CORPORATE SUSTAINABILITY

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WHEN YOU NEED TO BE SURE

SGS

SUSTAINABILITY?
BRUNDTLAND DEFINITION

"SUSTAINABLE DEVELOPMENT IS DEVELOPMENT THAT MEETS THE NEEDS OF THE PRESENT WITHOUT COMPROMISING THE ABILITY OF FUTURE GENERATIONS TO MEET THEIR OWN NEEDS."

– Brundtland Commission (1987)



SGS **SUSTAINABILITY**

is about using our scale and our expertise to enable a more responsible, balanced and sustainable future. As well as delivering services that promote sustainable development, we manage our sustainability performance through our global management system and develop sustainability programmes which inspire a wide range of initiatives across our affiliates that are supported by our sustainability management system.

WHAT DO INVESTORS BELIEVE MOTIVATES A COMPANY TO REPORT DETAILS ON ITS NON FINANCIAL ACTIVITIES?

Build corporate reputation with customers
74%

Comply with regulatory requirements
62%

Respond to investor requests for disclosure
38%

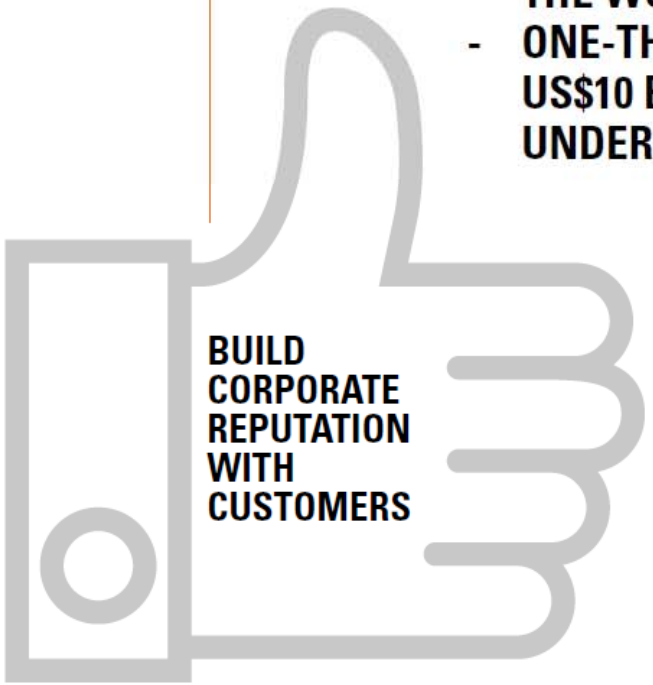
Demonstrate risk management
37%

Respond to competitive pressure
31%

Explain business strategy more clearly
30%

Demonstrate return on ESG investments
22%

Demonstrate cost saving
11%



SCOPE OF THE SURVEY:

- > 300 INVESTORS AROUND THE WORLD,
- ONE-THIRD HAVE MORE THAN US$10 BILLION ASSETS UNDER MANAGEMENT

From EY 2017, "Is your non financial performance revealing the true value of your business to investors?"

WHY REPORTING SUSTAINABILITY PERFORMANCE IS IMPORTANT

SUSTAINABILITY RATINGS ARE BECOMING DECISION-MAKING TOOLS FOR CUSTOMERS AND INVESTORS



CUSTOMERS

- Our top customers are DJSI leading companies
- Sustainability criteria increasing in our customers' decision-making process



INVESTORS

- Shares of companies listed in sustainability indices are strongly recommended for sustainability investing
- Strong representation of Swiss companies in the DJSI (UBS, Roche, Novartis, Nestlé,…)



SGS

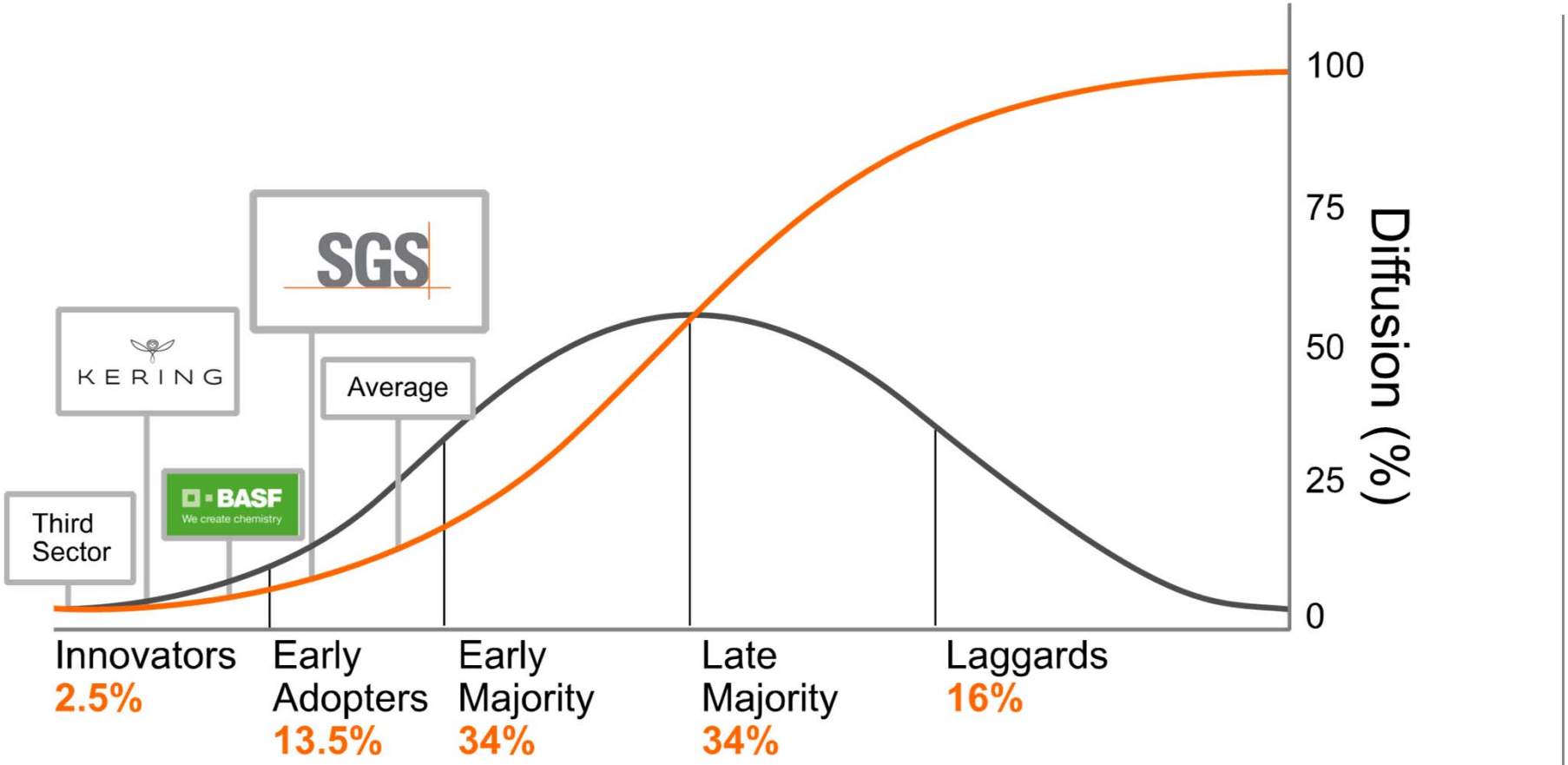
- Sustainability is part of our culture
- Encourages greater interaction between organizational divisions
- Attracts and retains talent (Millennials)

SUSTAINABILITY AMBITIONS 2020 AND STATUS

	2014	2015	2016	2017	2020 TARGETS
PEOPLE					
MAINTAIN A NATURAL TURNOVER RATE OF NO MORE THAN 15%	12.77	11.93	12.10	**13.04**	**<15**
30% OF LEADERSHIP POSITIONS WILL BE HELD BY WOMEN		25.63	26.31	**26.16**	**30**
REDUCE OUR LTIR BY 50%*	0.60	0.38	0.27	**0.23**	**0.30**
REDUCE OUR TRIR BY 50%*	1.11	0.65	0.53	**0.40**	**0.55**
ENVIRONMENT					
REDUCE OUR ANNUAL CO2 EMISSIONS (PER FTE) BY 20%*	2.57	2.36	2.08	**1.88**	**2.06**
REDUCE OUR ANNUAL CO2 EMISSIONS (BY REVENUE) BY 20%*	38.88	35.78	31.01	**27.70**	**31.10**
COMMUNITY					
INCREASE OUR INVESTMENT IN COMMUNITIES AROUND THE WORLD BY 30%*, WITH A FOCUS ON VOLUNTEERING	759	1 046	1 186	**1 270**	**987**
PROFESSIONAL EXCELLENCE					
DELIVER MEASURABLE SUSTAINABLE VALUE TO SOCIETY					

*Against 2014 baseline. **Based on 2016 figures.

IMPACT VALUATION
SGS A NET POSITIVE COMPANY



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Source: PwC

ENERGY EFFICIENCY IN BUILDING PROGRAM
OUR POSITIVE IMPACTS



- SGS USA represents 12.5% of electricity consumption in SGS
- Transportation laboratory (Aurora- Denver)
  - 8 000 sqm – highest energy consumer in SGS USA (7%)
- **Approach:** on-site energy audit in 2017
  - Analysis of current status, KPI built, benchmark and identification of energy conservation measures (ECM)
- **Identified actions:**
  - *Implemented during 2018*
    - Relighting: fluorescent to Smart LED (100K kWh/year savings, ROI 2 years)
    - Spot the Orange Dot: corporate awareness-raising campaign
  - *Expected implementation in the coming years*
    - Update heating system and façade insulation
    - Photovoltaic installation (200 kWp) and energy monitoring system

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ESG REPORTS/ RATINGS

Governance factors

Board independence
Board diversity
Shareholder rights
Management compensation policy
Business ethics



Environmental factors

Natural resource use
Carbon emissions
Energy efficiency
Pollution/waste
Sustainability initiatives

Social factors

Workforce health & safety
Diversity/opportunity policies
Employee training
Human rights
Privacy/data security
Community programs

Source: "Environmental, Social & Governance (ESG). The ABC's of ESF. Bank of America Merrill Lynch. 2018

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ESG REPORTS/ RATINGS

BLOOMBERG ESG DATA

Looks at 120 ESG indicators

THOMSON REUTERS ESG RESEARCH DATA

Covers 400 different ESG metrics, electing 178 of the most relevant data points. Categories are weighted. Updated every 2 weeks

DJSI

Industry-specific questionnaire, covering relevant economic, environmental and social aspects. 80-120Q. Updated annually

ISS

ISS QualityScore: covers board, structure, compensation/remuneration, shareholder rights, and audit & risk oversight. Updated on an ongoing basis
ISS-Ethix: provides research, screening and analysis on SRI topics

MSCI ESG

37 key ESG issues. Data collected from publicly available sources. Ongoing basis. Annual in-depth review

CORPORATE KNIGHTS GLOBAL 100

14 KPI- only relevant performance indicators for the applicable industry

REP RISK

28 ESG issues, which map onto the Ten Principles of the UN Global Compact. Also looks into “Hot Topics” (currently 45). Updated daily

SUSTAINALYTICS

Looks at industry-specific ESG indicators, covers at least 70 indicators in each industry. Also looks at systems to manage ESG risks and disclosure of ESG issues and performance

Source: ESG Reports and Ratings: What They Are, Why they Matter?. Davis Polk. 2017

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SGS & RATINGS



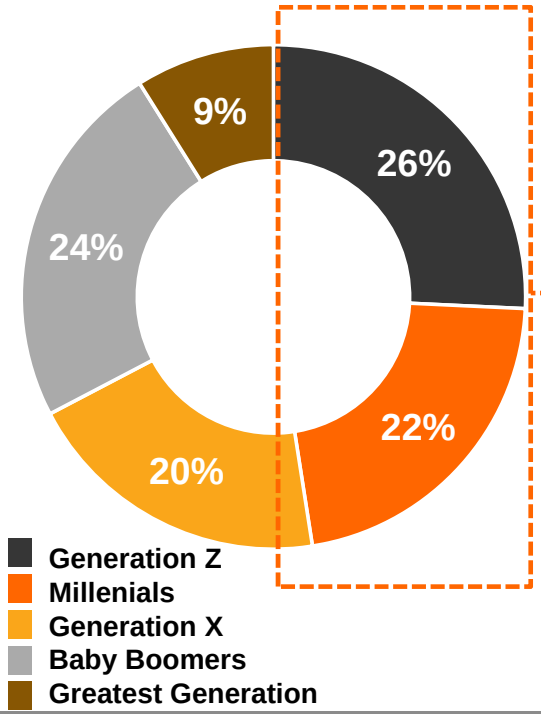
Top 10 Sustainability Indices

Dow Jones Sustainability Index	83
Carbon Disclosure Project (CDP)	71
FTSE4Good Index Series	59
The Global 100 Most Sustainable Corporations in the World	44
Fortune's Most Admired Companies	44
Bloomberg ESG Data	40
World's Most Ethical Companies (Ethisphere)	27
CR Magazine's 100 Best Corporate Citizens List	27
Sustainalytics Company Profiles and Ratings	26
GoodGuide	23

Source: "Rate the Raters" - A GlobeScan/SustainAbility Survey

MILLENNIALS

GENERATIONAL COMPOSITION



Investors

They invest in companies that are active on sustainability aspects, as they perceive them as safer in the long term

Employees

They want to work for companies that have a high impact on society, an ethical behavior and that facilitate work-life balance

Clients

They seek environmentally-friendly products and services and transparency in the supply chain, as they are the ‘mistrust generation’

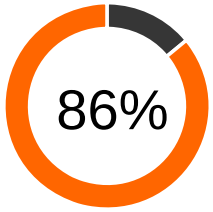
Source: Nielsen Total Audience Report (Q1 2017)

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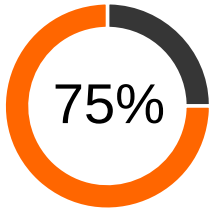
MILLENNIALS AS INVESTORS

SGS INVESTOR DAYS BORDEAUX 8-9 NOVEMBER 2018

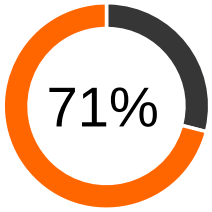
✓ The aggregated net worth of millennials is estimated to be US$ 19 to 24 trillion by 2020 (provided that X generation passes on its wealth)



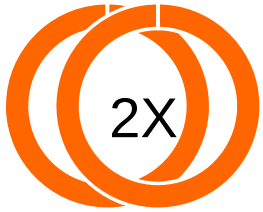
Are ‘interested’ or ‘very interested’ in sustainable investing



Think their investments can influence climate change



Believe companies with leading sustainability practices may be better long-term investments



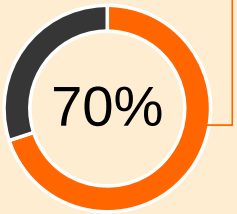
Invested in companies targeting social/env goals 2x more often

Sources: Millennials and wealth Management. Trends and challenges of the new clientele. Deloitte Sustainable Signals. New Data from the Inividual Investor. Morgan Stanley. 2017.

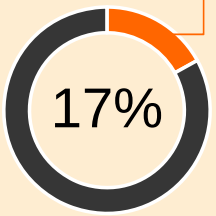
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SGS IS WELL EXPOSED TO THE SOCIALLY RESPONSIBLE INVESTMENT (SRI)

The percentage of SRI into the SGS shareholders structure is a proxy for determining how the finance markets rate sustainability activities.



….As of October 19, 2018, roughly 70% of SGS free float are held by investors that have signed the internationally-recognized Principles for Responsible Investment

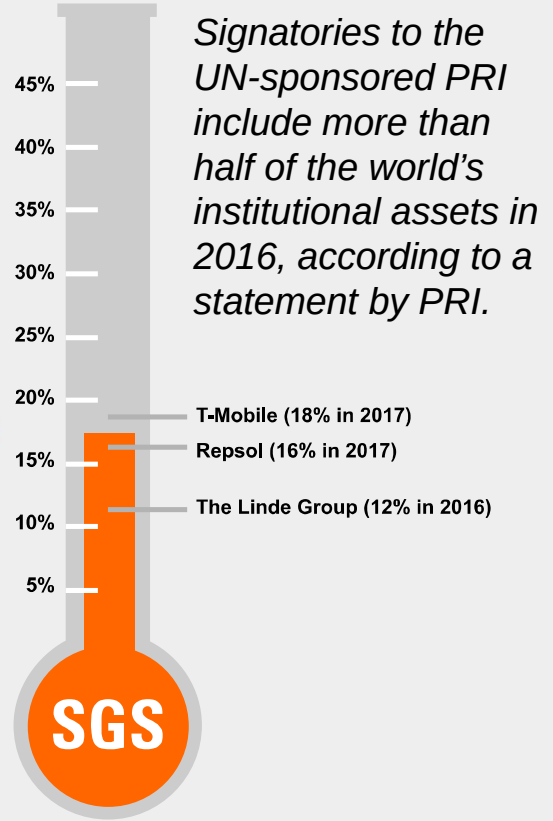


….As of October 19, 2018, roughly 17% of SGS free float are managed according to SRI guidelines.

According to our calculations, the company's top 5 SRI investors are:

NORGES BANK INVESTMENT MANAGEMENT · BLACKROCK · PICTET 1805 · GAM Investments · SEB

They represent more than 60% of the shares held by socially responsible investors.



Signatories to the UN-sponsored PRI include more than half of the world's institutional assets in 2016, according to a statement by PRI.

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2017

SUSTAINABILITY REPORT

RELEASED MARCH 2018

INCLUDES DATA FROM GROUP

GRI G4 COMPREHENSIVE

INCLUDES SUSTAINABILITY MANAGEMENT SYSTEM, GOVERNANCE, POLICIES, KEY PROGRAMMES AND TARGETS, CASE STUDIES AND DATABANK

COMMITS SGS TO AN ANNUAL REPORTING CYCLE AND PROCESS OF CONTINUOUS IMPROVEMENT

FIND THE REPORT ONLINE AT

WWW.SGS.COM/CS-REPORT2017

WWW.SGS.COM

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