. We are not aware of any significant incentives granted by governments or any financial aid granted to political parties at local level during 2023.		
GRI 202: Market Presence 2016				
3-3	Management of material topics	Page 171		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	SGS is committed to comply with the applicable labor regulations in the countries where we operate. Whenever possible, we improve the minimum wages set by the local legislation. The quantitative information breakdown is unavailable. The deployment of our global HR data management tool is under review. We are currently evaluating alternative reporting options and expect to report in coming years.		

1. Additional information to the GRI requirements.

GRI standard and disclosure		Reference	Assured quantitative indicators	Assurance
GRI 203: Indirect Economic Impacts 2016				
3-3	Management of material topics	Pages 32-33 and 162-163		
203-2	Significant indirect economic impacts	Pages 32-33 and 162-163		AL
GRI 204: Procurement Practices 2016				
3-3	Management of material topics	Pages 44-45		
204-1	Proportion of spending on local suppliers	Page 166 The percentage of global and local suppliers is calculated considering 92% of the global spend. We consider global suppliers those managed by Global Procurement at corporate level and local suppliers those managed by local procurement teams at affiliate/regional level, regardless of where the supplier is based or the number of affiliates where it provides its services/deliver its products.	– Number of local suppliers (as a % of total suppliers) – Number of global suppliers (as a % of total suppliers) – Spend of local suppliers (as a % of total spend) – Spend of global suppliers (as a % of total spend)	AL
GRI 205: Anti-corruption 2016				
3-3	Management of material topics	Pages 42-43		
205-1	Operations assessed for risks related to corruption	Our non-financial macro risk assessment model analyzes economic, political, social and environmental risks across 220 geographies and includes our own employees, suppliers, indigenous people, migrant labor and local communities. The analysis of economic and political risks includes the following categories: government instability, policy instability, state failure, recession, inflation, currency depreciation, capital transfer, sovereign default, under-development, tax issues, corruption, infrastructural disruption, energy security, cybersecurity commitment, data protection and regulatory. Our most recent risk assessment was performed in 2022 and the results of that assessment resulted in the following risk exposure: – Direct operations (as a % of sales): Low 58%; Medium 40%; High 2% – Supply chain (as a % of spend): Low 59%; Medium 40%; High 1% This selected indicator was externally assured by PwC as part of the assurance of the 2022 Integrated Report.		
205-2	Communication and training about anti-corruption policies and procedures	Pages 42-43, 164, 203 Breakdown by gender and employee category is not reported as this is considered confidential information. The calculation is based exclusively on for permanent workers.	– Percentage of employees trained on the Code of Integrity	AL
205-3	Confirmed incidents of corruption and actions taken	Page 164 In 2023, there were no public legal cases regarding corruption brought against the organization or its employees.	– Number and nature of confirmed incidents of corruption identified through corporate helplines	AL
GRI 206: Anti-competitive Behavior 2016				
3-3	Management of material topics	We are committed to using competitive and fair practices. As such, we do not engage in any understandings or agreements that may improperly influence markets, or discuss pricing, competitive bid processes, contractual terms, division of territories or customer and market allocations with competitors. We do not make disparaging or untruthful allegations regarding competitors, or endeavor to obtain confidential information about them using illegal or unethical means. Finally, our services and capabilities are never advertised in any way that could appear to be deceptive or misleading. We provide customers with detailed quotes and invoices so that they are informed about every aspect of our service, including pricing. Our Global Pricing Initiative, developed through expert review of pricing practices across the Group, ensures robust pricing processes and governance.		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2023, we did not identify any legal actions related to anti-competitive behavior, antitrust and monopoly practices. This information is based on our global information gathering system based on incidents reported via the SGS integrity helplines. We are not aware of any significant incidents of this type at a local level during 2023.	– Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant	AL

2023 GRI content index continued

GRI standard and disclosure		Reference	Assured quantitative indicators	Assurance
GRI 207: Tax 2019				
3-3	Management of material topics	Pages 109-110		
GRI 302: Energy 2016				
3-3	Management of material topics	Pages 46-47		
302-1	Energy consumption within the organization	Pages 46-47, 174 The information reported is limited to the total fuel and the total electricity consumption broken down by renewable and non-renewable electricity. Heating consumption, cooling consumption and steam consumption are not reported as it is not applicable to SGS.	– Total energy consumption (MWh) – Total energy consumption by use (MWh) – Vehicle fuels energy (MWh) – Non-transport fuels energy (MWh) – Total electricity (MWh) – Standard electricity (MWh) – Renewable electricity (MWh) – Total renewable electricity (as % of total electricity consumption)	AL
302-3	Energy intensity	Pages 46-47, 174	– Energy intensity per sales (MWh/CHF million) – Energy intensity per FTE (MWh/FTE)	AL
302-4	Reduction of energy consumption	Page 174 Compared to 2022, our energy consumption has increased by 0.06% in 2023. Variation in the energy consumption is calculated as a gross percentage between the total consumption of energy, within the organization in 2022 and 2023 (not based on SGS energy efficiency initiatives).		AL
GRI 303: Water and Effluents 2018				
3-3	Management of material topics	Not applicable. Given our activity, we are not a company with high water consumption, hence why this is not a material topic for us.		
303-5	Water consumption	Page 176 The information reported is limited to the total water consumption.	– Water purchased (m^3)	AL
GRI 304: Biodiversity 2016				
3-3	Management of material topics	Not applicable. Being a service based company, SGS does not have a significant impact on biodiversity.		
GRI 305: Emissions 2016				
3-3	Management of material topics	Pages 46-47 Our base year is 2019 as, given the Covid crisis, we consider it to be the most representative year in terms of business activity.		
305-1	Direct (Scope 1) GHG emissions	Pages 46-47, 175 We are currently improving our refrigerant gases collection system to ensure the accuracy of the data. To date, reliable data about refrigerant consumption is unavailable and therefore they are excluded from the Group's carbon footprint.	– Gross scope 1 GHG emissions (tCO_2e)	AL
305-2	Energy indirect (Scope 2) GHG emissions	Pages 46-47, 175	– Gross location-based scope 2 GHG emissions (tCO_2e) – Gross market-based scope 2 GHG emissions3 (tCO_2e)	AL
305-3	Other indirect (Scope 3) GHG emissions	Pages 46-47, 175	– Total Gross indirect (scope 3) GHG emissions (tCO_2e) – Purchased goods and services – Capital goods – Fuel and energy related activities (not included in Scope 1 and Scope 2) – Waste generated in operations – Business travel – Employee commuting	AL
305-4	GHG emissions intensity	Pages 46-47, 175	– Scope 1+2 intensity per sales market based (CO_2e tons/CHF million) – Scope 1+2 intensity per FTE market based (CO_2e tons/FTE) – Scope 3 intensity per sales (CO_2e tons/CHF million)	AL

GRI standard and disclosure		Reference	Assured quantitative indicators	Assurance
305-5	Reduction of GHG emissions	Pages 46-47, 175 Scopes 1 and 2 absolute GHG emissions have decreased by 14% since 2019. Score 3 absolute GHG emissions have increased by 3.3% since 2019. Variation in GHG emissions is calculated as a gross percentage between the total emissions, within the organization against a 2019 baseline (not based on SGS reduction initiatives).	– Scope 1+2 emissions variation (as a % against a 2019 baseline) – Scope 3 emissions variation (as a % against a 2019 baseline)	AL
GRI 306: Waste 2020				
3-3	Management of material topics	Pages 46-47		
306-3	(2020) Waste generated	Pages 46-47, 176	– Weight of waste generated (metric tons) – Weight of hazardous waste generated (metric tons) – Weight of non-hazardous waste generated (metric tons)	AL
306-3	(2016) Significant spills	Pages 46-47, 176	– Environmental incidents (as # of environmental incidents including significant spills)	AL
306-4	Waste diverted from disposal	Pages 46-47, 176	– Weight of waste recovered (metric tons) – Weight of hazardous waste recovered (metric tons) – Non-hazardous waste recovered (metric tons)	AL
GRI 308: Supplier Environmental Assessment 2016				
3-3	Management of material topics	Pages 44-45		
308-2	Negative environmental impacts in the supply chain and actions taken	Page 166 The information reported is limited to the number of suppliers assessed for environmental impacts. Our most recent risk assessment was performed in 2022. This selected indicator was externally assured by PwC as part of the assurance of the 2022 Integrated Report		
GRI 401: Employment 2016				
3-3	Management of material topics	Pages 42-43		
401-1	New employee hires and employee turnover	Page 170-171 Information not broken down by region.	– New hires (# of employees) – Voluntary turnover (as a % of permanent employees) – Total turnover by gender (as a % of total permanent employees)	AL
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	We offer benefits such as healthcare plans and occupational pension plans to our employees considering their type of contract.		
401-3	Parental leave	Many of our affiliates provide paid maternity and paternity leave in excess of legally required minimum. For example, SGS in Switzerland offers 16 weeks of maternity leave paid at 100%. SGS in Australia offers 8 weeks of paid maternity leave in excess of the local legally required minimums and SGS in South Africa, offers 5 paid days while local regulation provides 3 paid days. We also provide different childcare facilities in many of our affiliates. Some of our offices count with special rooms equipped with armchairs and freezers dedicated to breastfeeding. We also offer our employees the possibility of flexible working arrangements such as flexible check-in and checkout, remote or part-time working to promote worklife balance. No quantitative information available.		

2023 GRI content index continued

GRI standard and disclosure		Reference	Assured quantitative indicators	Assurance
GRI 402: Labor/Management Relations 2016				
3-3	Management of material topics	We strictly adhere to tariff structures and arrangements negotiated with trade unions, while we also inform and consult employees on relevant business activities. We respect statutory minimum notice periods and give reasonable notice of any significant operational changes in line with local practices and labor markets. Our affiliates' communication and consultation processes are tailored to local needs. Organizational changes and relevant events that occur are formally communicated in compliance with the different regulations that apply both globally and locally as well as, when applicable, in accordance with what is established in the collective bargaining agreements of the group's companies.		
402-1	Minimum notice periods regarding operational changes			AL
GRI 403: Occupational Health and Safety 2018				
3-3	Management of material topics	Pages 42-43		
403-1	Occupational health and safety management system	Pages 42-43, 201		AL
403-2	Hazard identification, risk assessment, and incident investigation	All site managers are expected to perform risk assessments and to develop associated action plans. Employees have the right to stop work at any time, without reprisal, if they consider there to be a health, safety or environmental risk. Any such instances are reported through our Crystal OI system. Our OI management system defines the criteria to be met to comply with our own requirements and with the local laws and regulations. To ensure compliance, we audit regions and countries centrally, while local OI managers audit our laboratories, offices and facilities. The audit results go into our performance reports, along with incidents and hazards information captured in Crystal.		AL
403-3	Occupational health services	Pages 42-43		AL
403-4	Worker participation, consultation, and communication on occupational health and safety	Pages 42-43		AL
403-5	Worker training on occupational health and safety	Each role at SGS requires specific OI knowledge to support the safety and well-being of our employees. All employees are given training on site standard operating procedures, along with regular training sessions on Group OI management systems and Rules for Life. We also operate a behavior-based safety peer-to-peer observation program.		AL
403-6	Promotion of worker health	Page 201 In line with our culture of care, we promote initiatives to enhance the physical and mental well-being of our employees so as to ensure their fitness for work. This includes the provision of preventative health measures, such as vaccinations, mental and physical health programs focused on awareness, support and resilience.		AL
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pages 42-43		AL
403-8	Workers covered by an occupational health and safety management system	Page 172 We only report on the number of sites certified and the number of employees covered by certified management systems.	– FTE covered by ISO 45001 standard (number of FTE)	AL
403-9	Work-related injuries	Page 172 2 fatalities occurred in 2023.	– Total Recordable Incident Rate (TRIR) (occurrences per 200 000) – Lost Time Incident Rate (LTIR) (occurrences per 200 000) – Sickness absence rate (as a % of days of sickness absence per total days worked) – Total absence rate (as a % of days of sickness absence plus days lost per incidents with lost time per total days worked)	AL

GRI standard and disclosure		Reference	Assured quantitative indicators	Assurance
403-10	Work-related ill health	Page 172 Information not broken down by gender and employee category. Number of fatalities as a result of work-related ill health: 0	– The number of fatalities as a result of work-related ill health	AL
GRI 404: Training and Education 2016				
3-3	Management of material topics	Pages 39-41		
404-1	Average hours of training per year per employee	Page 169 Information not broken down by gender and employee category.	– Training ratio (as a % of total employment cost spent on training) – Percentage of employees trained on the Code of Integrity	AL
404-2	Programs for upgrading employee skills and transition assistance programs	Pages 39-41		AL
404-3	Percentage of employees receiving regular performance and career development reviews	Page 169	– Performance reviews (as a % of employees eligible to performance review)	AL
GRI 405: Diversity and Equal Opportunity 2016				
3-3	Management of material topics	Pages 42-43		
405-1	Diversity of governance bodies and employees	Page 55-57, 62-63, 168 The Board of Directors is composed of 9 members (6 men and 3 women). The Operations' Council is composed of 16 members (14 men and 2 women).	– Percentage of employees by gender – Percentage of managers by gender – Percentage of women in leadership positions (CEO-3) – Diversity on the Board and Operations Council by gender, nationality and age	AL
405-2	Ratio of basic salary and remuneration of women to men	Page 171		
GRI 406: Non-discrimination 2016				
3-3	Management of material topics	Pages 42-43, 201		
406-1	Incidents of discrimination and corrective actions taken	Pages 167, 203	– Total number of proven incidents of discrimination	AL
GRI 407: Freedom of Association and Collective Bargaining 2016				
3-3	Management of material topics	Page 167		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 167, 201 Our most recent risk assessment was performed in 2022. This selected indicator was externally assured by PwC as part of the assurance of the 2022 Integrated Report.	– Number of operations identified as having a significant risk of incidences of child labor, forced or compulsory labor, or where the right to exercise freedom of association may be violated	
GRI 408: Child Labor 2016				
3-3	Management of material topics	Page 201		
408-1	Operations and suppliers at significant risk for incidents of child labor	Page 167, 201 Our most recent risk assessment was performed in 2022. This selected indicator was externally assured by PwC as part of the assurance of the 2022 Integrated Report.	– Number of operations identified as having a significant risk of incidences of child labor, forced or compulsory labor, or where the right to exercise freedom of association may be violated	
GRI 409: Forced or Compulsory Labor 2016				
3-3	Management of material topics	Page 201		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 167, 201 Our most recent risk assessment was performed in 2022. This selected indicator was externally assured by PwC as part of the assurance of the 2022 Integrated Report.	– Number of operations identified as having a significant risk of incidences of child labor, forced or compulsory labor, or where the right to exercise freedom of association may be violated	
GRI 413: Local Communities 2016				
3-3	Management of material topics	Pages 44-45		

2023 GRI content index continued

GRI standard and disclosure		Reference	Assured quantitative indicators	Assurance
413-1	Operations with local community engagement, impact assessments, and development programs	Pages 44-45 We have implemented such programs in 53% of our affiliates. "Community investments" reported in previous years is now reported as "Community donations".	– Community donations (CHF thousands on constant currency basis) – Total community projects (# of projects) – Community hours (# of hours dedicated to community)	AL
413-2	Operations with significant actual and potential negative impacts on local communities	Pages 44-45, 162-163		
GRI 414: Supplier Social Assessment 2016				
3-3	Management of material topics	Pages 44-45		
414-2	Negative social impacts in the supply chain and actions taken	Page 166 Our most recent risk assessment was performed in 2022. This selected indicator was externally assured by PwC as part of the assurance of the 2022 Integrated Report.		
GRI 415: Public Policy 2016				
3-3	Management of material topics	Page 165		
415-1	Political contributions	Page 165	– Contributions to local, regional or national political campaigns, organizations or candidates (CHF)	AL
GRI 417: Marketing and Labeling 2016				
3-3	Management of material topics	We provide customers with detailed quotes and invoices so that they are informed about every aspect of our service, including pricing. Our Global Pricing Initiative, developed through expert review of pricing practices across the Group, ensures robust pricing processes and governance.		
417-2	Incidents of non-compliance concerning product and service information and labeling	In 2023, we were not issued with any significant fines or penalties for non-compliance with regulations concerning product and service information and labelling.	– Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling	AL
417-3	Incidents of non-compliance concerning marketing communications	In 2023, we were not issued with any significant fines or penalties for non-compliance with regulations concerning marketing communications.	– Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	AL
GRI 418: Customer Privacy 2016				
3-3	Management of material topics	Pages 39-41		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Pages 39-41, 167 The total number of identified leaks, thefts, or losses of customer data is not reported.	– Number of substantiated complaints concerning breaches of data customer policy – Number of complaints from regulatory bodies – Number of complaints received from outside parties and substantiated by the organization	AL

Sustainable Accounting Standards Board (SASB) framework alignment

The following tables illustrate how the Company's sustainability disclosures align with the SASB Disclosure Topics for the Professional & Commercial Services industry, and where specific information may be found.

Sustainability disclosure topics and accounting metrics

Topic	Code	Accounting metric	Level of disclosure	Page number(s) and/or URL(s)
Data Security	SV-PS-230a.1	Description of approach to identifying and addressing data security risks	Disclosed	Pages 39-41
	SV-PS-230a.2	Description of policies and practices relating to collection, usage, and retention of customer information	Disclosed	**Privacy at SGS** **Privacy policy**
	SV-PS-230a.3	(1) Number of data breaches (2) Percentage involving customers' confidential business information (CBI) or personally identifiable information (PII) (3) Number of customers affected	Disclosed	Page 167
Workforce Diversity & Engagement	SV-PS-330a.1	Percentage of gender and racial/ethnic group representation for (1) Executive management, and (2) All other employees	Disclosed	Pages 55-57, 62-63, 168-169
	SV-PS-330a.2	(1) Voluntary, and (2) Involuntary turnover rate for employees	Disclosed	Pages 170-171
	SV-PS-330a.3	Employee engagement as a percentage	Disclosed	Page 170
Professional Integrity	SV-PS-510a.1	Description of approach to ensuring professional integrity	Disclosed	Page 42-43, 164 **Code of integrity** **Privacy policy**
	SV-PS-510a.2	Total amount of monetary losses as a result of legal proceedings associated with professional integrity	Disclosed	In 2023, we were not issued with any significant fines or penalties for noncompliance with regulations associated with professional integrity

Activity metrics

Activity metric	Code	Level of disclosure	Page number(s) and/or URL(s)
Number of employees by: (1) Full-time and part-time (2) Temporary, and (3) Contract	SV-PS-000.A	Partial[1]	Page 167
Employee hours worked; percentage billable	SV-PS-000.B	Not available[2]	–

1. FTEs, number of employees and percentage of casual and permanent workers are disclosed. We are working on reporting the requested breakdown in future reports.
2. We are working on reporting these figures in future reports.

Non-financial matters required by article 964b of the Swiss Code of Obligations

In compliance with the new Swiss rules on non-financial reporting (article 964b of the Swiss Code of Obligations), Shareholders are invited to approve a report on non-financial matters. The Company publishes an integrated report, which covers a larger scope than is strictly required by legislation. The vote of the shareholders is limited to the contents included in the following table.

Requirement	Sections in the Integrated Report	Page number(s)
Description of the business model	**Testing, Inspection and Certification industry overview**	Pages 10 and 11
	TIC in focus	Pages 12 and 13
Description of the policies adopted in relation to the relevant matters and measures taken to implement these policies		
Environmental matters	**Natural capital**	Pages 46 and 47
	TCFD Report	Pages 190 to 196
Social issues	**Social and relationship capital**	Pages 44 and 45
Employee related issues	**Human capital**	Pages 42 and 43
	Human rights report	Pages 197 to 203
Respect for human rights	**Human capital**	Pages 42 and 43
	Human rights report	Pages 197 to 203
Combating corruption	**Our principal risks**	Page 30
	Human capital	Pages 42 and 43
Description of the main risks related to the relevant matters and how the undertaking is dealing with these risks	**Our material topics**	Page 24
	Risk management	Pages 25 to 27
	Our principal risks	Pages 28 to 31
Main performance indicators	**Our progress towards our sustainability ambitions 2030**	Pages 160 to 161
	Databank	Pages 164 to 176
References to national, European or international regulations	**Our approach to sustainability reporting (External standards)**	Page 159
	2023 GRI content index	Pages 177 to 184
	Sustainable Accounting Standards Board (SASB) framework alignment	Page 185
Coverage of subsidiaries	**Our approach to sustainability reporting (Scope and boundaries)**	Page 159

Independent practitioner’s limited assurance report

on selected 2023 sustainability indicators presented in the non-financial statements section of the 2023 Integrated Report to the Board of Directors of SGS SA

Geneva

We have been engaged by the Board of Directors to perform assurance procedures to provide limited assurance on selected 2023 sustainability indicators (including the GHG statement) of SGS SA and its consolidated subsidiaries (‘SGS SA’) presented in the non-financial statements section of the Integrated Report (‘Report’) for the year ended 31 December 2023.

Our limited assurance engagement focused on selected 2023 sustainability indicators as presented in the 2023 GRI Content Index of the Report on pages 177 to 184 as marked with the check mark AL .

We do not comment on, nor conclude on any prospective or retrospective information nor did we perform any assurance procedures on the information other than those marked with the check mark for the reporting period 2023, accordingly we provide no assurance on other information.

The selected indicators (including statements on greenhouse gases) in the Report were prepared by SGS SA based on the criteria disclosed on page 159 in the section ‘Our approach to sustainability reporting’ defining those procedures, by which the related sustainability indicators are internally gathered, collated and aggregated. Further, this section describes and defines the principles, processes as well as data collection and reporting. The section ‘Our approach to sustainability reporting’ and the document ‘Basis of reporting’ have been developed using, among others, the GRI Sustainability Reporting Standards (GRI Standards) published by the Global Reporting Initiative (GRI), Version 2021 and the GHG Protocol Corporate Accounting and Reporting Standard, Corporate Standard, Revised edition (GHG Protocol Standard). We evaluated the selected indicators 2023 against the GRI Standards and the GHG Protocol Standard (‘reporting Criteria’).

Inherent limitations

The accuracy and completeness of the selected 2023 sustainability indicators (including the GHG statement) in the Report are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. In addition, the GHG quantification is subject to inherent uncertainty, because of incomplete scientific knowledge used to determine GHG emissions factors and values needed to combine e.g. emissions of different gases. Our assurance report should therefore be read in connection with the reporting Criteria.

Board of Directors’ responsibility

The Board of Directors of SGS SA is responsible for the preparation and presentation of the Report (including the GHG statement) in accordance with the reporting Criteria. This responsibility includes the design, implementation, and maintenance of the internal control system related to the preparation and presentation of the 2023 Integrated Report of SGS that is free from material misstatement, whether due to fraud or error. Furthermore, the Board of Directors is responsible for the selection and application of the reporting Criteria and adequate record keeping.

PricewaterhouseCoopers SA, avenue Giuseppe-Motta 50, case postale, 1211 Genève 2, Switzerland
Telephone: +41 58 792 91 00, www.pwc.ch

Independence and quality management

We are independent of the SGS SA in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers SA applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to perform a limited assurance engagement and to express a limited assurance conclusion on selected 2023 sustainability indicators (including the GHG statement) as presented in the 2023 GRI Content Index of the Report on pages 177 to 184 as marked with the check mark AL. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) 'Assurance engagements other than audits or reviews of historical financial information' and the International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410'), issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about on whether anything has come to our attention that causes us to believe that the selected 2023 sustainability indicators (including the GHG statement) presented in the 2023 GRI content index of the Report on 177 to 184, as marked with the check mark AL, were not, in all material aspects, prepared in accordance with the reporting Criteria.

Based on risk and materiality considerations, we performed our procedures to obtain sufficient and appropriate assurance evidence. The procedures selected depend on the assurance practitioner's judgement. A limited assurance engagement under ISAE 3000 (Revised) and ISAE 3410 is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

Summary of the work performed

Our limited assurance procedures included, among others, the following work:

- Assessment of the section 'Our approach to sustainability reporting' in the Report and the SGS Group Sustainability Manual and observing the application, including the criteria to determine whether they are appropriate when applied in relation to the disclosures and indicators;
- Interviewing SGS representatives at Group and at affiliate level in Brazil, Canada, China, Germany, New Zealand, United Arab Emirates, United States and Taiwan responsible for the data collection and reporting;
- Inquiries of personnel involved in the preparation of the Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Report;
- Inspecting the relevant documentation on a sample basis;
- Performing tests of details on a sample basis as evidence supporting the selected 2023 sustainability indicators concerning completeness, accuracy, adequacy and consistency.

We have not carried out any work on data other than for those selected indicators as defined above. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

Conclusion

Based on the work we performed, nothing has come to our attention that causes us to believe that the selected 2023 sustainability indicators (including the GHG statement) as presented in the 2023 GRI Content Index of the 2023 Integrated Report of SGS SA for the period ended 31 December 2023 as marked with the check mark AL are not prepared, in all material respects, in accordance with the reporting Criteria.

Intended users and purpose of the report

This report is prepared for, and only for, the Board of Directors of SGS SA, and solely for the purpose of reporting to them on the selected 2023 sustainability indicators (including the GHG statement) as presented in the 2023 GRI Content Index of the Report as marked with the check mark AL and no other purpose. We do not, in giving our conclusion, accept or assume responsibility (legal or otherwise) or accept liability for, or in connection with, any other purpose for which our report including the conclusion may be used, or to any other person to whom our report is shown or into whose hands it may come, and no other persons shall be entitled to rely on our conclusion.

We permit the disclosure of our report, in full only and in combination with the reporting Criteria, to enable the Board of Directors to demonstrate that they have discharged their governance responsibilities by commissioning an independent assurance report over the selected 2023 sustainability indicators (including the GHG statement) as presented in the 2023 GRI Content Index of the Report as marked with the check mark AL without assuming or accepting any responsibility or liability to any third parties on our part. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Board of Directors of SGS SA for our work or this report.

PricewaterhouseCoopers SA

Guillaume Nayet

Maegan Gokarn

Geneva, 21 February 2024

'The maintenance and integrity of SGS SA's website and its content are the responsibility of the Board of Directors; the work carried out by the assurance provider does not involve consideration of the maintenance and integrity of the SGS SA website and, accordingly, the assurance providers accept no responsibility for any changes that may have occurred to the selected 2023 sustainability indicators or reporting Criteria since they were initially presented on the website.'

TCFD report

We are leading the way on climate change. This report presents SGS's governance, strategy, management practices and metrics in relation to climate change and its impact on the organization. This report follows Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and methodology, which we will further adopt going forward.

TCFD report

As a sustainability leader, SGS is committed to a climate change strategy and to helping our customers transition to a low carbon economy.

Introduction

To add to our industry leading sustainability performance and reporting, and to meet future reporting requirements, we are publishing our TCFD report.

The purpose of the TCFD is to promote international financial stability through the provision of consistent information to financial market participants that assess and value climate-related risks and opportunities.

This increases our transparency and will help our stakeholders make more informed decisions when engaging with SGS. It also aligns with the Swiss regulation, according to which, from 2024, large Swiss firms will be legally bound to report on climate issues including climate-related risks and opportunities.

During the last three years, we have worked on embedding climatic risks and opportunities in our company decision making. In 2022 we quantified the financial impact of some of our key transition risks and opportunities and in 2023 we performed a quantitative assessment of the direct impact of physical climate risks on a selection of 80 buildings owned by SGS.

Inspector, Industries & Environment, Belgium.

TCFD report continued

Governance

Board oversight
The SGS Board of Directors is ultimately responsible for the direction of the Group. This includes assessing risks facing the business and reviewing risk management and mitigation policies. The Board is ultimately responsible for SGS's group strategy, mission and values, including those related to climate change.

In 2023, the Sustainability Committee met four times. During these meetings, the members of the Board receive reports on progress against our corporate targets and information about specific projects targeting key sustainability matters, including climate-related issues.

The Board of Directors, the Sustainability Committee and the Audit Committee review, discuss and approve our climate change risk strategy and assess the effectiveness and appropriateness of the Group's risk management, internal controls and governance processes as well as the reliability of internal financial and operational information. They also review and guide our risk management policies and ensure that the standards and policies of the Group are respected. The cross-membership organization of the board contributes to the robustness of discussions and transparency.

By reviewing and guiding risk management policies, the Board gets the information it needs to follow up on climate change risk issues and give direction to the organization, as this information enables it to mitigate risks and identify potential areas for improvement.

Management's role
Our Operations Council, chaired by the CEO, formulates, approves and implements group strategy. It also approves and implements more detailed strategies, policies and targets through all operations across the Group including those related to climate change. During the Operations Council's monthly meetings, sustainability and climate change are usually an agenda item and the corporate sustainability team often attends these meetings to present and discuss sustainability and climate change topics.

The Operations Council is comprised of a wide range of senior management representing the full breadth of the SGS Group:

- The chief operating officers provide insight in terms of our operations at a regional level (e.g. the impact that a climate mitigation program could have on the regions or how to best implement it)
- The executive vice presidents provide insight in relation to our services (e.g. how to maximize the opportunities that climate change brings in relation to our service offer)
- The senior vice presidents provide insight in relation to our functions (for example, the chief compliance and legal officer advises on the legal implications of climate change and associated regulation), processes and risks, including those related to climate change

These are monitored on an ongoing basis by the Board of Directors with the approval of the Operations Council.

Environment, social and governance (ESG) metrics are included in the long-term incentive scheme for all executive members and local management teams across the organization, accounting for 20% of the incentive opportunity.

For more information,
please see pages 85-87

Risk management

Identifying and assessing risks
Climatic risks and opportunities are identified through various channels:

- Climatic scenario analysis: through climatic analysis models, market trends, upcoming regulations and megatrends
- Our operations: they are up to date with market changes that can result in risks and/or opportunities
- Business continuity team: analyzes, anticipates and prepares the organization for potential business disruption, which includes extreme weather events

Identified climatic risks include upstream and downstream activities across the supply chains for all our stakeholders, which are input into our risk intelligence tool for evaluation.

Managing impact
In addition to identifying and evaluating potential risks, our operations and functions at local, regional and global levels are required to explain the associated mitigation programs, in order to define the residual risks. These residual risks are then evaluated against SGS risk appetite and risk tolerance level.

Executive vice presidents of each of our business lines consider climatic risks when defining the strategy of the business line and in their financial planning. In most cases, where a portion of the business could be disrupted due to market or regulatory changes, this includes diversifying into other services or geographies, and investing where new opportunities are likely to appear or where there may be an increase in demand for an existing service.

These risks and opportunities are prioritized depending on this assessment.

Integration with risk management
We manage climatic risks in our operations through our risk management framework.

For more information,
please see page 25

The objective is to ensure that the risks faced by SGS are managed properly to reduce the impact of negative risks while increasing the impact of opportunities, and to provide a tool for reporting risk to key stakeholders, senior management, the Board of Directors and our external community.

Strategy

Main climate-related risks and opportunities

Time horizons

We have defined the following time horizons for climate-related risks and opportunities:

	Short term	Medium term	Long term
Time horizon	Short term	Medium term	Long term
Time period	Present to 2024	2024 to 2030	2030 to 2050
Rationale	Our Sustainability Ambitions 2030 set short-term targets	Our Sustainability Ambitions 2030 set medium-term targets	We are committed to achieving Net Zero by 2050

These horizons were chosen because they are aligned with our business and sustainability strategies.

Below are the main risks and opportunities that could have a financial impact on the organization:

Main climate-related risks identified

Risk category & risk		Impact description	Mitigation	Time horizon and geography
Regulatory	**Increasing price of carbon**	An increase in the price of carbon off-sets (to maintain our carbon neutrality) and an increase in carbon taxes from governments.	Reduce our carbon emissions and energy consumption through our climate change mitigation strategy. Implement a strategy to mitigate the increase in carbon offsets and increase self-generation of renewables.	Medium term Global
Regulatory	**Increased compliance costs**	Higher operational costs to comply with climate related legislation (e.g. EU Taxonomy, adoption of TCFD recommendations, etc.)	We take a proactive approach and adopt best-in-class practices towards climate change mitigation and adaptation.	Short term Global
Technology	**Failing to adapt to new low carbon technologies**	Not adopting low carbon technologies (such as low carbon vehicles, energy efficiency measures for our buildings or renewable energy generation) would reduce our competitiveness and affect our reputation.	Our climate change mitigation strategy ensures that we continuously innovate, for example through our Energy Efficiency in Buildings program, or our vehicle emissions policy.	Medium term Global
Market	**Shifts in service demand**	Market changes due to climate change can have a significant impact on client demand for SGS services, either directly or indirectly. Some of the specific potential shifts we have identified by business line are: • Natural Resources: risks associated with coal phaseout and different types of crops in several regions, and with climate change regulation and market demands • Connectivity & Products: two potential risks associated with carbon pricing and changes in customer behavior • Industries & Environment and Business Assurance (prev. Knowledge): risks associated with transition-related new markets	We are diversifying our market segment, to increase sales from markets that will be developing as a result of climate change. Key to this are our sustainability services, a wide range of services that help organizations to implement better and more efficient processes, address stakeholder concerns, address risks and accomplish their sustainability goals. The impact of this mitigation measure is displayed as an opportunity below, under "Main climate-related opportunities."	Medium term Global

TCFD report
continued

Risk category & risk		Impact description	Mitigation	Time horizon and geography
Reputation	**Climate reputation**	Failing to address appropriately our impact on climate change, or to comply with climate regulations, would impact the value of our brand and imply the loss of clients.	Our sustainability team ensures that our approach to addressing climate change is best-in-class and credible. Our sustainability and legal teams ensure that we stay up to date with legislation and comply with all regulations.	Long term Global
Acute physical	**Extreme weather**	Extreme weather conditions, such as cyclones, hurricanes or floods, can affect our business performance and continuity, by forcing us to close sites disrupting our logistics, etc.	We have business continuity guidelines and a global emergency management standard which our affiliates must implement at local level. This ensures that 100% of our sales, as well as any new operations, are protected against extreme weather-conditions. Business continuity programs across SGS define roles and responsibilities in case of crisis and provide guidelines and group procedures to organize a coordinated response in case of emergencies.	Short, medium, and long term Global
Chronic physical	**Increase in mean temperatures**	Higher mean temperatures result in higher energy consumption and usage of refrigerant gases, which translate into CO_2 emissions.	Through our Energy Efficiency in Buildings program we implement measures to optimize energy consumption in our facilities. Our energy efficiency in buildings program covers our entire operations, ensuring that 100% of our sales, as well as any new operations, are protected against the increase in mean temperatures. We are also working on reducing the fugitive emissions of refrigerant gases.	Short, medium, and long term Global
	Rising sea levels	Our coastal facilities could be impacted, requiring relocation. This also contributes to tidal flooding and storm surges.	Given that rising sea levels is a slow phenomenon, we continually assess when it will be necessary to move affected facilities.	Long term Global

Main climate-related opportunities identified

Opportunity category & opportunity		Impact description	Strategy to maximize opportunity	Time horizon and geography
Technology	**New and more affordable low carbon technologies**	Increased demand for low carbon technologies is resulting in new technologies appearing, being developed faster and being made more affordable, in most cases.	Adopting these technologies will help us implement our climate change mitigation strategy, also reducing costs associated with energy and carbon.	Medium term Global
	Cost savings associated with climate strategy implementation	Reducing the energy that we consume in our buildings, as well as the amount of employee travel, will not only reduce our carbon emissions but also the associated costs (such as the cost of energy, the trip and carbon offsets).	Reducing our carbon emissions and energy consumption through our climate change mitigation strategy (including amongst others our Energy Efficiency in Buildings program and our vehicle emissions policy).	Short, medium, and long term Global

Opportunity category & opportunity		Impact description	Strategy to maximize opportunity	Time horizon and geography
Market	**Shifts in service demand**	Market changes due to climate change can have a significant impact on client demand for SGS services, either directly or indirectly. Some of the specific potential shifts we have identified, by business line, are: • Natural Resources: opportunities associated with energy and water efficiency, and several opportunities associated with different types of crops in Eastern Europe, the Mediterranean region and North East Asia • Connectivity & Products: several opportunities associated with electric mobility, supply chain certification and higher demand for product testing • Industries & Environment and Business Assurance (prev. Knowledge): opportunities to increase our energy efficiency, carbon pricing, green building and climate-related reporting services clients	Through our sustainability services we will be proactive about maximizing the opportunities presented by climate change, enhancing existing services and creating new ones.	Short, medium, and long term Global

Scenario analysis and quantification of financial impact

Scenario analysis

As part of our climatic risk and opportunity management process, we conduct scenario analysis to improve our strategic resilience and explore climate vulnerabilities that might impact our business.

Analyses are carried out in accordance with TCFD recommendations, which indicate that at least two scenarios should be used. These should include one scenario aligned with the Paris Agreement and another based on business as usual.

Scenario	Temperature rise	Transition risks	Physical risks	Rationale
RCP[1] 2.6	1.5-2°C	✓	✓	All climate commitments made by governments for 2030 targets and longer-term net zero and other pledges will be met
RCP[1] 4.5	2-3°C	✓		More conservative benchmark for transition risks, because it does not take for granted that governments will reach all announced goals
RCP[1] 8.5	>3°C		✓	Only current climate policies are implemented. Paris Agreement targets are not met. It is an extrapolation of what could happen if no additional measures were taken

1. Representative Concentration Pathway.

Transition risks

As transition risks and opportunities are those expected to have the largest impact on Group operations, we have quantified the estimated financial impact of:

- Increasing price of carbon (risk)
- Cost savings associated to climate strategy implementation (opportunity)
- Shifts in service demand (risk and opportunity)

The estimated values presented in the table below represent the total discounted value of future sales and costs driven by transition risks and opportunities, for the period from 2023 to 2050, using a weighted average discount rate of 7.4%.

The calculated financial impact on SGS is denominated in Swiss francs (CHF). Where financial projections were denominated in another currency, these have been converted to CHF by using forward exchange rates from Oxford Economics.

Where projections were made in real terms, inflation expectations for Switzerland were considered, taken from Oxford Economics.

TCFD report
continued

Risk category & risk	IEA STEPS 2050 Gross financial impact (CHF million)	IEA STEPS 2050 Net financial impact (CHF million)	IEA APS 2050 Gross financial impact (CHF million)	IEA APS 2050 Net financial impact (CHF million)
Regulatory Increasing price of carbon	–29	–25	–54	–25
Market Shifts in service demand	–6*	–6*	–140*	–140*

Opportunity category & opportunity	IEA STEPS 2050 Gross financial impact (CHF million)	IEA STEPS 2050 Net financial impact (CHF million)	IEA APS 2050 Gross financial impact (CHF million)	IEA APS 2050 Net financial impact (CHF million)
Technology Cost savings associated to climate strategy implementation	0	515	0	510
Market Shifts in service demand	419*	577*	656*	944*

* The financial impact related to shifts in service demand covers SGS's services related to renewable energies, electric vehicles and minerals required for clean energy transition.

Physical risks

In 2023, we performed a physical risk assessment considering our top 80 key owned buildings, including offices, laboratories and warehouses scattered around the world. The results of this first quantitative assessment will help us identify key assets highly exposed and vulnerable to physical risks, as well as their respective hazard(s) of concern.

The analysis was limited to the property value itself and therefore, no capital equipment (within the building) was considered. We have assessed the exposure and vulnerability assessment of direct physical risks (direct damage caused to the assets) and therefore, indirect physical risks were not considered (e.g. the loss of worker productivity due to high temperatures).

The climate risk assessment was conducted by analyzing:

a) Hazards: the probability of occurrence of a hazardous event at a given intensity
b) Exposure: number of assets present in a given location potentially affected by the selected hazard, and
c) Vulnerability: expected value loss of the asset, should an event of a specific intensity occur

Qualitative overview of the results[1]:

- Europe is the region with the highest exposure, primarily driven by floods (fluvial, pluvial and tidal), as well as wind and high temperatures, to a lower extent. Finland, Belgium and the Netherlands will be the countries most impacted
- North America is the region with the second highest exposure, mainly driven by pluvial and fluvial flooding
- Latin America is the region with the third highest exposure, driven by floods (fluvial and pluvial) in Brazil and Colombia
- Asia Pacific is the region with the fourth highest exposure, driven by floods (all types), as well as wind and high temperatures
- Africa Middle East is the region least exposed to hazards, which will be driven by fire and high temperatures

Resilience strategy

In order to enhance our resilience, SGS's framework aims to minimize climatic risks and maximize climatic opportunities.

To minimize risks, for each identified risk in which the gross risk level is unacceptable (i.e. the risk can have a significant impact on business sales, profit margin, business continuity, reputation or operations), mitigation programs are defined in order to manage them and bring the residual risk level to an acceptable level.

In addition, our global business continuity strategy aims to enable us to respond to any disruption efficiently and effectively, while minimizing the impact on our operations in terms of our sites, processes and service delivery.

For more information see our risk management section, pages 25-27

Finally, each business line takes into consideration identified risks and the results of our scenario analysis to define our business strategies and ensure that we anticipate any market or regulatory changes and that we also exploit any new opportunities.

Our resilience strategy also includes the programs that we have in place to reduce our CO_2 emissions and our dependency on energy. Some examples are our Energy Efficiency in Buildings program and our vehicle emissions policy.

Metrics and targets

The following information can be found in the 'Non-financial statements' section of this Integrated Annual Report:

- The key metrics used to measure and manage climate-related risks and opportunities
- Scope 1, 2 and 3 greenhouse gas (GHG) emissions and the related risks provided for historical periods to allow for trend analysis
- Key climate-related targets

1. Qualitative results considering RCP 8.5 and time horizon 2050.

Human rights report

We are fully committed to supporting human rights and preventing violations across our global network.

At SGS, we commit to respecting human rights – not just as an ethical obligation, but as an important part of our role in society. This report consolidates the principles, policies and initiatives that demonstrate our commitment to human rights. We aim to improve transparency to our stakeholders in everything we do, and to report on our progress around these efforts.

Governance

At SGS, human rights permeate the highest levels of management. The SGS Human Rights Executive Committee, formed in early 2017 and chaired by the CEO, is ultimately responsible for and oversees the application of our human rights commitments across the Group.


Laboratory managers, Health & Science, Germany.

The Chief Compliance Officer is responsible for managing compliance with the SGS Code of Integrity, while the SGS supplier code of conduct is jointly managed by our global procurement and corporate sustainability teams. Senior managers are expected to demonstrate visible and explicit support for human rights as defined in the SGS Code of Integrity, the SGS business principles, the SGS human rights policy and the SGS supplier code of conduct.

Our human rights task force oversees strengthening SGS's human rights due diligence program and ensuring it remains suitable to the Company's nature and operations. This taskforce is integrated by high-ranking representatives and steered by corporate sustainability.

Lastly, a dedicated sustainability committee of the Board has been appointed to reflect the growing importance of sustainability, including human rights, to all our stakeholders and build on the substantial work already achieved.

Embedding human rights in our policies, principles and due diligence processes

Our unwavering commitment to respecting human rights is grounded in our SGS Code of Integrity and our SGS business principles, and reflected in our human rights policy, supplier code of conduct and other relevant policies.

Furthermore, we employ an extensive array of controls to evaluate, avert and alleviate risks associated with human rights violations and more general labor rights violations throughout our activities.

Our enterprise risk management system incorporates relevant human rights issues and brings accountability and responsibility for risk management close to our operations.

In addition, we have integrated controls, specifically targeting human rights related risks in our group-wide internal control framework. These controls include, but are not limited to, compliance with minimum wage requirements, overtime rules, changes to pay, collective agreements, etc.

To further mitigate any adverse human rights impact, SGS applies the four-eyes principle in a rigorous manner to all employment-related decisions.

All employment contracts and any changes in an employee's general conditions require at least two levels of approval and the validation of a human resources professional.

In our continuous effort to integrate human rights considerations throughout our operations, we have developed a Human Rights Due Diligence Checklist, tailored for use during social compliance audits within our own operations. This initiative helps us manage operational risks more effectively, uphold our responsible business practices, and foster positive engagement with our stakeholders.

We continue our efforts to integrate human rights into our group-wide policies and control systems.

For more information see our Human rights policy

Inspectors, Industries & Environment, Belgium.

Delivering on our human rights commitments

To bring our human rights commitment to life, we embrace and follow the principles of the United Nations Global Compact and United Nations Guiding Principles (UNGPs) on business and human rights.

The UNGPs incorporate by reference the rights and principles expressed in the International Bill of Human Rights and in the International Labour Organization Declaration on Fundamental Principles and Rights at Work with its eight core conventions, all of which we respect.

SGS has put in place several policies, procedures and plans to prevent and reduce the risk of having a negative impact on human rights as part of our ongoing commitment to upholding such rights.

Unless specified otherwise, all policies, programs and plans aimed at preventing and mitigating human rights risks, as described in this report, apply to all SGS employees and over 2 600 offices and laboratories operated by SGS.

Fair labor practices

As an employer, we impact the lives of over 99 600 employees and their families. We want our employees to be well and thrive during their time with SGS. We embed human rights in our policies, principles and due diligence processes and invest in programs and services to support human rights throughout the entire employee life cycle.

Embracing diversity in our recruitment process

To ensure that we are increasing the diversity of our hiring, we train our recruiters on recruitment best practices and talent acquisition, and our managers in recruitment, interviewing and diversity best practices. We are also measuring the gender diversity of our applicants. SGS has a standardized recruitment process. The process includes the use of interview scorecards to standardize the evaluation of our candidates in the interview process. The proper and consistent use of interview scorecards helps us to remove potential interview bias, create a quantitative standard for candidate evaluation and to make better hiring decisions.

Furthermore, SGS designed a gender bias toolkit to help us prevent using gender-biased wording in job adverts. Gender-biased words can be viewed as discrimination towards male or female candidates and could discourage people from applying to work for SGS.

Enhancing our recruitment practices, we have increased the use of AI predictive analytics. By integrating AI tools, we are able to analyze a wide array of candidate data without prejudice, effectively removing unconscious biases from the hiring process. The utilization of AI in our recruitment strategy reinforces our dedication to promoting diversity by ensuring that hiring decisions are based on merit and potential, regardless of the candidate's background.

Fair and competitive remuneration

SGS is committed to providing fair and competitive remuneration packages in all the markets in which we operate.

Our approach ensures a fair and competitive remuneration package by utilizing a globally recognized job architecture methodology throughout the SGS Group. This methodology evaluates each job based on its contribution to our business success as well as the knowledge, qualification, skills and experience required to perform the job. It allows us to benchmark our remuneration packages against local market practices, using data collected from salary surveys conducted by reputable professional service providers.

Salary adjustments are a reflection of the employee's contribution to our business success as well as external factors such as local legislation and collective bargaining agreements where applicable.

The deployment of our new Human Capital Management system, mySGS, has significantly enhanced our ability to manage and evaluate global job architecture effectively. With mySGS, we have centralized job data, including job grades. This enables us to conduct comprehensive data analysis, such as gender pay gap analysis. It provides immediate insight into pay disparities, which we can address promptly through corrective measures. This level of analysis and proactive management ensures our remuneration packages remain fair and competitive while reinforcing our commitment to equal pay for work of equal value across the SGS Group.

Our consistent application of these methodologies is a testament to our dedication to promoting the principle of equal pay and supporting diversity within our global operations.

In adherence to our anti-discrimination and dignity at work policy, we continue to ensure that every employment-related decision, including compensation, benefits, recognition and promotions is based solely on an individual's qualification, performance and behavior or other legitimate business considerations without discrimination.

We rigorously respect minimum wages defined by the local regulations and comply with all the mandatory requirements defined by local legislation or binding collective bargaining agreements with regards to wages and their evolution.

No cash policy

SGS recognizes that cash-based wage payments are not only inefficient for employers, but also risky and disempowering for workers.

We therefore follow the recommendations of the International Labour Organization and the UN-based Better than Cash Alliance to shift wage payments from cash to digital, in order to promote respect of workers' rights, broaden financial inclusion and to make payments safer and more transparent.

Our group policies require wages to be paid digitally and not through cash or cheques.

Education and employability

SGS promotes the right to education by offering continuous learning opportunities to all our employees. Our employee online learning portal offers a large portfolio of learning opportunities, ranging from technical knowledge to interpersonal and management skills. It enables our employees to fully customize their individual learning path to their needs. We believe that helping our employees embrace a lifelong learning mindset will empower them to increase their employability and help them be more resilient to life challenges.

The recent integration of an auto-translation tool into SGS Campus allows for course materials to be translated into 72 languages, significantly increasing the accessibility and reach of these resources. This enhancement ensures employees worldwide can engage with learning in their native language, promoting inclusivity and fostering a learning environment that accommodates a diverse workforce.

Anti-discrimination and dignity at work

As a global company, we consider that it is our responsibility to stand up for human rights and practice tolerance, inclusion and respect to enable a better, safer and more interconnected world.

We achieve this goal through the promotion of greater debate and transparency, and the exchange of different views, experiences and perspectives.

The general obligation of every employee to abide by the principles of anti-discrimination is embedded in our SGS Code of Integrity and our group policy on anti-discrimination and dignity at work.

The latter aims to raise awareness of our zero tolerance of any form of discrimination and provide guidance on how to deal with it. It supports our commitment to promoting an equal opportunity workplace for all employees and an environment in which we treat everyone with dignity, consideration and respect.

We encourage our employees to act immediately and speak up if they encounter discrimination. At SGS, there is no place for any form of discrimination.

SGS's commitment to an inclusive workplace has earned significant acknowledgment. We are proud to have been ranked 45th among the top 100 publicly traded companies in the 2023 Refinitiv Diversity and Inclusion Index, which reflects our unwavering commitment to promoting diversity and inclusion throughout the Group.

Facilitating the freedom of expression and opinion

At SGS, we are dedicated to fostering an atmosphere where people can freely engage in dialogue, offer ideas and voice their opinions without worrying about facing consequences. We place a high priority on open communication. In order to foster sharing, cooperation and engagement, we are dedicated to fostering an open and sincere relationship with our employees, as stated in our business principle on leadership.

To enable our employees to share their honest feedback anonymously and to help us understand how our employees feel about working for SGS, we conduct regular employee engagement surveys.

We use communication tools, such as MS Viva Engage, as SGS's private and social collaboration network to foster open dialogue. All our employees can join the SGS private network on MS Viva Engage, ask questions, share ideas, express their opinion, and create and join communities.

Bonded labor, child labor and forced labor

SGS does not engage in bonded labor, child labor or forced labor.

As an inspection, verification, testing and certification company, it is in the nature of our business to employ workers with a certain level of occupational qualifications (e.g. inspectors, auditors, office workers, laboratory personnel, etc.) In our own operations, a large part of our activities is therefore considered inherently low-to-medium risk for bonded labor, child labor or forced labor.

We believe the policies and procedures in place mitigate any risks related to bonded labor, child labor or forced labor.

Health and safety

At SGS, we recognize that our operations can impact the health of our workforce. Some of the harmful health risks and agents in our workplaces include exposure to noise, dust, chemicals, thermal and musculoskeletal stressors.

In order to ensure early detection of potential ill health, we conduct pre-employment and periodic health surveillance on our workforce. Through appropriate case management, we support management and recovery from illness resulting from these exposures.

In line with our culture of care, we promote initiatives to enhance the physical and mental well-being of our employees to ensure their fitness for work. This includes the provision of preventative health measures, such as vaccinations, and mental and physical health programs focused on awareness, support and resilience.

SGS advocates for educating and raising awareness among its entire workforce as a means of ensuring the health and safety of all its employees and delivers around 3 million training hours on health and safety per annum to our employees.

In addition, SGS has identified roles and responsibilities of managers. By establishing a clear mechanism for clarifying responsibilities, managers are encouraged to ensure the safest possible working conditions for their employees.

Zero-recruitment-fee policy

Large recruitment fees can leave employees in situations of debt bondage, a form of forced labor in which a person's labor is demanded as means of repaying a loan, trapping the individual into working for little or no pay until the debt is repaid.

SGS applies a zero-recruitment-fee policy. As part of this fair recruitment practice, SGS never requires an administration fee for processing job applications and never requests money or financial information from an applicant to secure a job as an employee, intern, or to provide services as a contractor.

In recent years, it has come to our attention that various individuals and organizations have contacted people offering false employment opportunities with SGS.

We have taken this matter seriously and notified appropriate legal authorities in an effort to stop such fraudulent schemes.

In addition, we have launched internal and external communication campaigns to prevent candidates from becoming victims.

We invite candidates to check the legitimacy of a job offer or to report potentially fraudulent job offers to our corporate security department.

Home working

To mitigate the risks related to employees working from home, a group policy is in place outlining applicable rules, regulations and norms governing home working.

The policy includes, but is not limited to, guidance on health and workspace safety at home, and rules to prevent potential harassment or discrimination of employees working from home. It also clarifies that the requirements relating to absence, sickness and recording of work time at home must be observed in the same way by home workers as by employees who work in the office.

To help our employees manage mental health while working from home, we offer employee assistance programs in different locations. These include mindfulness sessions, stress management training, virtual yoga, mental health virtual talks, and much more.

Delivering on our human rights commitments continued

Vulnerable groups

Individuals from certain groups or populations may be particularly vulnerable to impacts on their human rights, such as children, women and migrant workers.

SGS takes responsibility for paying special attention to vulnerable groups and recognizing the specific challenges that they may face.

Children

SGS does not employ children under the age of completion of compulsory schooling and, in any case, under 16 years. To ensure this, we closely monitor the age of our employees and confirm a potential candidate's identity and right to work through our global standards on pre-employment screening.

Women

SGS strives to have proportional representation of women in leadership positions throughout the group.

We have included Women in Leadership (CEO-1, CEO-2 and CEO-3 management positions) as a non-financial KPI into the long-term incentive plan of the SGS Group.

In addition, our gender-inclusive recruitment process for leadership positions requires that there is at least one woman on every interview panel and at least one female candidate on every final shortlist for CEO-1, CEO-2 and CEO-3 positions.

In 2021, SGS became signatory of the Women Empowerment Principles – a United Nations private sector initiative that offers guidance to businesses on how to promote gender equality and women's empowerment in the workplace, marketplace and community.

As an example of our efforts, in 2022, SGS in Switzerland obtained Equal Salary Certification, a symbol of excellence in terms of equal pay for all its employees in the country. After successfully passing the statistical analysis of all salaries, The company underwent an internal audit entrusted to an external audit company proving equal pay for women and men.

To further accelerate our progress in diversity, equity and inclusion, we have conducted surveys, one-on-one interviews, and held workshops with our leaders. This valuable feedback will guide the development of our DE&I program.

Migrant workers

We realize the importance and extent of the migration phenomenon and recognize the vulnerable situation in which migrant workers frequently find themselves.

We mitigate the risk of employing workers who are non-documented or in an irregular situation through our global standards on pre-employment screening. Our global standards include, but are not limited to, the confirmation that the identity of our candidates is genuine and that they have a valid visa and work permit for the country of employment.

SGS has also conducted a global compliance review of cross-border employment relationships. Each identified cross-border case was reviewed, tailor-made guidance was provided, and corrective actions were implemented where required. Following the compliance review and, to mitigate any risks related to cross-border employment relationships, SGS set global standards. Through the avoidance of cross-border employment relationships, SGS ensures that employees working in the same location have access to the same rights and working conditions.

Supply chain

With a CHF 2 billion annual supply chain spend, we have a significant opportunity to extend our sustainability principles to many more businesses and employees beyond our own. As a responsible major purchaser, we ensure that goods and services are sourced sustainably and that our suppliers respect human rights.

Code of conduct for suppliers

Our supplier code of conduct sets out the basis of our responsible sourcing approach. It defines not only the non-negotiable minimum standards that we ask our suppliers to respect when conducting business with SGS, but also the values which are shared throughout SGS, its various businesses and affiliates. Every supplier that wants to do business with SGS is required to sign the SGS code of conduct to ensure that they are aligned with our standards and commitments, including those related to human rights. As part of our commitment to sustainable sourcing, we have also included specific questions related to human rights in all our tender activities.

Supplier self-assessment questionnaire

In 2023, we have implemented the SGS self-assessment questionnaire (SAQ) for our key global and local suppliers operating in the top 25 countries.

This is a strategic program that aims to identify potential sustainability risks in our supply chain, especially those concerning human rights and childhood protection, and take action to mitigate these risks, towards a full human right protected partnering.

This program is mandatory for all suppliers in scope to ensure that our current/potential partners comply with our standards.

By the end of 2024 we plan to include all existing and new suppliers into the program within the procurement scope.

Supplier diversity program

SGS knows that diverse supplier networks bring uniquely rich insights and experiences that are vital to our innovative edge. Therefore, we are working to promote diversity and inclusion across our supply chain.

As a result of these efforts, SGS in North America is ensuring that minority-run suppliers have fair opportunities in procurement tenders. By doing so, SGS is not only improving the well-being of underrepresented groups, but also creating a positive socioeconomic impact on society as a whole, as it supports small firms.

Data privacy

SGS is committed to treating the right of any individual to control their own personal information and to decide about it. Privacy is a fundamental human right and SGS has adopted an approach that protects the personal data of our customers, employees and third parties from the moment we collect it to the time we destroy it.

Data privacy is a key principle of our Code of Integrity. SGS respects the privacy and confidential nature of the personal information of any individual we interact with to the extent required for the effective operation of its business or for complying with legal requirements.

Our data privacy policy governs how we collect, use, and manage the personal data of customers, employees and third parties. Moreover, we have developed a management framework to allow us to manage personal data in a manner that is consistent with the data privacy policy across all affiliates.

Aside from the policies, our data protection officers provide continuous advice, identify privacy risks, develop policies on specific issues, and train employees on data privacy.

We also take data privacy into consideration from the outset when developing new services or processes. By following the privacy by design approach, we aim to avoid a 'collect first, ask questions later' approach to personal data. For those projects that entail data privacy concerns, our data protection officers work closely with the relevant business and IT security teams to undertake a data protection impact assessment, documenting both the potential risks to individuals and the measures being taken to minimize them.

Finally, any individual who wants to exercise their privacy rights can do so by simply visiting our online privacy request form at www.sgs.com. We will not discriminate against individuals who choose to exercise any of their rights. Specifically, SGS will not deny goods or services, charge different prices or rates, or provide a different level of quality of services.

Empowering human rights

At SGS, we believe that people are empowered when they understand their human rights, know how to raise concerns and are provided with remediation consistent with local laws and the United Nations Guiding Principles (UNGPs) on business and human rights.

Human rights related training

We strive to build a culture of respect for human rights at SGS. We offer training on human rights related topics, because we believe that raising awareness and sharing values through training is crucial to ensuring that our employees act responsibly. Some examples of courses related to human rights, in addition to those described above, include:

- Human rights
- SGS Code of Integrity
- The integrity minute
- Health and safety
- IT security and data privacy

Grievance mechanism

We communicate extensively throughout the Group on the different channels through which employees, external rights-holders and stakeholders can bring any violations or risks of human rights violations to our attention.

Our SGS integrity helpline is available 24/7 in multiple languages online and by phone and is one way to report concerns confidentially and anonymously. The SGS integrity helpline is operated by an independent service provider specialized in dealing with compliance and ethics concerns. Communications made to this helpline are treated confidentially and are reported to the SGS compliance team which protects the anonymity of the informant, where required.

SGS ensures that nobody faces any form of retaliation or adverse consequences for having sought advice or reported any violations or risks of human rights violations. Retaliation against a rights-holder who has reported a violation in good faith will result in disciplinary action.

More information on our grievance mechanism can be found in the SGS Code of Integrity and human rights policy as well as our group policy on anti-discrimination and dignity at work.

Remediation

We recognize that even with the best policies and practices, SGS may cause or contribute to an adverse human rights impact that we have not foreseen or been able to prevent.

When this occurs, SGS applies remediation actions to ensure that the people who were negatively affected receive an effective remedy.

In line with the UNGPs, when an adverse human rights impact is detected in our own operations, SGS is committed to taking transparent action to remedy the situation in a fair and equitable manner. Should the adverse impact be found in the supply chain, SGS will encourage its suppliers to respect human rights, either through the development and implementation of corrective action plans or governance.

We do not tolerate violations of the Code of Integrity. Violations of the SGS code will result in disciplinary action, including termination of employment and criminal prosecution for serious violations.

In 2023, there were three cases of human rights grievance identified through the SGS integrity helpline. These resulted in three disciplinary actions and one termination.

Shareholder information

Key dates and events

26 March 2024	Annual General Meeting
26 April 2024	2024 Q1 sales update
24 July 2024	2024 half year results
25 October 2024	2024 Q3 sales update
November 2024	Capital Markets Day
11 February 2025	2024 full year results

Stock listing information

Stock exchange listing	SIX Swiss Exchange, SGSN
Stock exchange trading	SIX Swiss Exchange
Common stock symbols	Bloomberg: Registered Share: SGSN.SW Reuters: Registered Share: SGSN.S Telekurs: Registered Share: SGSN ISIN: Registered Share: CH0002497458 Swiss security number: 249745

Key contacts

Investor relations	**Ariel Bauer** Group Vice President, Investor Relations, Communications & Sustainability t +41 (0)22 739 99 85 m +41 (0)79 863 49 23
	Livia Baratta Manager, Investor Relations t +401 (0)22 739 95 49 m +41 (0)79 586 48 53
Media relations	**Magali Dauwalder** Global Head of Corporate Affairs t +41 (0)22 739 95 51 m +41 (0)79 329 46 70
Project management	**John Coolican** Group Head of Communications
	Beatriz Cebrián López Global Sustainability Manager

SGS SA
1 Place des Alpes
P.O. Box 2152
CH – 1211 Geneva 1

t +41 (0)22 739 91 11
e sgs.investor.relations@sgs.com

sgs.com

When you need to be sure

SGS Headquarters
1 Place des Alpes
P.O. Box 2152
1211 Geneva 1
Switzerland

sgs.com