

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.

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

● Recommendation ✓ Approval ● Binding vote ● Consultative vote

The following Directors served on the Committee during their mandate from Annual General Meeting 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 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 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.

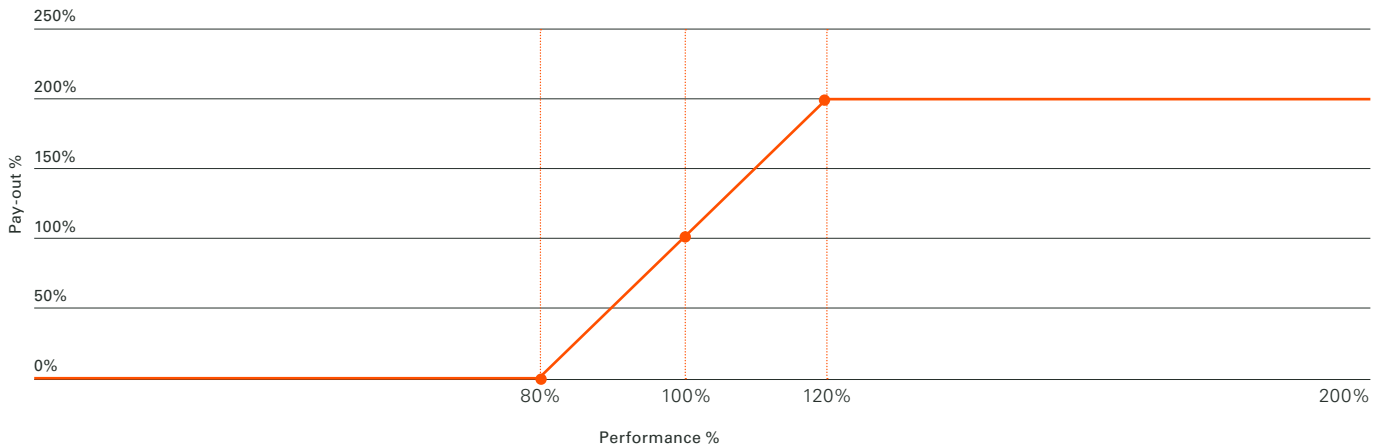
	CEO	Heads of Corporate Functions (SVPs)	Heads of business lines (EVPs)	Heads of Regions (COOs)
Group results	Profitability (bottom-line)	Group NPAT 25%	Group NPAT 25%	Group NPAT 25%
	Growth (top-line)	Group sales 25%	Group sales 25%	Group sales 25%
	Efficient use of capital	Group ROIC (organic) 25%	Group 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)

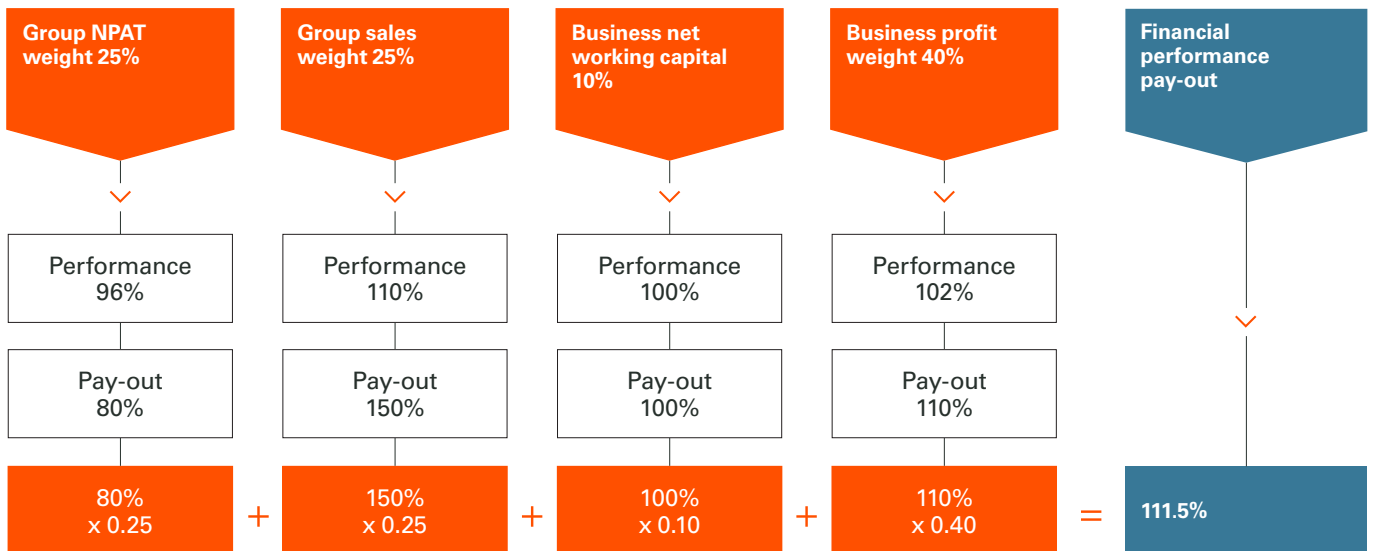


The pay-out curve for regional and business line net working capital (NWC) is defined by the CEO at the beginning of the performance year together with the objectives for each performance metric.

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



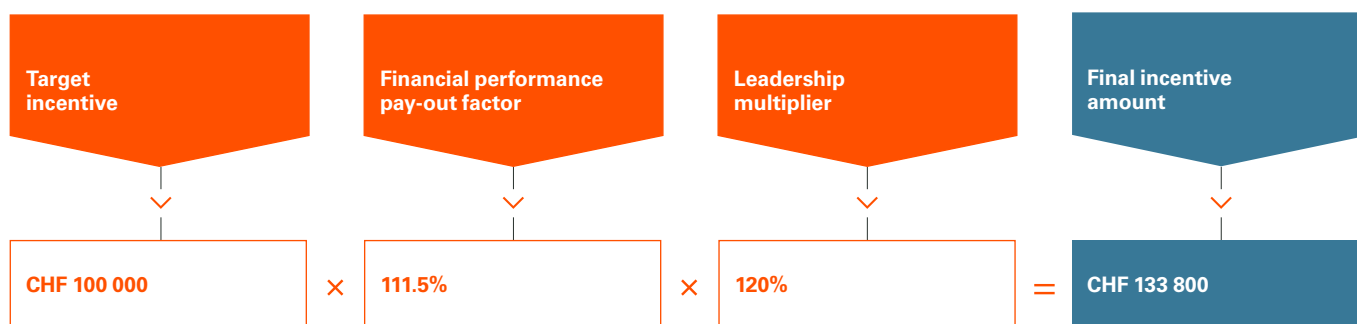
Leadership multiplier

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



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.

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

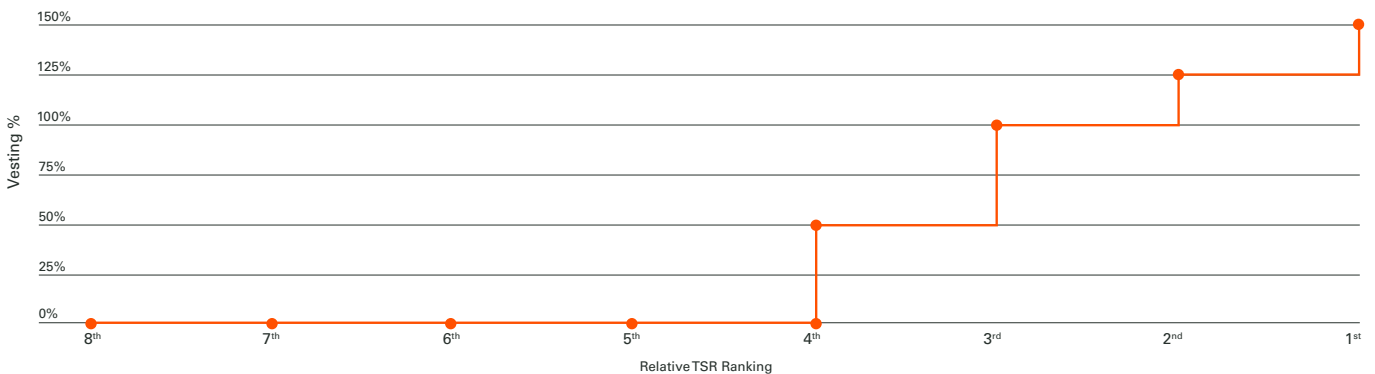
The table below summarizes the value of the incentive opportunity for the CEO and other OC members.

	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%

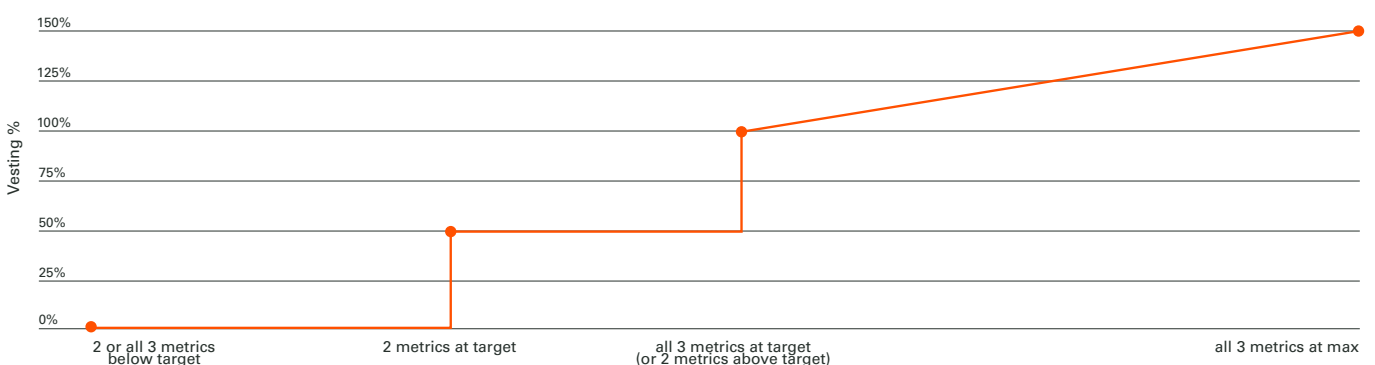
The PSUs granted under the long-term incentive vest after a performance period of three years, conditionally upon the achievement of pre-defined performance objectives and subject to continuity of employment of the beneficiaries during the vesting period.

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.

Relative TSR vesting formula



ESG metrics vesting formula



Performance conditions

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

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

The TSR of the Group will be compared to the TSR of a group of seven peer companies, selected by the Board of Directors as the main listed competitors 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:

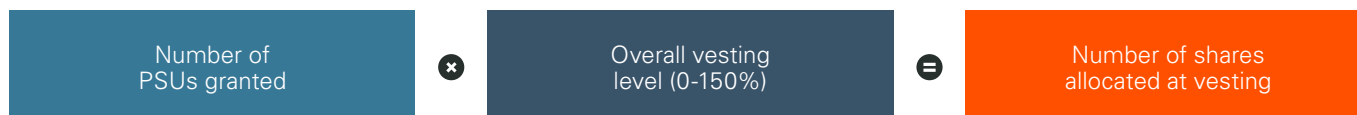
1. Total shareholder return: (Ending stock price – Beginning stock price) + Sum of all dividends received during the measurement period.

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.



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 expired 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

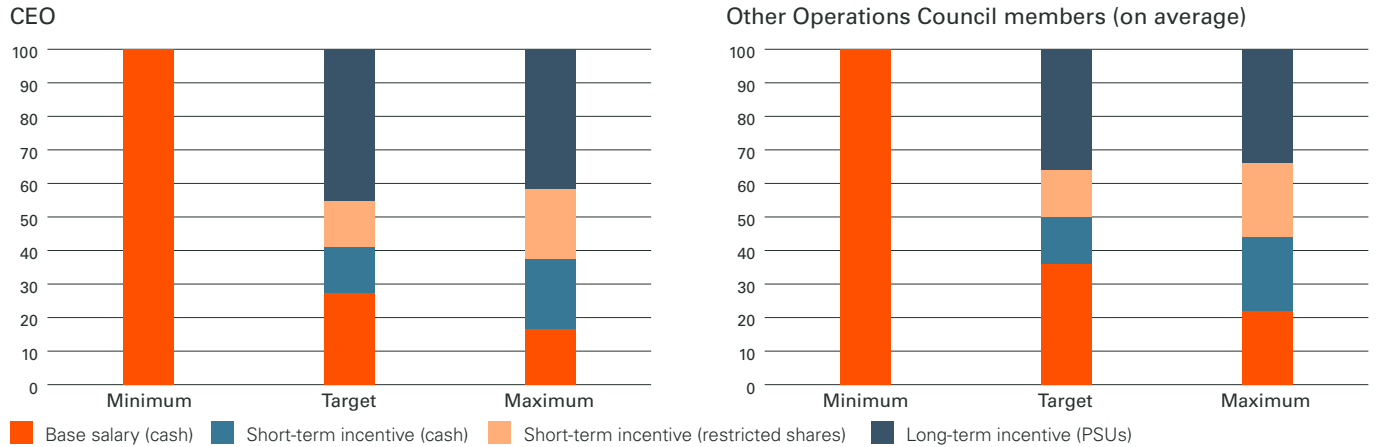
The part of remuneration at risk (short-term incentive and long-term incentive) for the CEO represents, at target, 73% of their total remuneration. The part of remuneration settled in equity instruments (restricted shares and PSUs) represents, at target, 59% of their total remuneration.

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.

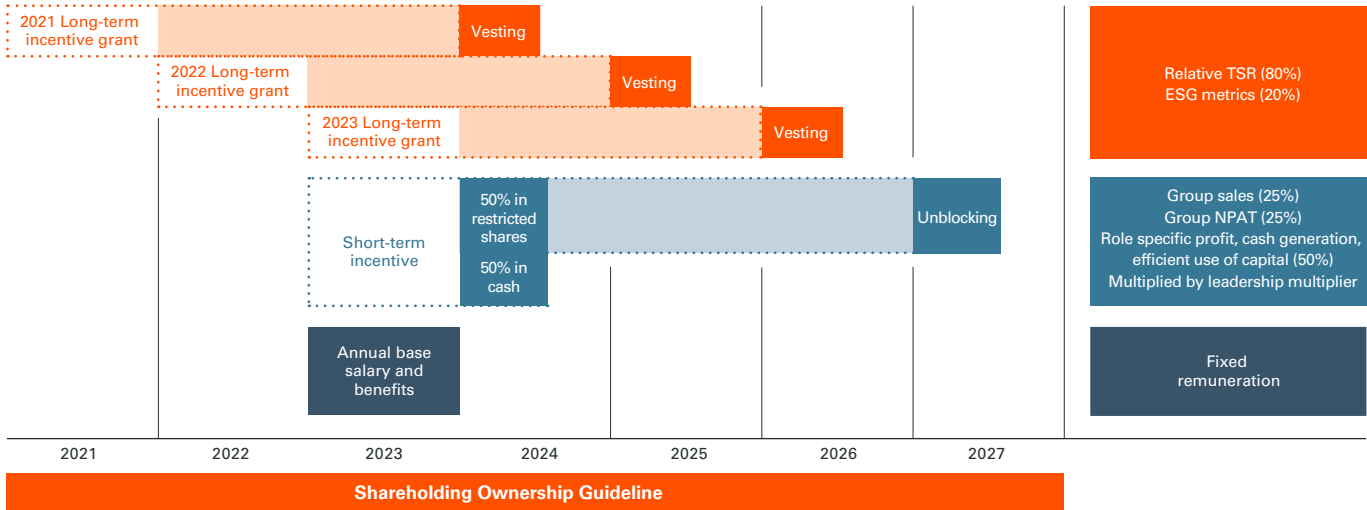
3.2.9. Timeline of remuneration

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

Timeline (performance period, time of payment)



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.

Period	Female		Male	
	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.

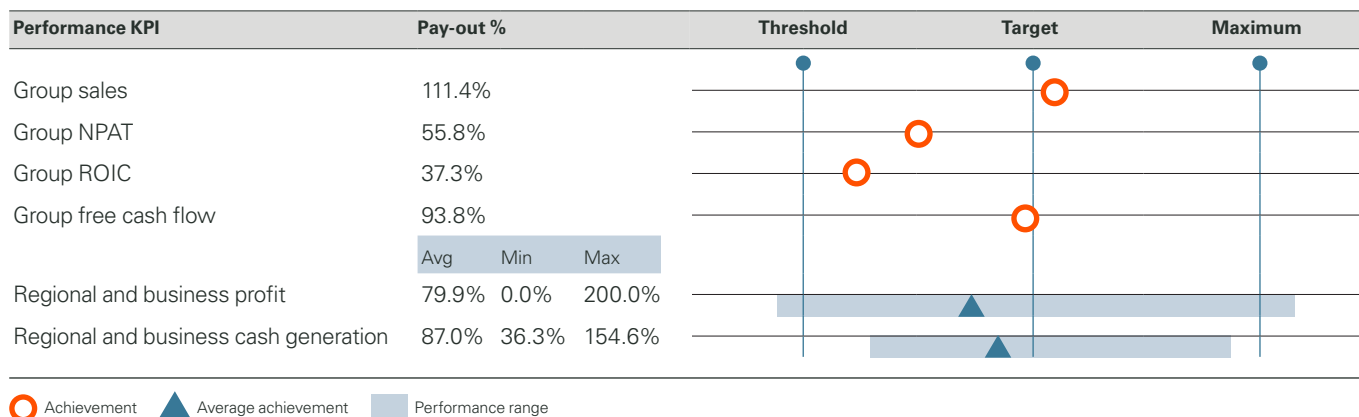
5.3. Short-term variable remuneration (audited)

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



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

KPI description	Group financial KPIs				Pay-out
	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

KPI description	Group financial KPIs				Pay-out
	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 PSUs¹ 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

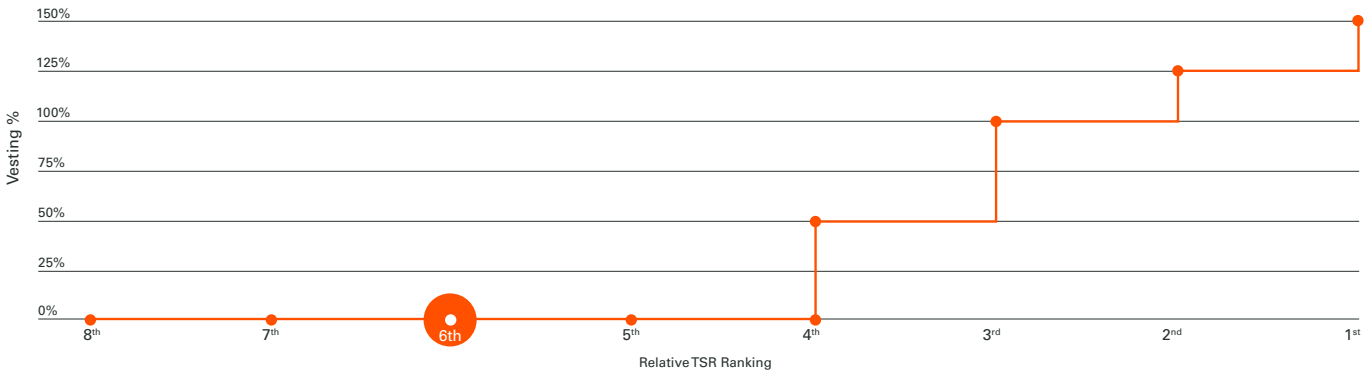
1. Prior to the share split implemented on 12 April 2023.
 2. The value of the grant for the equity part is defined as the number of PSUs granted multiplied by the average closing price of the share during a 20-trading day period preceding the grant date.

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

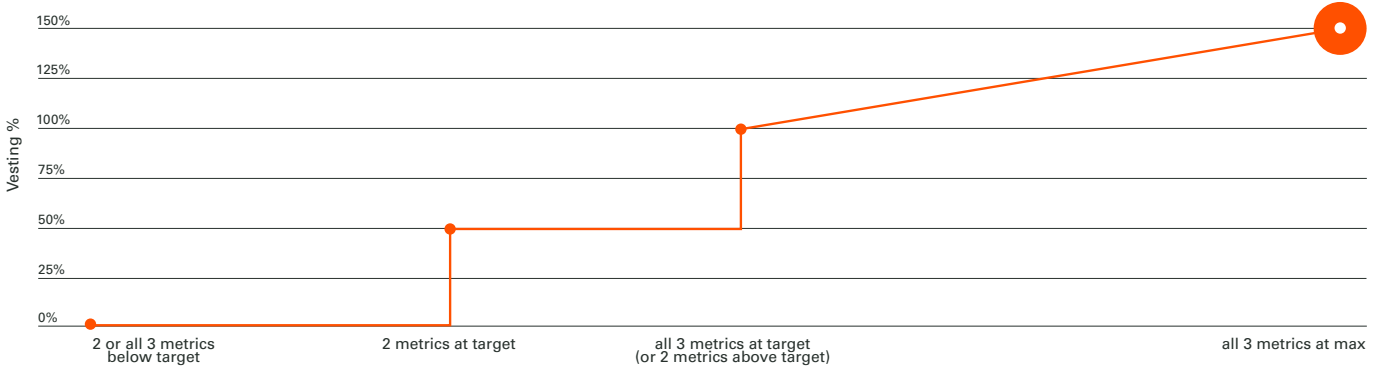
On 1 February 2024, the 2021-2023 PSUs and cash long-term incentive plans vested, according to the vesting and performance conditions. The assessment of the performance conditions has been performed by the Board of Directors, based on the recommendation of the Remuneration Committee.

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	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.

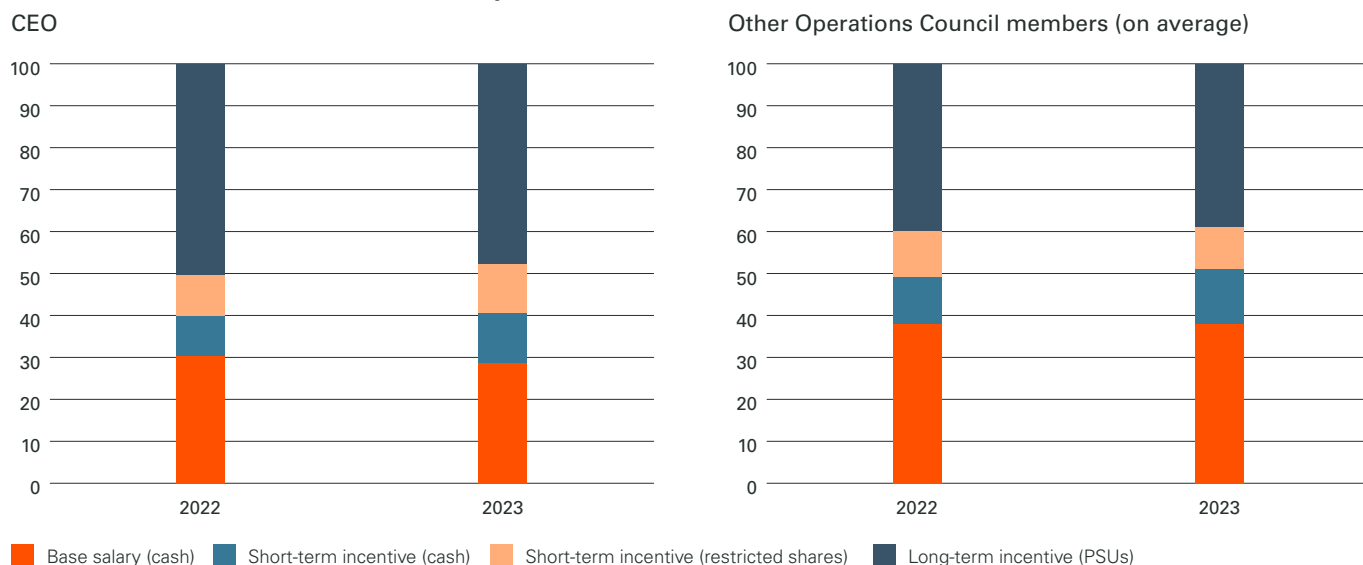
5.6. Remuneration mix (audited)

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.

Period	Female		Male	
	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.

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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
Licensed audit expert
Auditor in charge

Louise Rolland
Licensed audit expert

Geneva, 21 February 2024