



Net-Zero Transition Plan

2024

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Message from our CEO



Géraldine Picaud
CEO

Dear Stakeholders,
As we embark on a transformative journey towards sustainability, we are excited to share SGS's Net-Zero Transition Plan – a blueprint for our transition to a net-zero future.

Climate change stands as the most significant challenge of our time, and, while we are not part of a carbon-intensive sector, we have committed to significantly reducing our emissions by 2030 and achieving net-zero emissions by 2050. This has been endorsed by the Science Based Targets initiative (SBTi) and reflects our dedication to combating climate change. We recognize the urgency of addressing this crisis, not just as an environmental concern but as a socio-economic imperative affecting millions today.

Aligned with the United Nations Sustainable Development Goals (SDGs), our plan outlines a path to reduce scope 1 and 2 emissions by 46.2% and scope 3 emissions by 28% by 2030 and extends that commitment across our entire value chain to reduce our emissions at least by 90% by 2050. The plan is not just a pledge, it is a call to action that goes beyond compliance, aiming for ambitious reductions to secure a competitive business future.

We understand that collaboration along the way will be key. Stakeholder engagement is at the core of our transition, recognizing that collective efforts amplify impact. We invite you to join us on this journey, fostering a dialogue that strengthens transparency and accountability.

As a Testing, Inspection and Certification (TIC) leader, we commit to providing innovative sustainability services, supporting not only our own journey but assisting our customers in their pursuit of sustainability.

Sustainability is no longer an addendum but a fundamental part of our business strategy, shaping our economic and competitive advantage. We are committed to demonstrating leadership, not just in words but through tangible actions that set benchmarks for our and other industries.

Our growth relies on our ability to transform, and our Net-Zero Transition Plan is a testament to our determination to navigate challenges and seize opportunities. We acknowledge the critical role of addressing scope 3 emissions and commit to accelerating our decarbonization efforts to 2030 and beyond.

In closing, we express gratitude for your ongoing support. Our Net-Zero Transition Plan is a living document, a commitment to a sustainable future that transcends rhetoric. Together, let's forge the path towards a net-zero future and inspire meaningful change.

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Our Net-Zero Transition Plan at a glance

Green transition leadership

30%

absolute reduction in scopes 1 and 2 between 2014–2019



World-leading ESG ratings



Unique portfolio of sustainability services to support our customers



Climate action advocacy UN Global Compact TIC council

SGS Sustainability Ambitions

46.2%

reduction in scopes 1 and 2 by 2030. Aligned with 1.5°C ambition

28%

reduction in scope 3 by 2030. Aligned with 2°C ambition

Net-zero emissions by 2050



First TIC company with targets officially approved by the SBTi

Decarbonization levers



Vehicle fleet



Buildings



Renewable electricity



Supply chain



Business travel



Other emissions

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As a sustainability leader, we are committed to a climate action strategy and to help our customers transition to a low carbon economy.

SGS is a leading professional services company that provides specialized TIC services across nearly every industry in over 100 countries. Our services add measurable value to business and society by ensuring products, processes, systems and services meet national and international standards and regulations. Sustainability is embedded into our business strategy as we use the scale and expertise of SGS to enable not only our own transition to a more sustainable future but also the transition of our customers.

As part of our strategy 2027, we have set ambitious targets based on our unique ability to respond to the megatrends driving growth in the TIC industry. One of which is the “powerful sustainability transition”, which encompasses higher demand from Environmental, Social and Governance (ESG) regulation and societal expectations.

Our Net-Zero Transition Plan is deeply integrated into our business strategy and finances. Aligned with our core values, it fosters innovation and efficiency while reducing carbon emissions, mitigating climate-related risks and capitalizing on growth opportunities in our dynamic market.



The Sustainability Ambitions 2030 (SA30), which can be found at [this link](#), is our global sustainability strategy, and it covers our whole value chain. It includes ambitious climate targets for 2030 and beyond, raising the bar on sustainability standards internally and enabling a tangible and long-lasting positive impact on society.

In line with the 1.5°C objective from the Paris Agreement, we are committed to reach net-zero greenhouse gas (GHG) emissions across our entire value chain by 2050.

We maintain continuous dialogue with all stakeholders, including customers, consumers, employees, suppliers, communities, governments and industries and investors, to ensure our sustainability initiatives align with their requirements and deliver positive value.

We are committed to providing all stakeholders with accurate and timely updates on our sustainability activities and performance as well as on our climate-related risks and opportunities. All this is set out in our integrated report, which is published annually.

> [Please refer to our annual integrated reports.](#)

As the global leader in our industry, we aim to lead by example, this is why we have set ambitious targets, going the extra mile to help the planet, society and our business. In this report we have outlined our decarbonization levers, including projects and initiatives, through which we expect to achieve our commitment.

> [Find out more about our approach to sustainability at SGS.com.](#)

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Governance

A strong governance structure ensures that sustainability remains at the heart of our activities. Top management is actively involved in overseeing the delivery of our global sustainability strategy.

The Board of Directors is the highest governing body within the Group and is the ultimate decision-making authority except for those decisions reserved by law to the Annual General Meeting. The SA30, which include ambitious climate targets for 2030 and 2050, was approved by the Board.

A dedicated Sustainability Committee of the Board was established in 2022 in response to the growing relevance of sustainability to the Company and its stakeholders. The Committee plays an important role in assisting the Board to develop its sustainability plans and act accordingly. It oversees sustainability related issues that may affect the Group and its customers, including climate-related risks and the implementation of the decarbonization strategy.

In accordance with the Company's internal regulations, the Board of Directors delegated the operational management of the Group to the Executive Committee. As a result, the Executive Committee defines the Group's strategy, targets and policies, including those related to climate action, throughout all the operations. The ultimate responsibility for implementing this Net-Zero Transition Plan lies with the Executive Committee. This is reflected in its monthly meetings, which the corporate sustainability team regularly attend to deal with sustainability and climate action items on the agenda.

Our regions and affiliates are responsible for implementing various initiatives that support the Group's sustainability targets. The network of regional and local sustainability ambassadors is responsible for implementing the programs in the affiliates, cascading the corporate initiatives down to every single SGS site.

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, based on the key priorities of decarbonization, health and safety and diversity.

[➔ More information in our annual integrated report.](#)

Stakeholder engagement

Maintaining a continuous dialogue with all our stakeholders is critical to our long-term success. The valuable insights from our customers, consumers, employees, suppliers, communities, governments and industries as well as investors inform our materiality assessment and enable us to align our sustainability initiatives to stakeholder requirements and ensure that we deliver value to society.

Internally, we consistently implement innovative initiatives, including campaigns on energy, water and waste awareness, to foster employee engagement in our commitments. This effort aims to cultivate an enduring culture of sustainability throughout the Company.

Additionally, we encourage close collaboration between the sustainability professionals in our network to facilitate the sharing of knowledge, good practices and success stories and ultimately, to provide a better service to customers.

Different levels of collaboration translate into varying degrees of control over our sources of GHG emissions. Some, such as energy consumption in our buildings or the purchase of renewable electricity, fall under our direct control. Others, such as emissions from our supply chain, are within our relative control but require close collaboration with our suppliers. Finally, certain factors extend beyond our direct influence. This is the case for instance of the pace of technological development, which impacts the availability of charging stations for electric vehicles. Navigating these diverse channels of communication and engagement with stakeholders requires a nuanced approach. By understanding the levels of control and influence we possess across different aspects of our operations, we can strategically prioritize our efforts and leverage partnerships to accelerate our journey towards net-zero emissions while fostering sustainable practices throughout our value chain.

[➔ More information in our annual integrated report.](#)

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Climate-related risks and opportunities

At SGS, climate-related risk management is a Group-wide endeavor. We treat our non-financial risks in the same way as financial risks and incorporate our risk analysis into our materiality assessments.



Our Board of Directors reviews risks ensuring that the Company has a robust strategic approach to mitigating them. However, the ultimate responsibility for identifying risks and integrating their management into key business planning processes rests with our Executive Committee. The Group Risk Steering Committee, chaired by the CEO, oversees our risk management framework. Accountability for managing risk rests with 'Global Risk Owners' who are charged with assessing risk in the jurisdictions for which they are responsible.

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 evaluates risk appetite and tolerance levels.

We ensure that our climate-related risks and opportunities are transparently communicated by endorsing and supporting the voluntary recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This is a guidance framework that assists companies with disclosing climate-related risks to investors, lenders and insurers. As the International Financial Reporting Standards (IFRS) Foundation took over the monitoring of the progress of companies' climate-related disclosures, we will start adapting our reporting to the International Sustainability Standards Board (ISSB) recently published inaugural standards, IFRS S1 and IFRS S2, which fully incorporate the TCFD recommendations.

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We have identified our main climate-related risks and opportunities and quantified both our transition and physical risks.

Transition risks		Impact description
Regulatory	Increasing price of carbon	An increase in the price of carbon offsets and an increase in carbon taxes from governments
	Increased compliance costs	Higher operational costs to comply with climate related legislation (e.g. EU Taxonomy, adoption of IFRS-S2/TCFD recommendations, etc.)
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
Market	Shifts in service demand	Market changes due to climate change can have a significant impact on customer demand for SGS services, either directly or indirectly
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 customers

Physical risks		Impact description
Acute	Extreme weather events	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.
Chronic	Increase in mean temperatures	Higher mean temperatures result in higher energy consumption and usage of refrigerant gases, which translate into GHG emissions
	Rising sea levels	Our coastal facilities could be impacted, requiring relocation

Opportunities		Impact description
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
	Cost savings associated to 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
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

[More information in our annual integrated report.](#)

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Facilitating a just transition

The journey towards a net-zero future extends beyond environmental considerations, embracing also vital social dimensions. At SGS, we recognize the imperative of fostering a just and inclusive transition, one that places individuals, businesses and communities at the forefront, and paves the way for a sustainable future.

We maintain consistent engagement with our stakeholders, including employees, suppliers, customers, consumers and communities. This ongoing interaction is essential to uphold a thriving, committed and sustainable business characterized by growth, diversity and inclusion, collaboration as well as respect for human rights, health and safety and dignity.

Moreover, we assist our customers in achieving their sustainability goals, which, in turn fosters an equitable transition. This support is provided through services focused on reducing GHG emissions, sourcing responsibly, increasing resource efficiency and waste reduction as well as ensuring that integrity is integrated throughout the entire value chain.

Continuously seeking ways to promote our sustainability culture across the network and establish ourselves as a leader in sustainability, we joined the United Nations Global Compact initiative in 2023. This is 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.

Our dedication to the UN's principles in the areas of human rights, labor, environment and anti-corruption, aligns with our SA30, driving us forward on our sustainability journey.

Promoting climate action

Proactive engagement is essential for advancing sustainability and climate efforts across our entire value chain. Ongoing dialogue with stakeholders is key, ensuring our sustainability initiatives align with their expectations and provide societal value.

We support the climate agenda of the Paris Agreement, actively striving to limit the global temperature rise to 1.5°C. We are fully committed to strong decarbonization action, aiming for net-zero GHG across our value chain by 2050, which aligns with the Paris Agreement as well as with the SBTi and climate science.

We actively participate in discussions on sustainability and climate change with specialists from other companies and more widely through trade associations and working groups. Sharing experiences and best practices with peers and associations positively impacts our internal performance and the services that we offer to customers. It also contributes to knowledge generation and equips other organizations for their sustainability journey.

Some of them are listed below:

- **TIC Council:** SGS participates in three different working groups: assurance services, product sustainability and sustainability disclosures. Among other achievements, these working groups have developed voluntary guidelines for the sustainability disclosures of TIC members according to the EU taxonomy
- **Gafta:** SGS is among the few industry leading companies that piloted a project to encourage and support Gafta members to contribute towards a sustainable future for agricultural trade

- **Bioenergy Europe:** It aims to develop a sustainable bioenergy market based on fair business conditions. Its statistical reports are the leading source of bioenergy statistics since 2007. SGS sponsored the 2022 report
- **Energy Institute (EI):** SGS, in partnership with the EI, offers professional training and qualifications in energy management
- **Sustainable Apparel Coalition:** Aids EU's circular policies via collaborative secretariat, developing Global Apparel and Footwear (PEFCR) as EU product standard
- **UNGC:** Voluntary leadership platform for the development, implementation and disclosure of responsible business practices. SGS joined in 2023

➔ [More information can be found here.](#)

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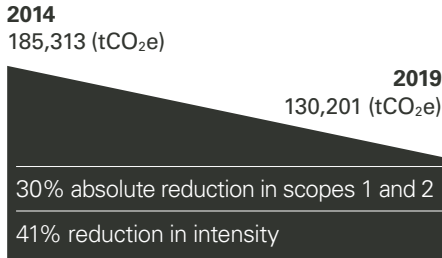
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Overview

2014-2019

Focusing on our operations



Achievements

- A list in CDP
- Over 90% renewable electricity

--- BAU ■ Scopes 1 and 2 ■ Scope 3

Total CO₂ emissions over time

2019-2030

Leading the green transition

Our transition levers are:

1. Vehicle fleet
2. Buildings
3. Renewable electricity
4. Supply chain
5. Business travel
6. Other emissions

46.2%

absolute reduction for scopes 1 and 2

28%

absolute reduction for scope 3

Achievements

- Launch of our global sustainability strategy, SA30
- Sustainability KPIs included in top management remuneration
- First TIC company with targets officially approved by the SBTi
- First integrated, financial and non-financial, report
- Joined the UNGC

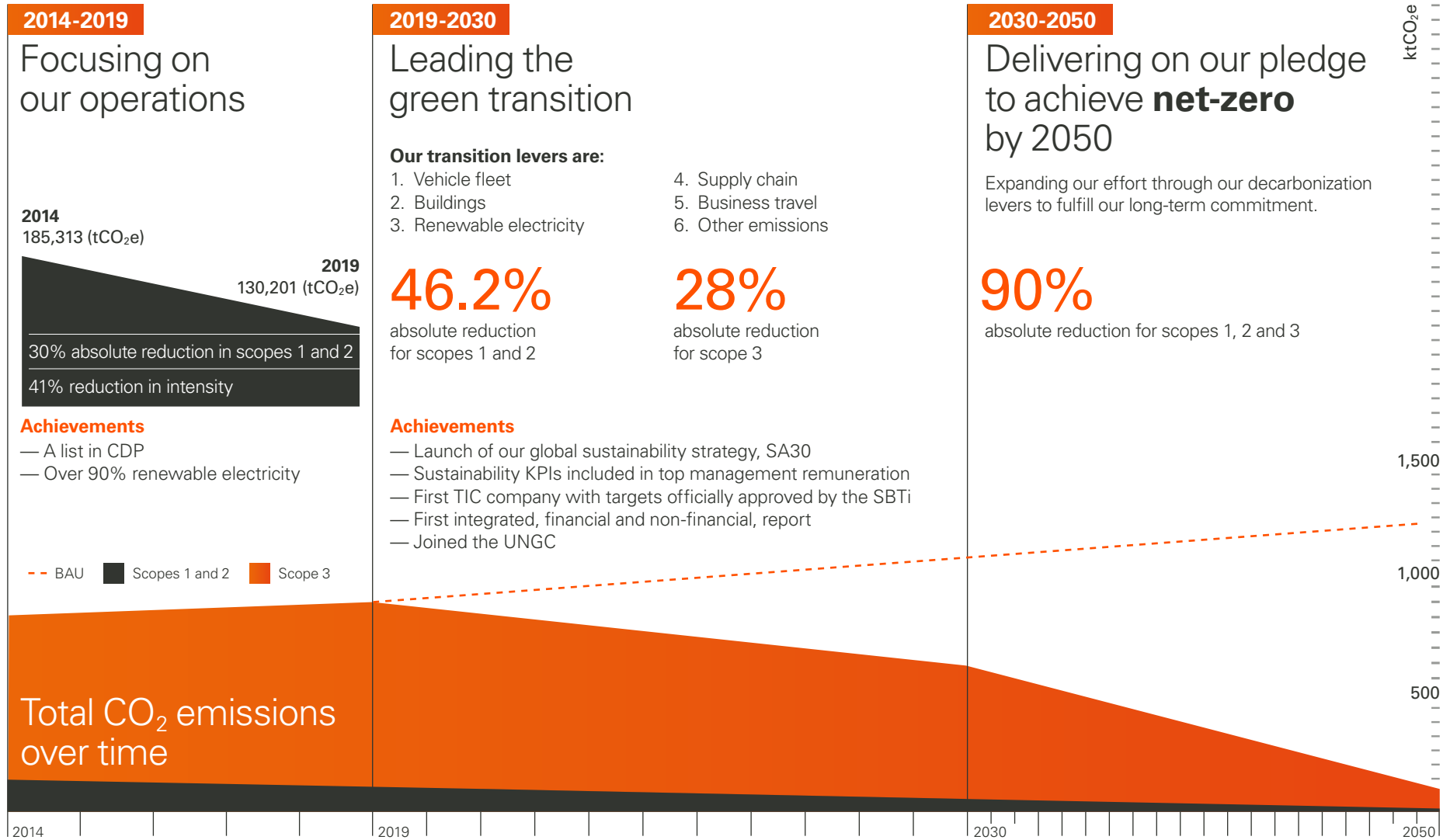
2030-2050

Delivering on our pledge to achieve **net-zero** by 2050

Expanding our effort through our decarbonization levers to fulfill our long-term commitment.

90%

absolute reduction for scopes 1, 2 and 3



The BAU illustrates a "Business-As-Usual" scenario where the emissions grow with the same trajectory as 2014-2019 period, in a scenario without enough decarbonization actions to curb them.

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Carbon footprint

The TIC industry is not a carbon-intensive sector, since it does not comprise manufacturing processes and facilities, thus most of its emissions are indirect. We measure our carbon footprint following the GHG Protocol Corporate Accounting and Reporting Standard. It includes emissions associated to both owned and leased assets over which we have financial control.

Our scope 1 emissions are mainly from the combustion of fuels at our buildings and in our vehicles, (excluding the emissions from refrigerant gases). Our scope 2 emissions come from the generation of purchased electricity by our buildings (excluding district heating emissions).

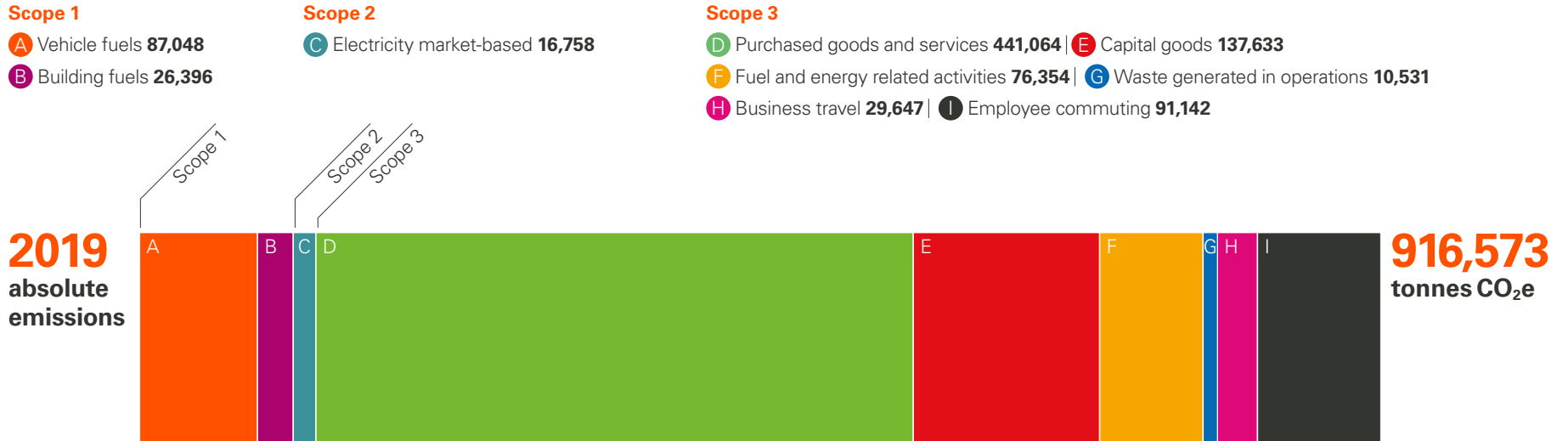
Our scope 3 emissions have a variety of upstream sources. The emissions related to the extraction, production and transportation of purchased goods and services and purchased capital goods account for the largest portion of our scope 3 emissions. Other minor categories include

the emissions related to fuel and electricity activities, the management of waste generated in our operations (including recycling, composting, incineration and landfill), the business travel made by plane or train and the daily commuting of our employees to SGS sites.

Scope 3 categories excluded from our carbon footprint include upstream transportation and distribution, which is deemed irrelevant after screening, and all scope 3 downstream categories, which do not apply to SGS as we are a provider of services and do not sell manufactured products.

In 2019, our carbon footprint was 0.92 million tonnes CO₂e, scope 1 and 2 accounting for 14%. This is represented below, as 2019 serves as our baseline year, against which we measure our reduction progress and establish our targets.

[More information in our basis of reporting.](#)



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Targets

The SBTi is a collaborative effort involving Carbon Disclosure Project (CDP), United Nations Global Compact (UNGC), World Resources Institute (WRI), and World Wide Fund for Nature (WWF).

Functioning as the lead partner of the Business Ambition for the 1.5°C campaign, the SBTi plays a pivotal role in mobilizing companies globally to establish science-based targets aligned with the Paris Agreement. By defining and promoting best practices in emissions reductions and net-zero targets, the SBTi aligns companies with climate science, urging them to take effective action.

The SBTi provides a clearly defined pathway for companies to reduce GHG emissions, helping prevent the worst impacts of climate change and future-proofing business growth.

In 2018, we became the first professional services company in Switzerland to join the SBTi, committing to reduce GHG emissions based on targets determined by climate science.

In 2022, we became the first TIC company to receive approval for a net-zero target. Aligned with the 1.5°C objective from the Paris Agreement, we have committed to reach net-zero GHG emissions across our entire 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 by 46.2% by 2030 from a 2019 base year
- We also commit to **reduce absolute scope 3** GHG emissions by 28% by 2030 from a 2019 base year

Long-term targets

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

Our direct emissions reduction will be prioritized, and all residual emissions will be neutralized in line with SBTi criteria before reaching net-zero emissions by 2050.

In updating our targets, we changed from intensity-based to absolute targets to comply with SBTi criteria and reflect a higher ambition. These targets were determined following the absolute contraction approach, as there is no sectoral pathway that applies to the TIC industry. We also moved forward the baseline year from 2014 to 2019 in order to comply with SBTi criteria. This base year better reflects our new starting point after the achievement of the Sustainability Ambitions 2020, without the anomalies of the COVID-19 pandemic.



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

In line with SBTi criteria, we commit to review our targets against the latest criteria and guidance every five years, and if necessary, recalculate and revalidate for continued recognition by the SBTi. Targets shall be recalculated, as needed, to reflect significant changes that could compromise relevance and consistency of the existing target, e.g. significant changes in company structure and activities such as material acquisitions or divestitures.

This means another great milestone for SGS and further proof of our commitment to make a positive and long-lasting impact on society, and limit global temperature rise to 1.5°C.

Our Net-Zero Transition Plan sets the roadmap to reducing our emissions, including a variety of decarbonization levers and initiatives that cover all scopes. This plan considers the expected organic growth of the Group and future technological advancements and is supported by Group-wide policies, global programs and local initiatives.

To monitor performance, the SGS Sustainability Management System provides a mechanism through which we can monitor the delivery of the Group's Sustainability Strategy and our progress against our targets. GHG emissions data is collected locally at least on a half-year basis through centralized software, then reviewed and consolidated in a centralized manner.

We have communicated our global commitment to each region and affiliate. In this context, the global target related to our operations has been cascaded down to regions and affiliates by using a multi-criteria methodology that considers their weight, intensity and trend. Affiliates are implementing their local action plans, focused on their major contribution, whether this is building or vehicles, aiming to achieve their designated targets.

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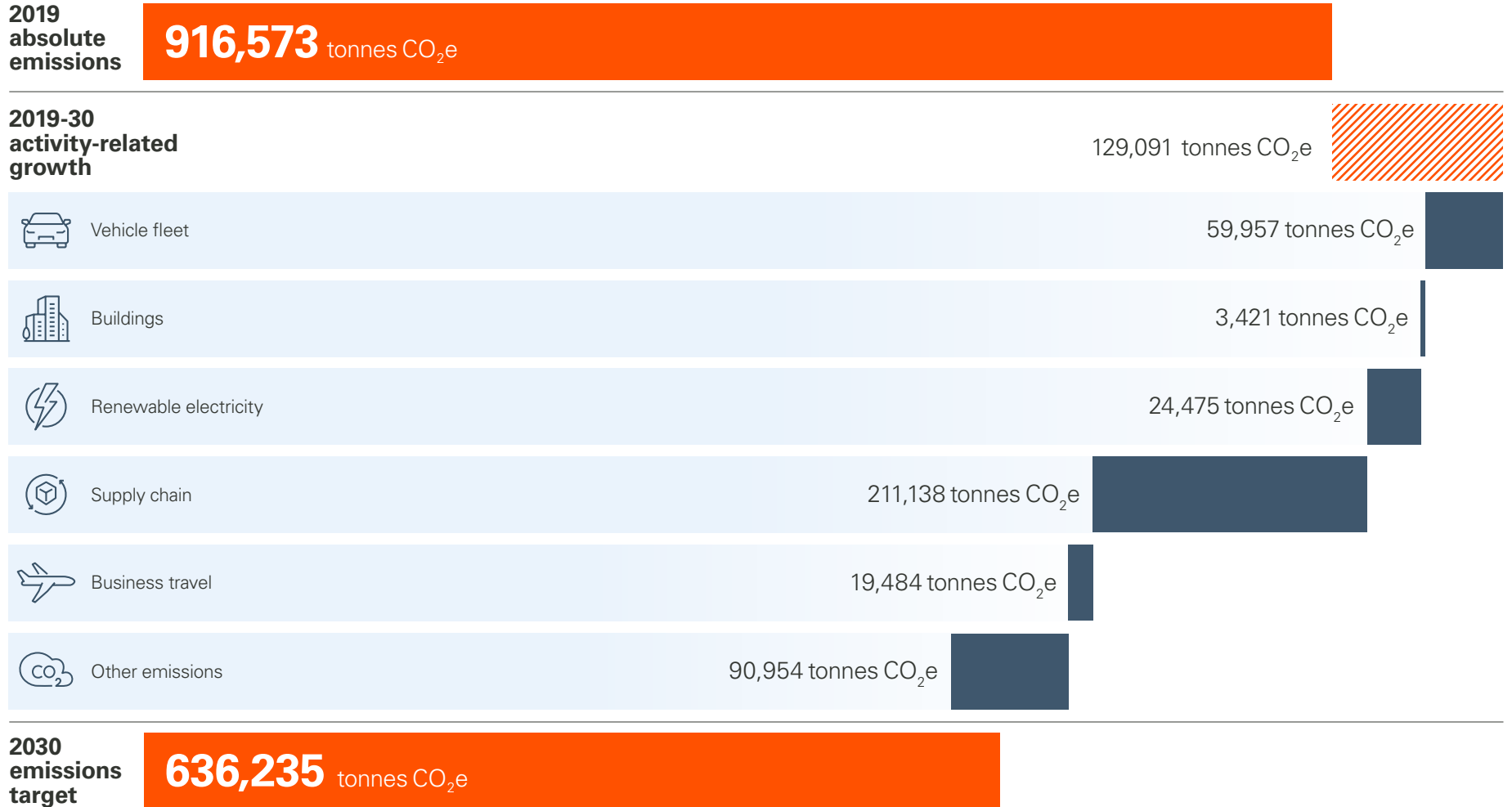
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Reduction of emissions among decarbonization levers



Our commitment to reducing emissions also covers our expected growth, estimated based on 2014-2019 trend.

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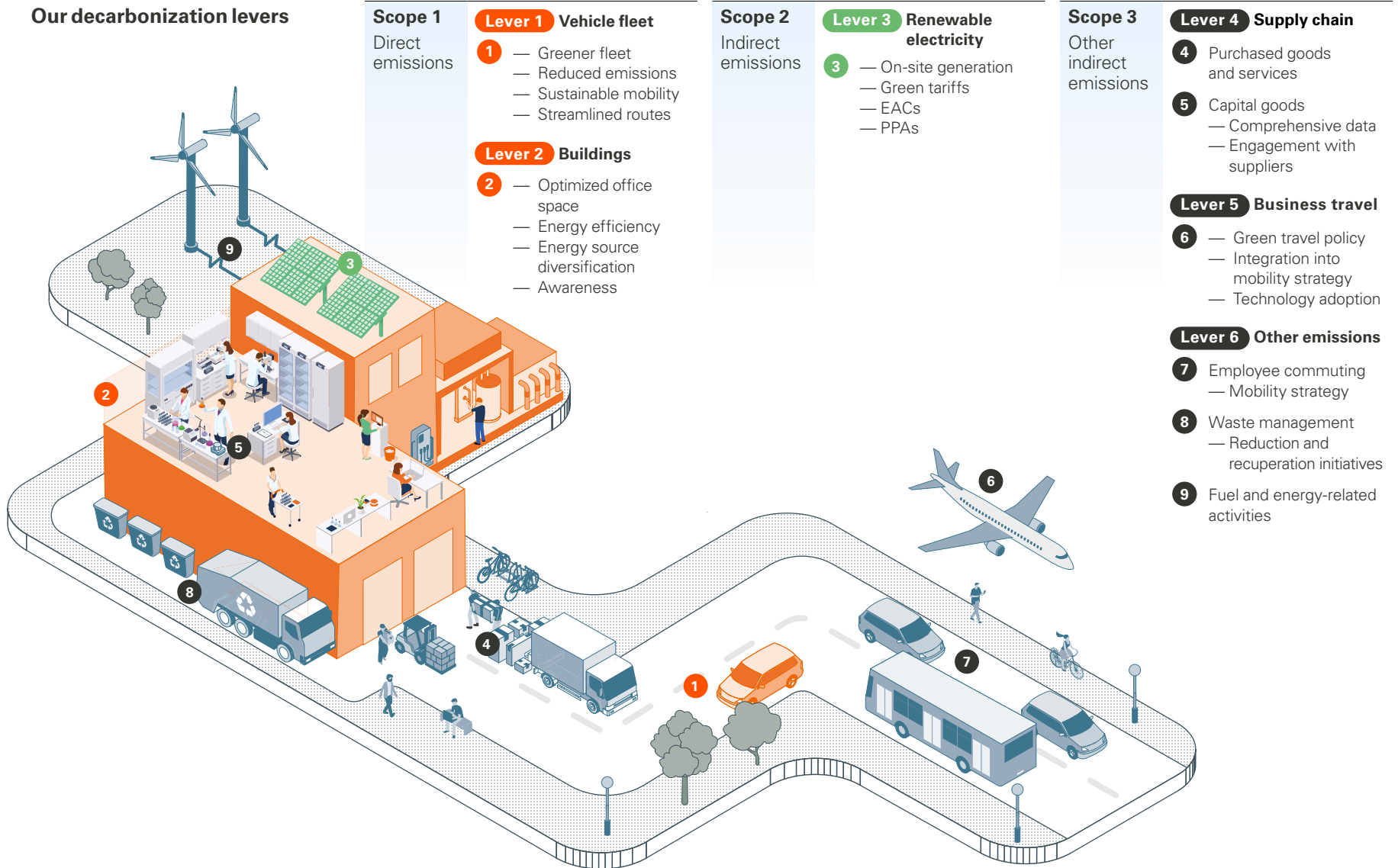
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Lever 1 Vehicle fleet

Around 70% of our operational emissions are linked to our vehicle fleet. This is mainly comprised of passenger cars, light commercial vehicles and pick-ups, used for the purpose of transporting samples and personnel to inspection sites. It is essential to prioritize sustainable practices in this area for achieving substantial positive impact and effective mitigation.

Greener fleet

We are transitioning away from conventional combustion engines and proactively incorporating environmentally sustainable alternatives into our vehicle fleet.

In 2022, we updated a global vehicle emissions policy, [available here](#), that sets out the following three requirements:

- An average emissions target, expressed in gCO₂/km, that the vehicles of our fleet must meet by 2025
- A threshold, also expressed in gCO₂/km, that new acquired passenger cars cannot exceed
- Each year, a minimum of 10% of the vehicles procured will be based on low carbon technologies, such as hybrid, plug-in hybrid, pure electric and natural gas propulsion system

The policy applies to all our leased vehicles as well as those owned since 2022. It enables us to gradually reduce emissions by shifting to vehicles with lower environmental impact, while we continue utilizing existing technology until the transition to zero or extremely low emissions vehicles is fully implemented.

Adherence to the policy is assessed annually, and corrective actions are applied at local level according to performance evaluations. Furthermore, the policy undergoes regular review to ensure that it aligns with most up to date practices and to confirm that it remains rigorous and adequate to facilitate emissions reduction. Lastly, the policy is also updated to ensure comprehensive coverage of the entire decarbonization journey.

Reduced emissions

Through the adoption of local targets and development of emissions reduction plans, affiliates are diligently identifying and implementing initiatives in electrification and other areas related to vehicles. These efforts include the adoption of more sustainable fuels, smart fleet management and provision of efficient driving training. Additionally, our vehicle fleet represents a source of locked-in emissions at SGS. To mitigate this, affiliates are also retiring outdated vehicles among their actions. These endeavors will help our affiliates achieve their designated objectives, concurrently making a substantial contribution to fulfilling the Group's global commitment.



Achievements

Over a 4-year cycle, we have incorporated over a thousand low-carbon cars, doubling the share of our low-carbon car fleet to reach 15% globally. In Europe, this figure is even higher reaching 20%.

This, alongside our global vehicle emissions policy, has helped to decrease our vehicle fleet's average theoretical emissions by 10%, compared to our 2019 baseline.

Our commitment is that by 2030, half of our fleet will be based on low-carbon technology.

15%
Doubled the share of our low-carbon car fleet to reach 15% globally

20%
In Europe, this figure is even higher reaching 20%

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Lever 1 Vehicle fleet continued

Sustainable mobility

Embedded within our sustainable mobility strategy are two pillars, vehicle rationalization initiatives and the facilitation of alternative transportation options for our employees. The former involves meticulous assessments to optimize resources, ensuring that the provision of vehicles aligns with both business requirements and sustainability objectives. Simultaneously, our commitment extends to the exploration and implementation of alternative transportation modes, including but not limited to carpooling initiatives, bike programs and partnerships with public transport services. Through this two-fold approach, we endeavor to not only enhance operational efficiency but also foster a diverse and environmentally conscious transportation culture within our organization.

Streamlined routes

We will focus on improving the efficiency of our sample transportation. Acknowledging the critical role that streamlined logistics play in our operations, we have implemented measures to optimize and refine the collection of samples. These efforts involve strategically reevaluating logistics frameworks and adopting innovative solutions to reduce transit times and enhance overall efficiency.



Samplify

In collaboration with ADLC and BASF, we are deploying an innovative project, Samplify. This, aims at transporting petrochemical analysis samples in the port of Antwerp using drones instead of road transport.

The partnership combines ADLC's drone expertise, SGS's expertise in testing, inspections, handling of dangerous products and emergency response activities, and the importance BASF Antwerp attaches to safe transport of its samples.

[More information can be found here.](#)

With Samplify, we are making port operations more efficient and reducing the environmental impact of sample transportation.

Drone sample transport reduces emissions by as much as 80% and is up to 4x faster. This involves drone flights over longer distances (up to 40 km) and is fully computer-controlled from a control room, beyond the visual line of sight of the pilot.

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Lever 2 Buildings

Around 30% of our operational emissions are associated with our portfolio of buildings, which includes mainly leased offices and laboratory spaces. While managing actions in rented buildings poses challenges in terms of control and implementation, it is crucial to adopt practices that enhance the efficiency of our operations.

Optimized office space

We are committed to consolidating our office space, increasing utilization and leveraging opportunities for remote work wherever feasible. This involves identifying underutilized areas and executing reconfiguration plans accordingly. Our commitments extends to transitioning to high energy efficiency buildings and expanding our portfolio of green building certifications. We have introduced practices such as hot-desking, flexible furniture arrangements and seat booking systems. Furthermore, we have harnessed technology to support remote work and virtual collaboration, reducing the need for fixed desk spaces at our offices. Our efforts have led to reduced costs, energy savings, flexible work location arrangements for our staff and the development of more adaptable and outstanding office environments.

Energy efficiency

Efficient operations play a pivotal role in our success as a company. Our flagship program, the Energy Efficiency in Buildings (EEB) program, established in 2012, focuses on addressing our major energy consumption sources.

Nearly one-third of our buildings, constituting over 80% of our electricity and fossil fuel consumption, are part of this initiative. Measurement is crucial, and we have diligently collected consumption data from these key buildings, which include mixed-use office and laboratory spaces, to establish baselines and priorities.

The program has provided financial support for the implementation of numerous efficiency projects, spanning from on-site solar photovoltaic systems, LED lighting and enhanced control to higher efficiency heating systems, building insulation and co-generation. Recent investments include the installation of EV charging points, contributing to a greener fleet.

Our building portfolio constitutes the major source of locked-in emissions at SGS, so focusing on the largest energy consumers and owned buildings we aim to minimize the locked-in emissions of our existing infrastructure.

The program also incorporates the green building guidelines, a tool that enables us to evaluate facilities based on various KPIs, such as energy, waste and water, among others, and integrate sustainability criteria into our capex decision-making. Additionally, the tool allows us to pinpoint potential enhancements that could contribute to a greater proportion of green buildings in our portfolio. This emphasizes our commitment to transitioning to more efficient buildings.

Similar to the approach taken with regard to vehicles, through the adoption of local targets and development of emissions reduction plans, affiliates are establishing predetermined actions concerning buildings to address consumption and subsequently reduce emissions. Local teams consistently receive data visualization and additional supportive tools to enhance the effectiveness of their initiatives.



Energy efficiency

Portugal

In Lisbon, Portugal, we inaugurated a smart building designed with sustainability in mind. Its glass outer walls maximize natural light so that the need for artificial lighting is avoided insofar as possible. Inside, LED lighting with lumen sensors were installed to reduce energy consumption and the need for maintenance. The electrical network was designed to accommodate solar panels and charging points for electrical vehicles parking without significant structural modifications.

Argentina

In our laboratory in General Deheza, Argentina, several energy efficiency projects were launched. From low-energy consumption freezers for samples and reagents to LED lighting and high efficient air conditioning systems, we are reducing the carbon footprint of this facility. Additionally, solar panels were installed on the roof to meet our own energy demand.

Belgium

We have also made great energy efforts in our facility in Gembloux, Belgium. The facility is now equipped with solar panels on the roof and LED lighting. Furthermore, insulation materials were installed on the roof of the building to reduce heat loss or gain, ultimately enhancing energy efficiency and comfort.

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Lever 2 Buildings continued

Energy source diversification

Optimizing space and enhancing energy efficiency are initial measures in emission reduction; nevertheless, projects have a constrained impact on emissions. This is why we strive to accelerate the decarbonization of our operations by moving away from fossil fuels to energy sources that are more environmentally friendly.

Examples include replacing conventional systems like ovens, dryers or heating systems with their electric counterparts, such as heat pumps, as well as the use of more sustainable alternative fuels. It is essential to emphasize that implementing these innovative solutions will require new approaches to our cutting-edge processes, and we foresee some of these changes occurring in the latter half of this decade. Additionally, it is noteworthy that shifting the reliance from fossil fuels to clean electricity will require the installation of more solar panels and the acquisition of renewable electricity, actions we are committed to taking.

In line with the information outlined in the previous sections, affiliates emissions reduction plans incorporate specific measures to tackle the diversification of energy sources. Additionally, specific programs are in place to focus on significant contributors, identifying actions associated with transitioning energy sources. Moreover, affiliates are equipped with supportive tools, such as company-wide good practices or implemented examples, aiding them in the identification and implementation of initiatives.



Awareness

Effective energy management requires a harmonious integration of organizational decisions, technical solutions and shifts in human behavior.

We regularly conduct awareness campaigns, such as the Spot the Orange Dot (STOD) initiative, to promote sustainable behaviors among our employees. STOD is a bottom-up campaign designed to identify spots where energy, as well as 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 in the office, our aim is to promote sustainable behaviors that, multiplied by nearly 100,000 employees, can have a great impact.

30%
reduction in energy consumption can be achieved by behavioral changes

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Lever 3 Renewable electricity

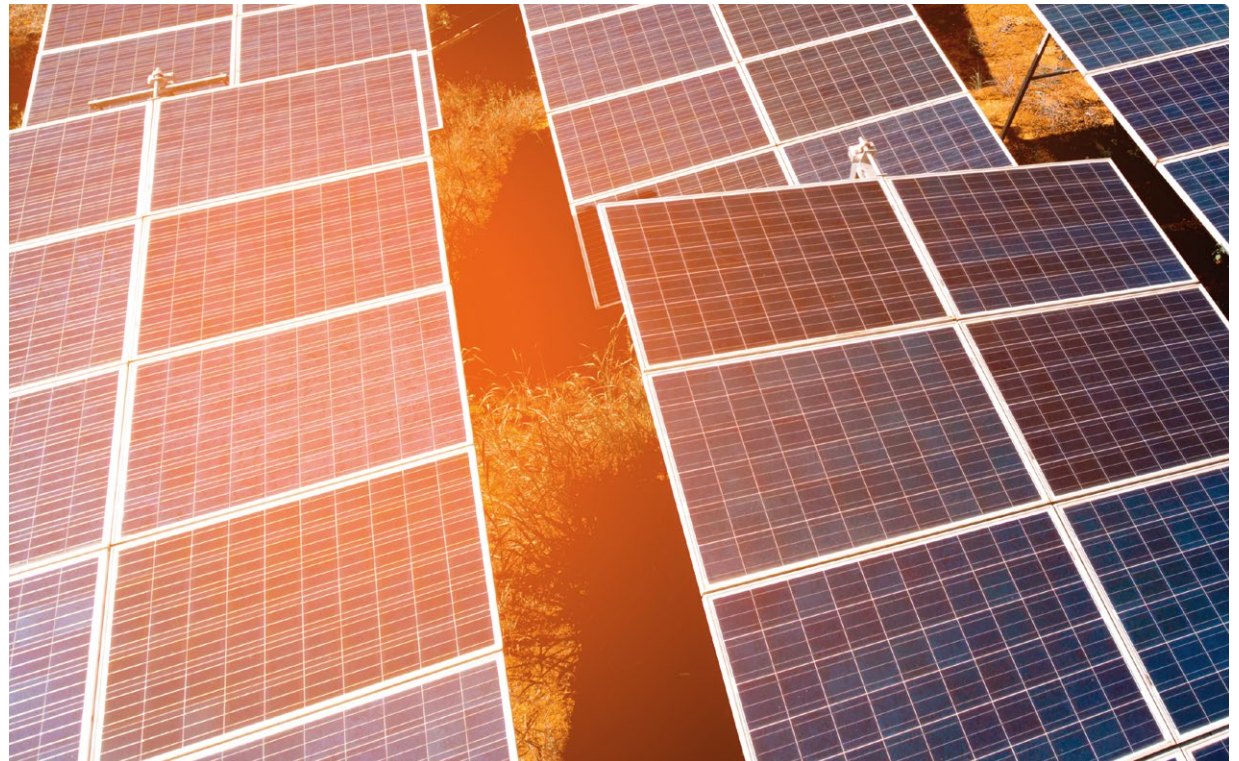
We are investing in on-site electricity generation, mainly through solar photovoltaic installations, along with green tariffs offered by suppliers. However, there are limitations to the scalability of these approaches, and consequently, we are also directing investments towards Energy Attribute Certificates (EACs).

So far, 97% of our total electricity consumption is derived from renewable sources, and our goal is to close the remaining gap by 2025.

To foster renewable energy development and make a positive impact on the communities in which we operate, we are currently exploring Power Purchase Agreements (PPAs). We are committed to sourcing a portion of our electricity consumption through these PPAs, thereby introducing new assets to actively contribute towards the expansion of renewable electricity grids.

97%

of our total electricity consumption is derived from renewable sources



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Lever 4 Supply chain

Within scope 3, categories 3.1 and 3.2 encompass emissions resulting from purchased goods and services and capital goods, respectively.

In the most recent edition of the “CDP Technical Note: Relevance of Scope 3 Categories by Sector”, it is revealed that, on average, scope 3 emissions constitute 75% of the total scope 1+2+3 emissions across all industries. The professional services sector faces an even more pronounced relevance of scope 3 emissions due to the minimal emissions from our direct operations.

This source of emissions primarily originate from our supply chain, comprising the largest share of our carbon footprint, nearly 70% of the total. Effectively decarbonizing our supply chain presents several challenges. Firstly, there is the obstacle of reducing emissions while relying on spend-based estimations, which naturally rise alongside the organic growth of the Company. Secondly, we face a significant dependency on our supply chain partners, they need to provide accurate data on their emissions to calculate our scope 3 footprint, and they must commit to reducing their own emissions.

70%
of our total emissions originate from our supply chain

Comprehensive data

The foremost challenge lies in ensuring the accuracy of data related to supply chain emissions. Presently, our estimation methodology relies on a spend-based approach following the GHG Protocol Corporate Value Chain Standard. To improve this approach, we are undertaking various initiatives:

- Enhancing procurement categorization for greater granularity, capturing the characteristics of goods and services at the supplier level
- Continuously seeking the most up-to-date comprehensive global carbon database for emission factors
- Implementing tools to streamline and enhance the accuracy of our emissions calculations

While these initiatives significantly improve the accuracy of our estimations and enable hotspot identification, multi-regional extended input-output databases have limitations. They are based on publicly available average data and may not capture source-specific variations.

We are working towards moving from a spend-based approach to a hybrid methodology by directly engaging with suppliers to acquire supplier-specific emission factors. In cases where direct engagement is limited, we will consider utilizing public disclosure platforms to ensure data accuracy and provide assurance.



Engagement with suppliers

We are determined to overcome the second significant challenge related to our supply chain, which is securing commitment from our suppliers to align with our sustainability goals. This will include urging them to publicly disclose their emissions, develop decarbonization plans, collaborate on emission reduction strategies and commit to science-based targets. This collaborative approach will ensure that our supply chain partners actively contribute to the shared objective of reducing our collective carbon footprint.

Understanding the decarbonization plans and drivers of our suppliers is crucial to comprehending their impact on our carbon footprint. We are also exploring long-term strategic partnerships covering various topics, all aimed at driving sustainability throughout the value chain. For SGS it is key to ensure that our key suppliers share our ambitions and targets, so that together we can contribute to a greener future.

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Lever 5 Business travel

Within scope 3, category 3.6 encompasses emissions resulting from long-distance business trips via flights or trains, excluding short-distance trips using taxis or short-term rentals. In 2019, emissions from business travel amounted to nearly 30,000 tonnes of CO₂e, establishing itself as a significant source. Consequently, at SGS, business travel emissions play a crucial role in our sustainability strategy.



Moving forward, our objective is to minimize unnecessary travel, promoting remote work when feasible and prioritize cleaner modes of transportation. To achieve this, we are implementing the following:

Green travel policy

We plan to strengthen our policy to align with our current sustainability goals and reflect the latest advancements as required.

Integration into mobility strategy

Business travel will be more intricately woven into our broader mobility strategy. This approach aims to ensure a holistic and coordinated effort in reducing emissions associated with employee travel.

Technology adoption

Staying abreast of the latest technological developments, such as Sustainable Aviation Fuels, is essential. We commit to exploring and incorporating innovative solutions that contribute to cleaner and more sustainable business travel.

By implementing this, we will be well positioned to further reduce our business travel emissions and align our practices with evolving sustainability standards. This proactive approach not only supports our environmental objectives but also enhances the overall resilience and adaptability of our organization in the face of global challenges.

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Lever 6 Other emissions

Within scope 3, in addition to the emissions associated with the aforementioned supply chain and business travel, it is crucial to consider other categories.



Fuel-and-energy-related activities encompass the emissions stemming from the generation and distribution of fuel and electricity. These emissions are anticipated to decline through the implementation of initiatives which focus on reducing our energy consumption.

Employee commuting accounts for emissions generated during the daily transport of employees from their homes to their workplace, which accounts for the implementation of remote work practices throughout the Company. This aspect is being systematically addressed within our comprehensive mobility strategy.

Lastly, emissions originating from waste generated in our operations are contingent on factors such as the quantity and composition of the waste and the chosen management method (recycling, composting, incineration and landfill). As part of our commitment to sustainability, we are actively deploying waste reduction and recuperation initiatives, ranging from strengthening the employee culture around waste management to engaging with key affiliates to identify areas for improvement.

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Beyond 2030: net-zero

This Net-Zero Transition Plan goes beyond merely meeting our near-term targets by 2030. It also charts a course to secure the necessary investment and collaboration for achieving at least 90% reduction in our total carbon footprint across our entire value chain by 2050.

We recognize the potential of high-quality carbon removals, or carbon offsets, as a SBTi-recognized mechanism to neutralize unavoidable emissions, in accelerating the global transition to net-zero emissions. While we prioritize directly reducing our emissions along a science-based trajectory, we will remain vigilant about developments in the carbon market.

90%
reduction in our total carbon footprint across our entire value chain by 2050, achieving net-zero

Financing our net-zero future

In alignment with our commitment to shape a net-zero future, we have undertaken significant green investments. We are particularly focused on achieving a well-balanced and efficient use of capital and operational expenditure for the purpose of decarbonization.

With the execution of emissions reduction plans, affiliates are diligently making significant efforts, accompanied by corresponding local investments, to fulfill their assigned commitments, thereby contributing to the attainment of global objectives.

At global level, our financial commitment associated with decarbonizing our operations is principally motivated by a focus on operational excellence and the adoption of renewable electricity. In this context, under the umbrella of our EEB program, a dedicated annual Global Capex of CHF 3 million has been enabled to facilitate the implementation of projects designed to expedite the reduction of our energy consumption and electrification. These investments are strategically designed to impact all our operations and geographical areas, incorporating established technologies with proven returns on investment.

Additionally, annual investments are consistently directed towards ensuring that our electricity consumption originates from renewable sources. This commitment remains unchanged, even with the anticipated increase in electricity consumption due to the electrification of buildings and vehicles.

In the context of decarbonizing our supply chain, our investment emphasis is directed towards obtaining accurate and valuable data from suppliers.

Our dedication extends to aligning our investment plans seamlessly with our long-term net-zero emissions target. This comprehensive approach ensures that every financial commitment that we make contributes significantly to our overarching sustainability goals and the broader global imperative to combat climate change.



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

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

Topic	Leading services	
Climate	Helping clients reduce their GHG emissions through the complete value chain	<ul style="list-style-type: none"> SBTi assessment and verification: helping clients formalize a clearly defined pathway to reduce GHG emissions, helping prevent negative impacts of climate change while also supporting futureproof business growth IECQ: independent assurance on carbon footprint reports in accordance with international standard ISO 14067, to avoid greenwashing
Nature	From sampling and testing to impact assessment, we support companies in responsible sourcing	<ul style="list-style-type: none"> 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	Pragmatic implementation solutions that increase resource efficiency and waste reduction	<ul style="list-style-type: none"> 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	Supporting companies as they ensure integrity along the entire value chain for a more sustainable impact on people, climate and nature	<ul style="list-style-type: none"> 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

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Data and disclosure

This report aims to enhance SGS's transparency concerning its carbon-related targets and initiatives, underscoring our unwavering commitment to combat climate change and align with the Paris Agreement.

To ensure accountability and openness, our progress will be annually reported in our annual integrated report. Notably, SGS stands out as the first company in the TIC sector to release a fully annual integrated report, merging financial and non-financial results into a comprehensive document.

[➔ More information in our annual integrated report.](#)

In our pursuit of transparency, we consistently seek external assurance from an independent third party, validating the robustness and reliability of our data.

Our commitment extends to aligning our reporting practices with the recommendations of IFRS S2 (previously TCFD). This commitment reflects our dedication to providing stakeholders with comprehensive and consistent information on climate-related risks and opportunities.

In parallel, our ongoing investor disclosure remains steadfast through our participation in the CDP. This avenue allows us to transparently communicate our climate-related data and strategies to investors.

Moreover, our sustainability leadership is underscored by outstanding recognition across prominent ESG ratings. These include acknowledgment in the Dow Jones Sustainability Indices (DJSI), Sustainalytics, Morgan Stanley Capital International (MSCI), EcoVadis, ISS ESG Corporate Rating, FTSE4Good Index and Refinitiv Global Diversity & Inclusion Index. These accolades validate our commitment to holistic sustainability practices and underscore our position as a responsible corporate citizen.

In conclusion, our commitment to transparent reporting, external assurance, adherence to global reporting standards and recognition in esteemed sustainability indices collectively affirm our dedication to driving positive environmental, social and governance outcomes. This transparency is pivotal in fostering trust and collaboration with all our stakeholders as we collectively strive for a sustainable and resilient future.

Our corporate sustainability awards



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Acronyms

BAU
 Business As Usual

CDP
 Carbon Disclosure Project

CO₂
 Carbon dioxide

CO₂e
 Carbon dioxide equivalent

COP
 Conference of the Parties

CSRD
 Corporate Sustainability Reporting Directive

DJSI
 Dow Jones Sustainability Indices

EACs
 Energy Attribute Certificates

ESG
 Environment, Social and Governance

GHG
 Greenhouse gas

GWP
 Global Warming Potential

IFRS
 International Financial Reporting Standards

ISCC
 International Sustainability and Carbon Certification

ISSB
 International Sustainability Standards Board

KPI
 Key Performance Indicator

LCA
 Life Cycle Assessment

MSCI
 Morgan Stanley Capital International

PPAs
 Power Purchase Agreements

SA30
 Sustainability Ambitions 2030

SBTi
 Science Based Targets initiative

SDGs
 Sustainable Development Goals

TCFD
 Task Force on Climate-related Financial Disclosures

TIC
 Testing, Inspection and Certification

UNFCCC
 United Nations Framework Convention on Climate Change

UNGC
 United Nations Global Compact

WBCSD
 World Business Council for Sustainable Development

WRI
 World Resources Institute

WWF
 World Wide Fund for Nature

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The Paris Agreement

Stated by the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement is a “legally binding international treaty on climate change. It was adopted by 196 Parties at the Conference of the Parties (COP) 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well-below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.”

The Science Based Targets initiative (SBTi)

Functioning as the lead partner of the Business Ambition for the 1.5°C campaign, the SBTi plays a pivotal role in mobilizing companies globally to establish science-based targets aligned with the Paris Agreement. By defining and promoting best practices in emissions reductions and net-zero targets, the SBTi aligns companies with climate science, urging them to take effective action.

Net-zero

According to the SBTi, setting corporate net-zero targets aligned with meeting societal climate goals means: (a) reducing scope 1, 2 and 3 emissions to zero or a residual level consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C scenarios or sector pathways and (b) neutralizing any residual emissions at the net-zero target date – and any GHG emissions released into the atmosphere thereafter.

Greenhouse gases (GHGs)

Gases which absorb and re-emit infrared radiation, thereby trapping it in Earth’s atmosphere. Includes carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).

Carbon dioxide equivalent (CO₂e)

The universal unit of measurement to indicate the Global Warming Potential (GWP) of each of the six greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate the impact of releasing (or avoiding releasing) different greenhouse gases on a common basis.

Residual emissions

Residual emissions represent the emissions that cannot be completely eliminated despite implementing all available mitigation measures contemplated in pathways that limit warming to 1.5°C with no or limited overshoot. In the context of science-based targets, residual emissions refer to the company’s scope 1, scope 2 and scope 3 emissions that remain once its long-term emissions reduction target has been achieved.

Disclaimer

This report is independent and distinct from SGS’s annual integrated report, and it is not a legally-binding document, nor has it undergone external audit.

The report contains infographics and diagrams that should be read alongside the text to avoid any misinterpretation or misunderstanding.

The Company assumes no responsibility for any revision of forward-looking statements included in the report due to new information or more recent developments, as they inherently involve risks and uncertainties.

Certain data presented in the report rely on assumptions and estimations, and the actual figures may vary from those outlined herein.

The Company bears no responsibility for any decisions that may be undertaken based on this material.

For more information:

Ariel Bauer

Group Vice President
Investors Relations,
Communications & Sustainability

t: +41 (0)79 863 49 23

Javier López Gómez

Global Head
Corporate Sustainability

t: +34 913 13 80 00

e: corporate.sustainability@sgs.com

When you need to be sure

SGS Headquarters

1 Place des Alpes
P.O. Box 2152
1211 Geneva 1
Switzerland

sgs.com

