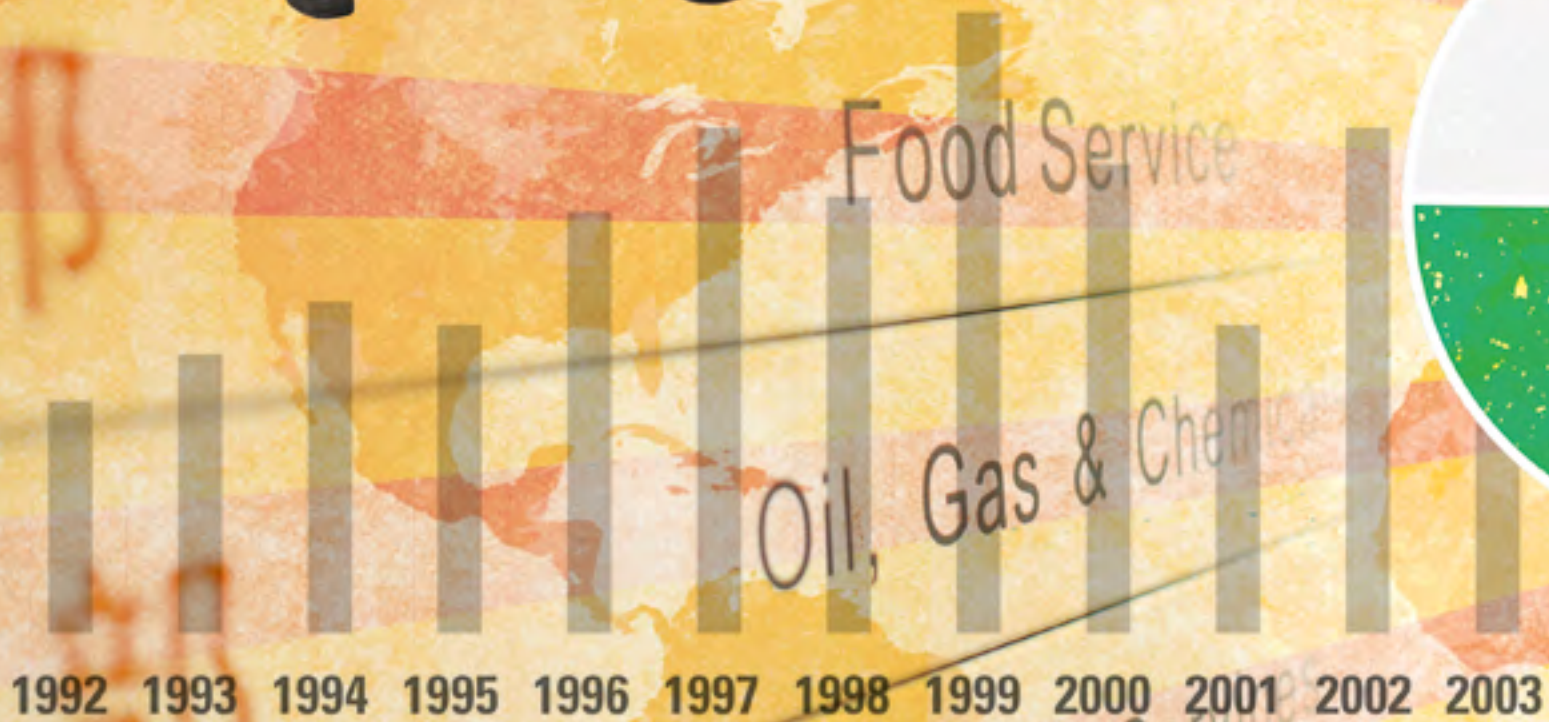


ANNUAL REPORT





Minerals Service



2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

CONTENTS

2015 has been a transitional year for SGS, with an evolution in our structure and service offering being announced to investors in October 2015. The market is changing in fundamental ways and SGS is aligning itself to take full advantage of the opportunities that this presents.

Without changing the nature of the core business, which is firmly rooted in the Testing, Inspection and Certification (TIC) industry, SGS is looking to leverage its existing network in new and exciting ways.

As a result of these changes we have designed this year's Annual Report to provide stakeholders not only with a retrospective view of our performance in 2015, but also with a clarification of the company's outlook and structure going forward. More detailed information on these changes is also available from the SGS website:

www.sgs.com/management

Finally, you may note a difference in the format of this year's Annual Report as we make our first steps towards integrated reporting.

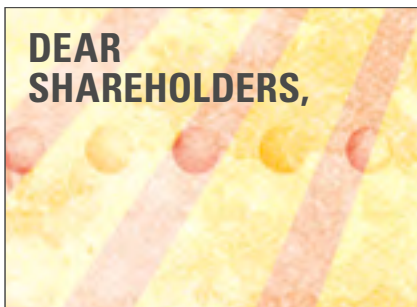
This year's Business Review and Corporate Sustainability performance and highlights have been fully incorporated into this document.

The complete Corporate Sustainability Report will be available online from 14 March 2016:

www.sgs.com/cs-report2015

We hope that you find this year's Annual Report useful, stimulating and informative.

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The SGS Group performed well in 2015 with total revenues reaching CHF 5.7 billion.

This represents revenue growth of 3.6% (constant currency basis), of which 2.0% was organic and 1.6% was contributed by recent acquisitions. Trading conditions remained difficult during the year with the fall in commodity prices, primarily impacting Oil, Gas and Chemicals, Minerals and Industrial Services. Group revenue declined 2.9% in comparison with the reported figures for December 2014 due to the strengthening of the Swiss Franc against the majority of other currencies. Achieving growth during this challenging year underlines the strength of the Group's strategy and the depth and balance of its portfolio.

Organic revenue growth was most apparent in Governments and Institutions Services (12.0%), with Product Conformity Assessments experiencing impressive double-digit growth. Automotive Services saw 8.5% organic growth resulting from the expansion of Vehicle Inspection Services. Systems and Services Certification delivered 7.2% organic growth from high adoption of new 2015 standards and good performance in food activities. Solid results were also

seen in Life Science Services at 6.4%, Environmental Services at 5.2% and Consumer Testing Services at 4.9% organic growth.

The restructuring programme that the Group announced in the first semester to align operations with current market conditions is proceeding as planned. This measure resulted in one-off expenses amounting to CHF 64 million (CHF 47 million net of taxes).

Adjusted EBITDA reached CHF 1 191 million, up 3.4% at constant currency versus the prior year. Adjusted operating income was CHF 917 million resulting in a stable margin versus the prior year at 16.1%.

Net financial expenses for the year increased to CHF 43 million. The overall effective tax rate for the period was 25%, slightly below the prior year.

Profit for the period reached CHF 584 million, down 6.7% at constant currency versus the prior year, mainly due to the one-off effect of the restructuring expenses of CHF 64 million in 2015 and the one-off benefit in 2014 resulting from the settlement of a long-standing dispute with the Republic of Paraguay amounting to CHF 32 million.

Operating cash flow improved significantly over the year. For the first time in the history of SGS, the core operating cash flow exceeded CHF 1 billion.

The Group invested in acquisitions during the year for a total cash consideration of CHF 103 million. It also paid a dividend of CHF 522 million, leading to a Group net debt position as at 31 December 2015 of CHF 482 million compared to CHF 340 million in December 2014.

ACQUISITIONS

The Group initiated 14 acquisitions in 2015 of which 10 were completed. These acquisitions further expand the Group's footprint into new markets and create a more diverse service offering. Combined, these companies add CHF 45 million to the Group's revenue and CHF 9 million to the operating income in 2015.

Examples of this year's acquisitions include: SVA Ltd., a UK-based leading independent provider of extensive advisory services in the food testing space, the Chile-based SIGA Ingeniería y Consultoría SA, a leading project management, technical inspection and engineering consulting company, and Quality Compliance Laboratories Inc. in Canada, a provider of analytical testing to the pharmaceutical, nutrition and cosmetic industries.

The Group has also begun to complement its traditional approach to acquisitions by finding opportunities to take smaller equity stakes in certain strategic technology companies to form partnerships. An example of this is the recent partnership with SAVI, the US-based sensor technology company in which SGS now holds a 17.65% stake.

DISTRIBUTION TO SHAREHOLDERS

The SGS Board of Directors will recommend to the Annual General Meeting, to be held on 14 March 2016, the approval of a dividend of CHF 68 per share, unchanged from the prior year.

MANAGEMENT

The Board would like to take this opportunity to thank former CEO Christopher Kirk for his commitment and leadership during his time at SGS.

Mr. Kirk, who left his position as CEO in March 2015 after ten successful years at the helm of the Group, was replaced by Frankie Ng who has been with the Group since 1994 and most recently led the Industrial Services and Consumer Testing businesses.

In the course of 2015, Michael Belton, EVP Minerals Services, resigned from his position. Ladislav Papik, COO South East Europe left the Operations Council to assume a regional role within the Group. Anthony Hall, COO South East Asia Pacific stepped down from the Operations Council to take the global leadership of the Innovation initiative for the Group.

The Nomination and Remuneration Committee approved the internal promotion and appointment at the Operations Council of Derick Govender as EVP Minerals Services, Richard Shentu as EVP Consumer Testing Services and Kimmo Fuller as COO North America.

SIGNIFICANT SHAREHOLDERS

As at 31 December 2015, Mr. August von Finck and members of his family acting in concert held 15.03%, Groupe Bruxelles Lambert acting through Serena SARL held 15.00%, the Bank of New York Mellon Corporation held 3.35%, BlackRock Inc. held 3.03% and MFS Investment Management held 3.01% of the share capital and voting rights of the Company.

At the same date, SGS Group held 2.77% of the share capital of the Company.

SUSTAINABILITY

2015 delivered another year of solid sustainability performance. For the second consecutive year, SGS was named Industry Leader in the Dow Jones Sustainability Indices (DJSI) for both Europe and World regions. The Carbon Disclosure Project (CDP) also named SGS as Industrials Sector Leader and Country Leader in the DACH (Germany, Austria and Switzerland) region for our high level of transparency on the measures we have taken to combat and adapt to climate change. We maintained our status as a carbon neutral company and also improved our diversity and equal opportunities ratio.

Sustainability is core to what we do and is integral to our strategy and long-term commercial success. Our sustainability approach focuses on delivering programmes linked to the most material issues for our business: upholding high standards of ethical conduct, supporting economic performance, ensuring health and safety, acquiring and developing talent, managing energy and climate change impacts, protecting human rights and delivering sustainability services to our clients. It is through these programmes that SGS generates value to society, both directly and through our customers. We employ pioneering tools, such as our Green Book and our Value to Society Estimation Model, to estimate the impact of our actions on the natural environment, employees, customers, stakeholder networks and wider society.

Actions on climate change mitigation remained the focus of our efforts in 2015, culminating in SGS actively participating in the United Nations Climate Change Conference, COP21,

in Paris. SGS convened with participants across multiple business sectors to exchange thinking on how companies can work together to drive business innovation and bring scale to the emerging green economy. Decisive action such as this underscores our vision for SGS to be the trusted partner in building a more sustainable economy.

OUTLOOK

In response to a constantly changing global marketplace and new demand patterns from our existing customer base, SGS is evolving both structurally and technically.

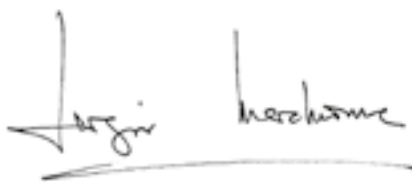
The organisational realignment that was announced last Autumn will not only underpin our ability to service clients following the emergence of new product categories (such as pharma-nutritional products), but it will also help us to broaden our services, pool expertise and create synergies across business lines to drive innovation.

Another important development in the Group will be the work we are beginning to do in the exciting and rapidly changing fields of e-commerce and data analytics. In decisively embracing the increasing digitalisation of global supply chains with our strategic Testing Inspection and Certification (TIC) 4.0 initiative, we can take advantage of a number of new business opportunities.

GUIDANCE 2016

The Group expects to deliver an organic revenue growth in the range of 2.5% to 3.5%, with stable margins compared to the prior year and solid cash flow generation.

20 January 2016



Sergio Marchionne
Chairman of the Board

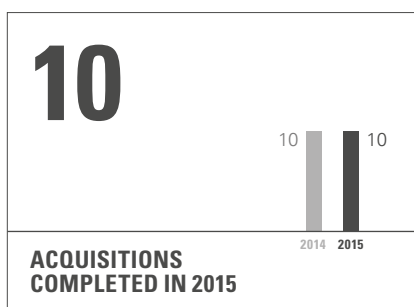
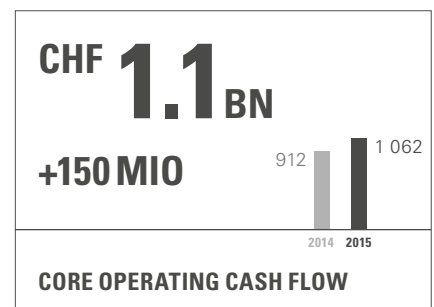
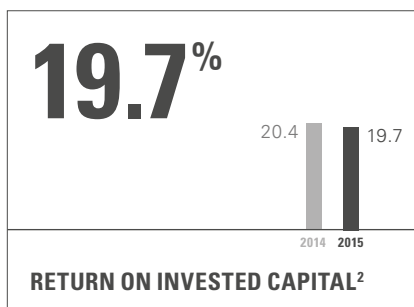
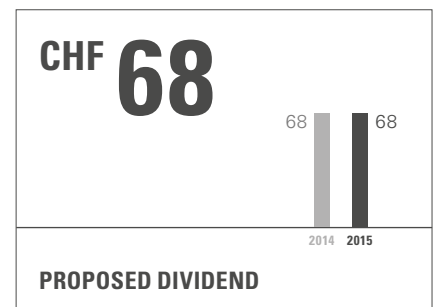
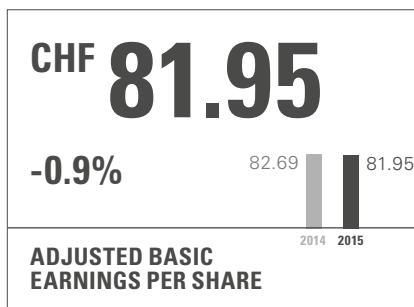
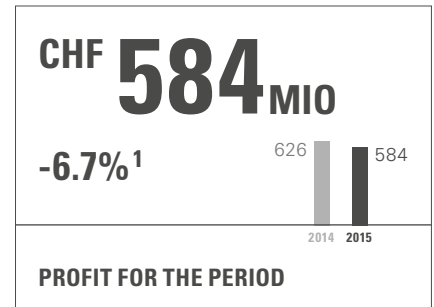
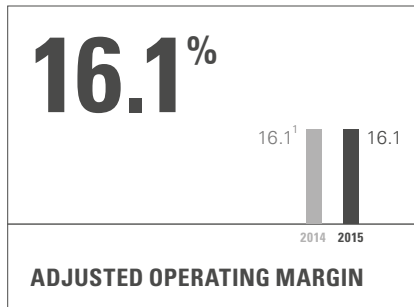
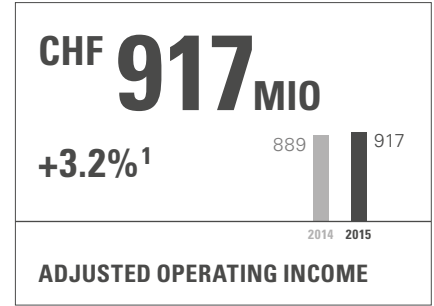
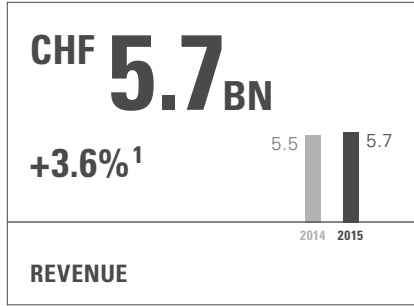


Frankie Ng
Chief Executive Officer

2. HIGHLIGHTS







1. At constant currency.

2. Net Income / (Non-current assets + Net Working Capital).

REVENUE AND ADJUSTED OPERATING INCOME BY BUSINESS

REVENUE



ADJUSTED OPERATING INCOME¹



1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs and other non-recurring items.

REVENUE BY REGION



GROUP ACHIEVEMENTS

NEW STRATEGIC PLAN

INITIATED TO MEET EVOLVING MARKET DEMANDS

CHF 550_{MIO}

BONDS ISSUED AT HISTORICALLY LOW INTEREST RATE

10 ACQUISITIONS

COMPLETED IN 2015
(see Acquisitions section page 56)

FIRST REDUCTION IN A DECADE

OF NET WORKING CAPITAL

FIRST TIC COMPANY

WITH A LONG-TERM CREDIT RATING

FURTHER ALIGNED INTERESTS

BETWEEN SHAREHOLDERS AND MANAGEMENT WITH REMUNERATION MODEL ADJUSTMENTS

BUSINESS HIGHLIGHTS

AGRICULTURAL SERVICES
SGS created the first ever non-governmental seed quarantine facility in Brazil

MINERAL SERVICES
Strategic alliance with Corescan Services expanded in Canada with mobile unit

OIL AND GAS SERVICES
Innovation award from the Energy Institute (UK)

LIFE SCIENCE SERVICES
Double-digit growth in China and India

CONSUMER TESTING SERVICES
Geographical expansion and increased work with e-commerce sites

SYSTEMS AND SERVICES
Centralised back offices for Europe in Poland


INDUSTRIAL SERVICES
Double-digit growth in China

ENVIRONMENTAL SERVICES
Growth in Health and Safety and Industrial Hygiene Services


AUTOMOTIVE SERVICES
Exclusive ten-year inspection concession signed with Ugandan Government

GOVERNMENTS AND INSTITUTIONS SERVICES
New E-Valuator border services product successfully launched


SUSTAINABILITY HIGHLIGHTS



SGS SA RECEIVED INDUSTRY LEADER, GOLD CLASS SUSTAINABILITY AWARD 2016 FOR ITS EXCELLENT SUSTAINABILITY PERFORMANCE AND QUALIFIED FOR INCLUSION IN ROBECOSAM'S 2016 SUSTAINABILITY YEARBOOK.



TOTAL RECORDABLE INCIDENT RATE (TRIR) DECREASED BY MORE THAN 40%.



DIVERSITY AND EQUAL EMPLOYMENT OPPORTUNITIES RATIO INCREASED OVER THE LAST 4 YEARS BY 14%.




SGS NAMED INDUSTRIALS SECTOR LEADER AND COUNTRY LEADER IN THE GERMAN, AUSTRIAN AND SWISS region by the Carbon Disclosure Project for our high level of transparency on climate change mitigation.




SGS REDUCED ITS NATURAL TURNOVER BY 6.5%.



SGS ACHIEVED A GOLD RATING IN 2015 FROM ECOVADIS FOR ITS SUSTAINABILITY PERFORMANCE.



77% OF EMPLOYEES ARE AWARE OF THE ROLE THAT SUSTAINABILITY PLAYS IN SUPPORTING BUSINESS GROWTH.



SGS MAINTAINED ITS STATUS AS A CARBON NEUTRAL COMPANY.

2020 SUSTAINABILITY AMBITIONS

PROFESSIONAL EXCELLENCE

- Link management incentive plan to sustainability
- Deliver measurable sustainable value to society

PEOPLE

- Maintain a natural turnover rate of no more than 10%
- 30% of leadership positions will be held by women
- Reduce our TRIR and LTIR by 50%*

ENVIRONMENT

- Reduce our annual CO₂ emissions (per FTE) by 20%*
- Reduce our annual CO₂ emissions (by revenue) by 20%*

COMMUNITY

- Increase our investment in communities around the world by 30%*. Focus on volunteering

* Against 2014 baseline

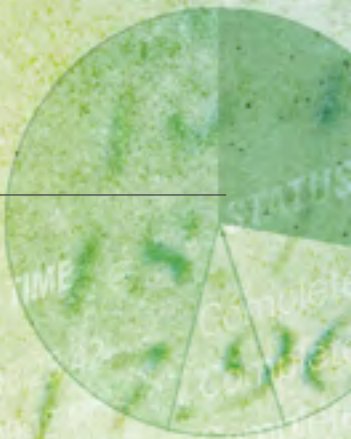
3. SGS AT A GLANCE



17%

46%

9%



85 000



EMPLOYEES

1 800



OFFICES AND LABORATORIES

1



GLOBAL NETWORK



We provide competitive advantage, drive sustainability and deliver trust. At SGS, we are continually pushing ourselves to deliver innovative services and solutions that help our customers move their businesses forward.

At SGS, our sustainability approach is about more than just reducing carbon emissions. We maintain the highest professional standards and ensure our employees are able to lead fulfilling working lives. We also seek to maximise the positive impacts our business has on society.

We aim to be the most competitive and the most productive service organisation in the world. Our core competencies in inspection, verification, testing and certification are being continuously improved to be best in class. They are at the heart of what we are. Our chosen markets are and will be determined by our ability to be the most competitive and to consistently deliver unequalled service to our customers.

We seek to be characterised by our passion, integrity, entrepreneurialism and our innovative spirit, as we continually strive to fulfil our vision. These values guide us in all that we do and are the bedrock upon which our organisation is built.

SGS IS THE WORLD'S LEADING INSPECTION, VERIFICATION, TESTING AND CERTIFICATION COMPANY. SGS IS RECOGNISED AS THE GLOBAL BENCHMARK FOR QUALITY AND INTEGRITY.

WITH MORE THAN 85 000 EMPLOYEES, SGS OPERATES A NETWORK OF OVER 1 800 OFFICES AND LABORATORIES AROUND THE WORLD.

3. SGS AT A GLANCE

OUR POSITION IN THE VALUE CHAIN

We provide services throughout all stages in the value chain, from extraction and primary production to manufacturing, transportation and retail.

MINING

Improving speed-to-market, optimising recoveries

LIFE SCIENCES

Protecting safety and costs in product development

INDUSTRIAL MANUFACTURING

Making manufacturing more productive and profitable

CONSTRUCTION

Ensuring safety and performance where we live

CHEMICAL

Innovation, safety and efficiency in everything from perfumes to paints

PUBLIC SECTOR

Facilitating international trade and sustainable development

TRANSPORTATION

Enhancing safety, quality, reliability and trust

ENERGY

Powering processes from renewables to conventional energy

CONSUMER GOODS AND RETAIL

Generating trust throughout the supply chain

AGRICULTURE AND FOOD

Ensuring safe, sustainable and high-quality products

OIL AND GAS

Enriching quality and value in exploration, extraction and distribution



OUR SPECIALIST TEAMS DELIVER TRUSTED RESULTS IN WORLD-LEADING SERVICES, COVERING VIRTUALLY ALL INDUSTRIES.

We audit across the entire value chain, providing benefits to all business sectors. We ensure our customers' projects, products, processes and operations meet and exceed regulations and standards, and we provide the verification and certification needed to trade in target markets around the world. Our consultancy services inform organisations on market demands, while our outsourcing solutions provide the expertise, experience and resources that enable our customers to meet their goals. We use state-of-the-art examination methodologies with unsurpassed accuracy to perform inspections that reduce risk and control quality and quantity. At the same time we conduct testing of raw materials, components and products in our global network of facilities. Our industry experts also deliver world-class training, specifically designed for the precise needs of our customers, providing the right skills and knowledge to maximise efficiency and improve productivity.

Through our unique global network we deliver independent results tailored to the precise needs of the industry or sector. Our customers trust our expertise, experience and resources to support them. We help our customers achieve outstanding performance in everything they do.



AGRICULTURE AND FOOD

Consumers want assurance of safety and quality at every stage of the food production process. Our services build trust, reduce risk and maintain efficiency across diverse agriculture and food supply chains. We offer solutions for agrochemicals, seed, biofuels, fertilisers, food and forestry. Our services protect the integrity of our customers' brands by assessing quality, adding value and securing safe and sustainable global supply chains. From primary production to the point of processing or custody transfer, we assist with legislation compliance, correct storage, shipping, packing and distribution as well as import and export product inspection.

CHEMICAL

The chemicals industry converts raw materials into literally tens of thousands of consumer products every day. Industrial chemicals companies trust our services to reduce risk and eliminate potential health hazards. We ensure quality in chemical components and the safety and compliance of finished products. Our consultancy services deliver turnkey laboratory design, commissioning and operations assistance in dealing with intricate equipment or logistics. We support our customers in improving productivity and efficiency through our asset integrity management services, optimisation programmes and project lifecycle services.

CONSTRUCTION

Safe, efficient and trusted processes are essential when constructing buildings or infrastructure. Our construction industry experience means our customers can minimise environmental impact and public inconvenience. We support our customers in implementing effective scheduling, budgeting, site safety and logistics, plus assist in sourcing quality materials and personnel. We conduct studies in construction feasibility, risk assessment and management. Our services ensure quality in global supply chains by performing chemical and physical testing of materials. Our asset management system tracks machines and equipment, while our inspection services provide facility, waste and energy audits.

CONSUMER GOODS AND RETAIL

Our services enable manufacturers, importers, exporters and retailers to gain a competitive edge. We ensure trusted, ethical and environmentally conscious goods such as food, electronics, textiles, toys, footwear and housewares, reach consumers. Our laboratories conduct material and functionality testing to verify and certify that products perform as our customers claim. We inspect processes at every stage of production and undertake retail store audits to ensure our customers' brands are represented correctly. We help our customers develop products, processes and supply chains that consumers trust every day.

ENERGY

Across all operations, the energy sector has to meet regulations, consider safety and limit environmental impact. We support the energy sector with a comprehensive range of independent inspections and audits across the petroleum, gas, electrical power, coal and renewable energy industries. We reduce risk in all operations from exploration to decommissioning for the oil, gas and coal industries. In renewables, we consult on sustainability across hydroelectric, wind and solar power. Our expertise maximises productivity and increases efficiency in sales and distribution processes. Our solutions help the energy sector innovate to find tomorrow's energy today.

INDUSTRIAL MANUFACTURING

Our expertise allows manufacturers to improve productivity, follow best practices and streamline operational processes or logistics. Industrial manufacturers, from pharmaceuticals to farm machinery and aerospace to automotive, trust in our independent testing and conformity services. Our advice on the fabrication of components along with our finished product assessments enable our customers to achieve performance standards throughout manufacturing. We support manufacturers in meeting all national and international quality, health and safety legislation, at the same time as providing advice on minimising environmental impact.

LIFE SCIENCES

In the pharmaceuticals, biopharmaceuticals and medical devices industries, products must conform to all national and international regulations, as well as industry best practices. Our services enable high-quality, safe and compliant products to reach the market in the shortest possible timescales. We provide vital support and expertise for medicines and medical devices throughout every stage of development, testing, production and distribution. With the largest network of contract analytical laboratories in the world and state-of-the-art clinical trials facilities, our customers trust in our expert knowledge to support them with reliable results.

MINING

We act as a strategic partner in the mining industry, providing testing, technology and trade solutions. Our services promote growth and deliver efficiencies across exploration, production, industrial applications, decommissioning and closure. We offer technical advice in steel manufacturing processes and act as a strategic partner in coal and coke trading. We also help to maximise profits in precious or base metal mining and extraction. Our consultancy services deliver transparent and unbiased support in new technologies and accurate data to track the progress of projects.

OIL AND GAS

Access to independent expertise in both the upstream and downstream sectors is key to maximising the value chain in this sector. Our customers in the oil and gas industry trust our dedication to quality and safety. We provide tailored solutions for exploring, extracting, refining, transporting and marketing oil, oil sands, gas and other hydrocarbons. Our specialist advice and knowledge supports upstream activities such as applied mineralogy, metering, measuring and hydrocarbons allocation. Our downstream services support distribution and retail as well as the design and execution of optimisation processes and global trade inspection.

PUBLIC SECTOR

Public sector organisations require solutions designed to work in harmony with the processes and policies they already have in place. Our unrivalled border control services for scanner installation, transit monitoring and risk profiling support the public sector in reducing risk worldwide. Our e-government solutions enhance international trade and revenue processing. We improve public infrastructure through independent road safety services that increase the efficiency of transportation systems. Our customers trust our knowledge of quality, health, safety and environmental issues to comply with complex regulations. We improve quality and maximise productivity across the public sector.

TRANSPORTATION

For governments, manufacturers and financial institutions, improving performance and reducing risk in the transportation industry is essential. From the automotive industry, through rail and shipping to the aerospace industry, we guide quality improvements and verify that efficiency is maximised. We support our customers in achieving shorter delivery times, safer products and reduced costs. Our experts help our customers minimise the environmental impact of their products and ensure their conformity and compliance to standards and regulations. We also ensure that brand guidelines are met throughout aftermarket and distribution operations. Our global network of offices, laboratories and testing centres offers a truly unique and independent service.



WE DELIVER BUSINESS BENEFITS ACROSS THE 11 DIFFERENT INDUSTRIES WE SERVICE

QUALITY

Our customers rely on our independent third party inspection, testing and auditing solutions to ensure products, services and processes comply with the latest quality standards. Our global network of state-of-the-art facilities provides information to certify and verify quality worldwide.

SAFETY

We help organisations develop effective health and safety systems to protect employees, generate consumer confidence and enhance trust in business operations. We support our customers in adhering to best practices and complying with local, national and international regulations.

REDUCED RISK

We provide our customers with independent and impartial services that enable them to identify, manage and reduce risk. Our experts deliver risk management solutions, drawing on our testing and inspection capabilities, to verify risk prevention measures are in place. We assist with compliance to international risk management standards across a wide range of industries.

EFFICIENCY

Our tailored business solutions help our customers implement processes and systems that make business operations faster, simpler and more efficient. We deliver unrivalled efficiency results from our local experts, who draw on the global experience of the entire SGS network.

PRODUCTIVITY

Our training and outsourcing solutions ensure productivity keeps pace with developments in our customers' organisations. In the short-term, we offer the knowledge of our world-class productivity experts. In the long-term, we deliver focused training to develop specialist skills in our customers' existing personnel.

SPEED TO MARKET

Compliance with the requirements of target markets is key to increasing speed to market. Our consultancy, testing and certification services help our customers overcome the complex challenges of understanding and meeting market demands anywhere in the world, whatever the industry or sector.

TRUST

Our global reputation for independence and integrity enables us to build trust wherever needed. We provide transparent and unbiased inspection, testing, verification and certification solutions so our customers can give assurance in their products, processes, systems and services.

SUSTAINABILITY

We help our customers take ownership of building a more responsible and sustainable future. We encourage environmental responsibility and reduce the risk of corruption in our customers' projects. Our services assist in developing sustainable facilities and production, as well as better working and social environments.



INSPECTION

All organisations need trusted independent inspection to ensure that legal obligations and high standards are met at every stage. Our comprehensive range of world-leading inspection services helps to reduce risk, control quality and quantity, and meet all relevant regulatory requirements across different regions and markets.

TESTING

We provide the broadest range of product testing to customers around the world. Our global network of testing facilities, staffed by knowledgeable and experienced personnel, helps reduce risks, shorten time to market and demonstrate the quality and safety of raw materials, components and products.

VERIFICATION

Whatever industry, compliance with the latest regulations and standards is mandatory. We can help ensure that products, services and processes follow the latest national and international standards – wherever our customers are in the world.

CERTIFICATION

We enable our customers to demonstrate that products, processes, systems and services are compliant with national and international regulations and standards.

TRAINING

Providing a workforce with skills and knowledge enhances organisational agility, maximises efficiency, motivates employees, improves productivity and boosts the bottom line. We offer world-class training and courses from industry experts that address the precise needs of organisations and industry.

CONSULTANCY

To ensure full market access, goods must comply with the requirements of target markets. Identifying those requirements and meeting them is a complex challenge. Our consultancy services help our customers to understand and meet market demands anywhere in the world, whatever industry or sector.

OUTSOURCING

We offer unrivalled expertise, experience, resources and a unique global network. As a result, we can provide the specialised skills our customers need to achieve their goals, for any industry, anywhere in the world.

ANALYTICS

Our data analytics services ensure the quality of automated data inputs and its subsequent analysis. In managing streams of big data, we are able to subsequently propose innovations to our customers, including the creation of cutting-edge predictive operations tools across all the industries we operate in.

4. SGS BUSINESS LEADERSHIP

Our business leadership comes from our unique global network, our expertise and our attitude towards innovation and development.

It comes from our financial strength and our ability to invest wisely.

It comes from our agility and creativity, and our integrity as an independent third party.

It comes from our uncompromising approach to sustainability and health and safety.

It comes from our ability to provide our customers with a competitive advantage and offer our investors a strong return on investment.

That is what we mean when we talk about business leadership.

SGS BUSINESS MODEL

PAGE 30

HOW WE BUILD OUR BUSINESS DYNAMICALLY AND SUSTAINABLY

SGS BUSINESS PRINCIPLES

PAGE 84

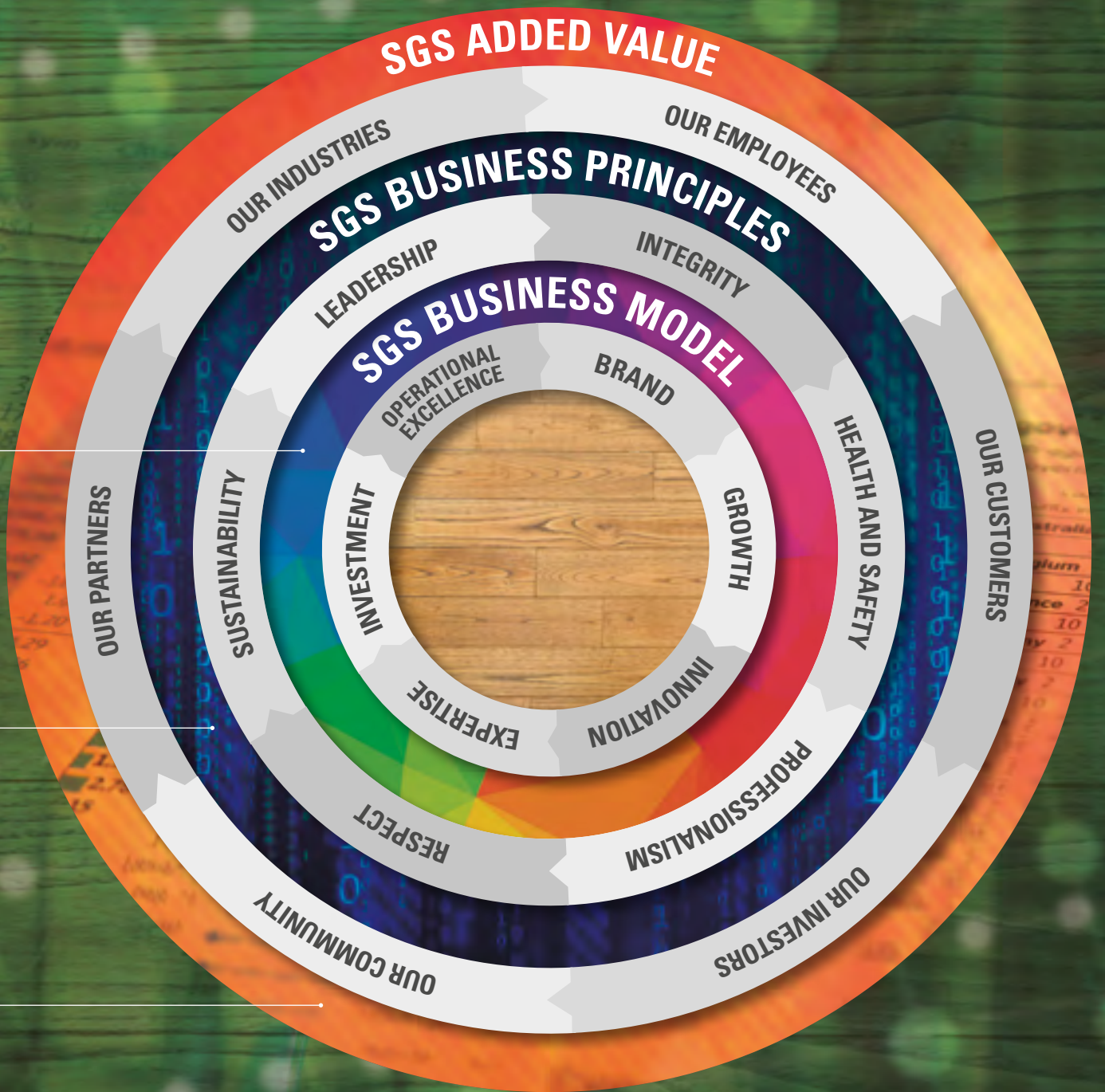
HOW WE MAINTAIN OUR POSITION AS A WORLD LEADER AND MAKE SGS A GREAT PLACE TO WORK

SGS ADDED VALUE

PAGE 86

HOW WE ENSURE THE SUCCESS OF OUR STAKEHOLDERS

THE FOLLOWING SECTION ON SGS BUSINESS LEADERSHIP REPORTS ON EACH COMPONENT OF OUR BUSINESS MODEL, HIGHLIGHTS OUR BUSINESS PRINCIPLES AND EXPLAINS HOW WE ADD VALUE TO ALL OF OUR STAKEHOLDERS.



4. BUSINESS LEADERSHIP



MARKET

SGS expects market conditions to remain constrained in 2016 but nonetheless anticipates organic growth in the range of 2.5% to 3.5%, along with solid cash flow generation and stable margins compared to 2015. Over the longer term (2016 – 2020), SGS anticipates mid-single digit organic growth on average, which will be supported by the new structure and strategic initiatives. We also expect accelerating merger and acquisition activities, CHF 1bn of revenues over the period, an adjusted operating income margin of at least 18% by the end of the period, strong cash conversion and solid returns on capital.

STRUCTURE

SGS’ core skills and organisational structure are evolving to adapt to new market conditions and customer demands. The consolidation of our business lines from 2016 (which will be reduced in number from ten to nine) will result in more organisational efficiency, improved customer service and greater agility.

The restructuring will include the incorporation of aspects of Life Science Services as well as Food Testing into Agricultural Services to generate additional synergies to new product categories. As a result of its expanded scope, the business line will become Agriculture, Food and Life.

Automotive Services will expand its remit to become Transportation. Environmental Services will likewise expand to become Environment, Health and Safety. Systems and Services Certification will also broaden its horizons to become Certification and Business Enhancement. Consumer Testing Services meanwhile will become Consumer and Retail.

Our geographical organisation will also change, with the number of our Regions being consolidated from ten to nine. As part of this process, Southern

Central Europe will be incorporated into Northern and Central Europe and Central America will be incorporated into a new South and Central America Region.

"SGS’ core skills and structure are evolving to adapt to new market conditions and customer demands".

FINANCE

The Group will continue to focus on both organic and inorganic growth as a key objective for the year ahead, along with solid cash flow and stable profitability.

SGS will also continue to place strong emphasis on structural improvements to its Net Working Capital (NWC) as a priority during 2016. This will include the standardisation and optimisation of NWC for each activity within the SGS portfolio.

Our Procurement function will continue to add value to the organisation through optimising strategic sourcing, enhancing supply chain management and optimising our real estate portfolio.

Another important aspect going forward will be the deployment of our Global Business Services Strategy. This will seek to simplify, streamline and optimise the organisation, processes and systems

REALIGNMENT IN 2016

SGS SA, registered in Geneva, controls all companies worldwide belonging to the SGS Group.

Our operations are divided into ten regions, each led by a Chief Operating Officer who is a member of the Operations Council and is responsible for the SGS businesses in that region and for the local implementation of Group policies and strategies.

From 2016 there will be a realignment of regions and business lines.

SGS REGIONS 2015	SGS REGIONS 2016
WESTERN EUROPE	WESTERN EUROPE
NORTHERN AND CENTRAL EUROPE	NORTHERN, CENTRAL AND SOUTHERN EUROPE
SOUTHERN AND CENTRAL EUROPE	
EASTERN EUROPE AND MIDDLE EAST	EASTERN EUROPE AND MIDDLE EAST
AFRICA	AFRICA
NORTH AMERICA	NORTH AMERICA
SOUTH AMERICA	SOUTH AND CENTRAL AMERICA
CHINA AND HONG KONG	CHINA AND HONG KONG
EASTERN ASIA	EASTERN ASIA
SOUTH EASTERN ASIA AND PACIFIC	SOUTH EASTERN ASIA AND PACIFIC
SGS LINES OF BUSINESS 2015	SGS LINES OF BUSINESS 2016
AGRICULTURAL SERVICES	AGRICULTURE, FOOD AND LIFE
LIFE SCIENCES SERVICES	
AUTOMOTIVE SERVICES	TRANSPORTATION
CONSUMER TESTING SERVICES	CONSUMER AND RETAIL
ENVIRONMENTAL SERVICES	ENVIRONMENT, HEALTH AND SAFETY
GOVERNMENTS AND INSTITUTIONS SERVICES	GOVERNMENTS AND INSTITUTIONS
SYSTEMS AND SERVICES CERTIFICATION	CERTIFICATION AND BUSINESS ENHANCEMENT
INDUSTRIAL SERVICES	INDUSTRIAL
MINERAL SERVICES	MINERALS
OIL, GAS AND CHEMICALS SERVICES	OIL, GAS AND CHEMICALS

of our back office functions as well as leveraging best practices across our internal business services. One of the main aspects of this will be to create three major Shared Service Centres to handle the back office processes that are currently managed in 35 different countries.

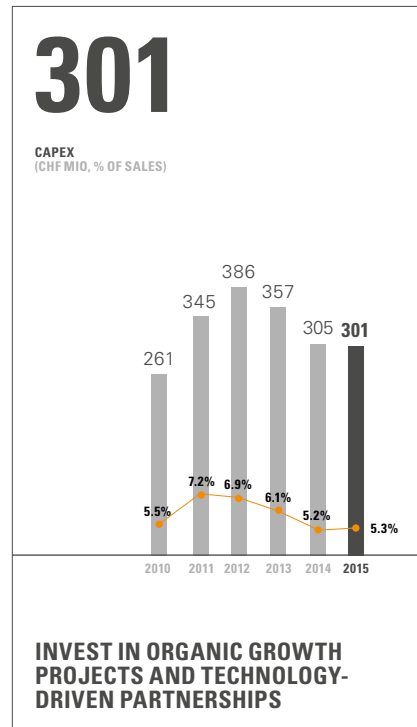
STRATEGIC INITIATIVES

SGS will be moving assertively further into the digital space with our TIC 4.0 initiative which will see us focusing on two key areas for potential future growth.

Firstly, as is outlined in more depth in the case study on page 25, we are exploring ways in which we can leverage our unparalleled global footprint to move into offering analytics services. Secondly (as per the case study on page 29), we are finding that customers increasingly value our services in the world of e-commerce.

In both these areas our traditional core skills can be used to offer offline-to-online services that ensure our customers can be confident in the products that they are offering.

OVER THE LONGER TERM (2016–2020), SGS ANTICIPATES MID-SINGLE DIGIT ORGANIC GROWTH ON AVERAGE, WHICH WILL BE SUPPORTED BY THE NEW STRUCTURE AND STRATEGIC INITIATIVES.



THINKING FORWARD: FORWARD THINKING

The following case studies outline some of the new sectors in which SGS is leading the way.

FOOD AND PHARMA

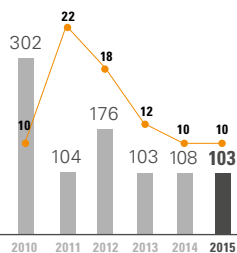
ANALYTICS

TRANSPORTATION

E-COMMERCE

103

ACQUISITION CASH CONSIDERATION (CHF MIO; # OF TRANSACTIONS)

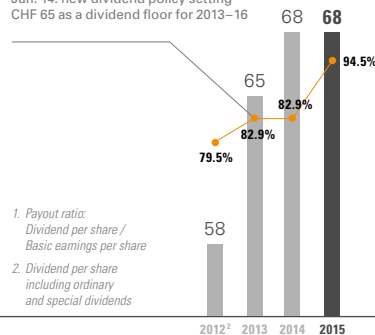


DELIVER BOLT-ON ACQUISITIONS WITH ATTRACTIVE BUSINESS SYNERGIES

68

DIVIDEND PER SHARE (CHF) AND PAYOUT RATIO¹ (%)

Jan. 14: new dividend policy setting CHF 65 as a dividend floor for 2013–16



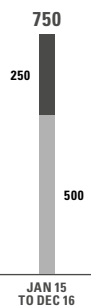
DELIVER A SOLID RETURN ON INVESTMENT

750

SHARE BUY-BACK PROGRAM (CHF MIO)

CHF 250 Mio for employee equity participation plans and / or utilisable as underlying securities for debt-like issuance

CHF 500 Mio for shares cancellation



MAINTAIN AN ATTRACTIVE SHAREHOLDER RETURN POLICY



MIND THE GAP

A new genre of medical product is emerging in what is being called the pharma-nutritional field.

“Let food be thy medicine and medicine be thy food,” said the father of Western medicine, Hippocrates around the 4th century B.C. and seemingly, Western medicine is now embracing this philosophy with renewed vigour.

A new genre of medical products is emerging in what is being called the pharma-nutritional field. These quasi-medicinal products acknowledge the fact that many modern ailments stem from dietary problems.

For instance, a remarkably large number of people suffer from micronutrient deficiencies, with the World Health Organisation (WHO) stating that over 30% of the world’s population are anaemic, due to iron deficiency¹. This, as the WHO explains, is a public health issue of epidemic proportions. Micronutrient deficiencies in this and other areas (e.g. vitamin A or zinc deficiency), not only damage public health but can also reduce the economic productivity of entire populations.

This is one of the instances where pharma-nutritional products can potentially help. Unlike pure drugs, which are chemical structures with a single target, medical-nutritional products may be a mixture of many different ingredients with multiple objectives. They more closely resemble ordinary food and thus patients may be more likely to comply with their doctor’s recommended dosage.

Despite being an exciting development for patients and medical practitioners alike, on many levels these products have sat awkwardly in the space between nutritional and pharmaceutical products.

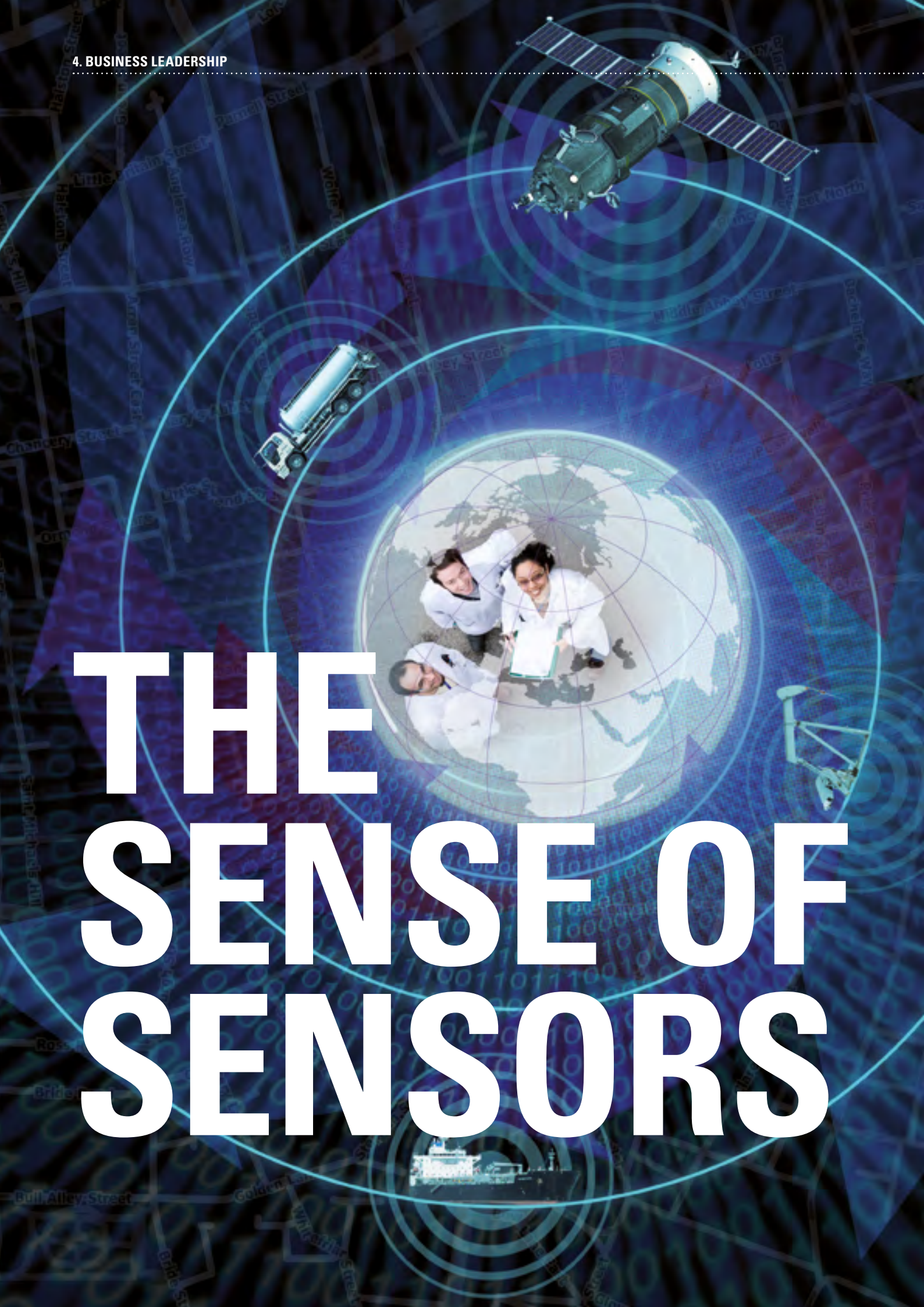
For instance, on occasion it is not clear when a product first comes to market whether it should be regulated under medical or nutritional rules. This becomes yet more complicated as different countries are adopting different approaches to the problem, resulting in a complex global regulatory environment.

Such ambiguity filters into advertising regulations, requirements around clinical trials and even product labelling. Yet the patient benefits and relative speed to market of these products compared to traditional drugs still make them attractive to the industry irrespective of whether they are viewed as a food product or a medical one.

SGS has always been agile enough to ensure that products like this have not slipped into the cracks between business lines. By combining the expertise we have in multiple areas, we have been able to offer a single customer-facing team to our clients.

Yet it is partly in response to the rapid growth of this kind of product that SGS will now be permanently merging its Life Science, Food Testing and Agricultural Services, to form a new Agricultural, Food and Life business line. Whilst we have been working with this kind of product for a while, creating greater internal synergies will only improve the quality of service we can offer to our customers. And by having a comprehensive service offering, we can ensure there are no gaps in our service offering.

1. www.who.int/nutrition/topics/ida/en/

The background is a complex digital landscape. It features a central globe with a grid of latitude and longitude lines. Surrounding the globe are several circular patterns resembling signal waves or data orbits. In the upper right, a satellite with solar panels is depicted. In the middle left, a white truck is shown. In the lower right, a piece of scientific equipment is visible. At the bottom center, a large ship is shown. The overall color palette is dominated by blues and purples, with white text and elements. The text 'THE SENSE OF SENSORS' is written in a large, bold, white sans-serif font, centered over the globe and extending towards the bottom of the page.

THE SENSE OF SENSORS

The market is evolving. Some of the manual measurements that companies like SGS used to carry out for our clients are now being performed by increasingly sophisticated automatic sensors.

These can often generate a continual flow of data – far outstripping the coverage that could be achieved by hand. To an industry outsider this might appear to be an infringement upon some of SGS traditional verification activities, but that is not how we view these developments. In fact we see them as a major opportunity.

Imagine a sensor buried in a farmer's soil. Such a sensor could provide a farmer with various data, such as soil PH levels, salinity, acidity, fertiliser levels and current water retention. Moreover, it can do this whilst drawing on the latest weather forecasts, relative to its exact location (using GPS technology), to advise the farmer as to whether he needs to apply more water or fertiliser to his or her crops.

At a first glance, it may appear as though this sensor is replacing an SGS agricultural expert, who would traditionally take these samples by hand (the sensor can provide a continual flow of data rather than a periodic one). However, someone still needs to install the sensor, to verify the quality of its data output and to handle the analysis of the data that the sensor provides to advise the farmer on how to strategically use, ration and purchase both water and fertilisers.

What we have found at SGS is that by using this technology, farmers often discover that they start to use significantly less fertiliser than they were previously, which saves them money in addition to any environmental benefits that this may bring.

This kind of development isn't just limited to precision farming. Working with our strategic partner SAVI, we are able to provide companies with supply chain visibility and logistics support, such as real-time route data (traffic jams, floods, etc.) and route optimisation.

Elsewhere, we are working on the calibration of automatic sensors for oil refineries. The huge amount of data we are generating and managing is allowing us to move from a preventative use of these sensors, to a predictive one. As a result we are now able to significantly reduce the risks associated with entire systems and pinpoint areas that will need maintenance before it becomes urgent.

However, in all of these cases someone still needs to physically test the quality of the data at the initial input stage. Otherwise the entire subsequent set of data generated could be next to meaningless. Decisions based on inaccurate data could lead to less than optimal results, and in some circumstances could be outright dangerous. This means that companies will need businesses with SGS' capabilities more than ever – and there is no one else in the industry with the kind of physical global presence that SGS has. As this technology becomes more widespread our unparalleled global footprint will be both a unique sales point and a key competitive advantage for us.

That is why we are excited by the opportunities created by big data analytics.

TRANSPORTATION AND THE DAWN OF THE SMART CITY

In the future new data systems will mean a more integrated transport network in the world's major cities.

The way we move is changing. In the era of the internet of things, objects of all descriptions are already able to send and receive specific data to and from each other. For example, your weighing scales can automatically send your morning weigh-in results to your mobile phone fitness app to track changes over time. Your alarm clock can tell your coffee machine to start brewing five minutes after you wake up. When scaled up to a city level, the advances in technology are the stuff of the best science fiction writing.

For example, car-to-car communication technology already exists and is on the way to becoming commercially viable. Cars will be able to build a picture of what's happening around them – position, speed and other data – anticipating risks that even the best drivers couldn't and improving safety.

In addition, car-to-building communication and smarter navigation systems will soon allow drivers not only to pick the fastest route but the greenest, or the cheapest. City traffic management systems will be able to detect temporary increases in air pollution along certain routes and redirect the traffic flow. Intelligent transport management solutions will also improve the fluidity of use and interface between trains, trams and buses. Driverless cars on demand may begin to take care of the last mile.

These developments are taking place worldwide, spanning both developed and emerging markets and cities that are home to major transport frameworks and travel hubs. Each city will have different demands of these new capabilities. The technology will have to meet each set of requirements for improving mobility and assuring safety on road and rail networks.

Such changes in the way we move will inevitably create new areas of public and private concern, particularly in the cyber security space. That includes not only the privacy expectations that come with having a detailed digital footprint of an individual's transportation behaviour across various service providers, but also the need for trusted and secure data exchange and systems' management.

Therefore, as interaction between vehicles increases and this technology becomes better established, there will be a greater need for integrated independent oversight. SGS plans to be at the heart of it. That's why from 2016 we will be offering our customers a single point of contact to deal with all their transportation needs.



ONLINE-TO-OFFLINE: WHERE WE CAN ADD VALUE

The rapidly growing e-commerce model is entirely built around trust. Consumers need to know that the products they are buying online are legitimate, safe, correctly sourced and compliant with the law.

E-commerce is a trillion dollar industry and is growing fast, led by a shift in consumer buying habits in the UK, the US, Germany and China. Online shopping is accounting for a larger and larger slice of the overall retail market pie. At present, the e-commerce model is entirely built around trust.

Consumers need to know that the products they are buying online are legitimate, safe, correctly sourced and compliant with the law. However, a December 2014 MarkMonitor¹ survey suggested that up to one in every six online bargain hunters were duped by sites selling counterfeit goods. This type of adverse retail experience damages the brand integrity of e-commerce sites.

In response, major e-commerce sites are determined to assure the quality of the products on their sites in order to protect both their customers and their brand reputation. In a marketplace where competition is becoming increasingly fierce and adverse reports are increasingly visible and permanent, this reach for assurance is a critical phase in the evolution of the global e-commerce market and one that is worth trillions of dollars to retailers and manufacturers.

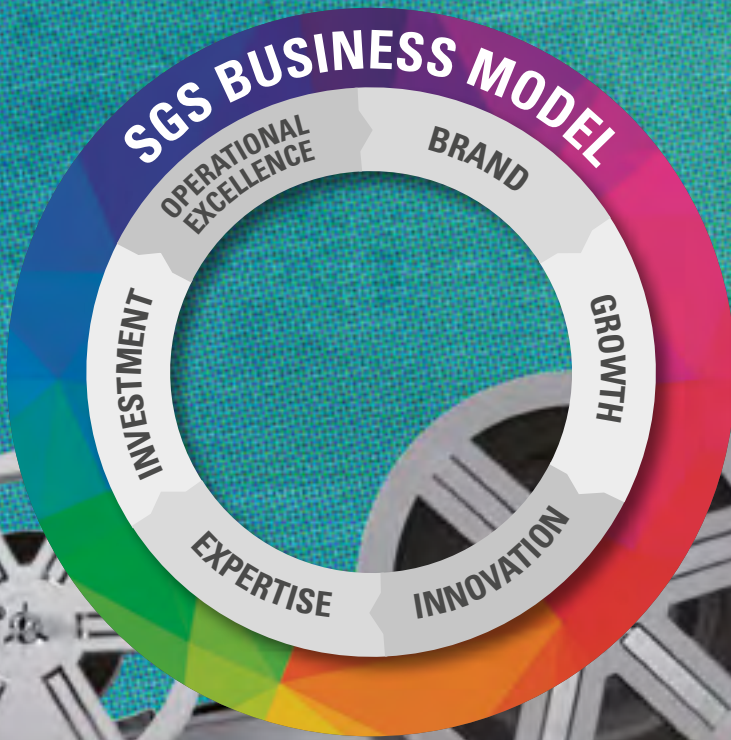
Working with a major player in the fast-growing multi-billion-dollar Chinese e-commerce market, SGS has designed systems for checking the quality of products posted on the site by manufacturers. We carry out physical product tests, verify the legitimacy (and in some cases existence) of the manufacturers themselves and assure the integrity of the e-supply chain.

SGS can provide e-commerce sites with audited reports of manufacturers, which can be placed alongside the products they sell on these sites. This information functions in a similar way to a traditional peer review rating, a well-established global format whose role in the consumer decision-making process is pivotal. Yet our reports have the additional benefit of coming from a globally recognised independent auditor.

These reports can provide consumers and retailers with information about a product's source, a factory's production capacity and other pertinent details. This helps to assure site operators that their supplier's products meet local regulations. With e-commerce sites increasingly operating on an international scale this is critical. The reports therefore help improve supplier transparency and assure consumers of product quality.

This assurance-focused progress in the e-commerce model will see consumers making use of SGS data to inform their online purchases. This marks not only a key moment in the development of this industry, but also in the evolution of SGS. By adapting in this way, our business is moving into another space and connecting with the B2C realm.

1. www.markmonitor.com/pressreleases/2014/pr141119



THE SGS BUSINESS MODEL IS BUILT ON THE SIX CORE PILLARS OF BRAND, GROWTH, INNOVATION, EXPERTISE, INVESTMENT AND OPERATIONAL EXCELLENCE. THESE ARE THE BASIC INGREDIENTS FOR OUR BUSINESS SUCCESS AND IT IS THROUGH OUR FOCUS ON CONTINUALLY IMPROVING THESE FUNDAMENTALS THAT WE ARE LEADERS IN OUR FIELD.



BRAND

A brand not only differentiates a company, it unites it. The SGS brand offers our customers the peace of mind that comes from knowing they are working with the market leaders. It means our employees are rallying behind the same cause and pulling in the same direction. Finally, it means that we are bound by a shared commitment to provide the highest quality services.



GROWTH

Growth is a fundamental aspect in the success of any business and SGS is no exception. For us however, the continued growth of our global network and its unrivaled physical footprint is a key competitive advantage.



INNOVATION

The world changes. Markets move. People move on. A world-class business like SGS needs to stay ahead of these changes and to continuously stretch the boundaries of the TIC industry, in order to retain our position as market leaders.



EXPERTISE

A business' ability to attract and retain the best talent is a cornerstone of its success. At SGS we believe in our people and we are serious in supporting their long-term development.



INVESTMENT

Inertia is not an option for a market leader like SGS. We need to anticipate changes in market conditions and customer demand in order to seize opportunities as they arise. This means that investment in research, innovation, talent and technology has to be at the core of our business model.



OPERATIONAL EXCELLENCE

How do businesses ensure world-class performance? Through assuring genuine operational excellence across business functions and through utilising the best possible sustainable business practices.

BRAND

The fact that we have international reach and a global network with world-class facilities and expert personnel in key locations across the world, is something that has become increasingly valued by our customers.

This is particularly the case as global supply chains become ever more complex. Expanding our global footprint has become a major driver of our growth, which has in turn made strategic acquisitions a core component of our success.

Finding and making the right acquisitions is a challenging strategic task and integrating acquisitions is important to strengthening our brand equity.

Integrating competencies, expertise, systems and solutions are an obvious but pivotal part of this. However, for integration to fully occur, thought must be given to ensuring that SGS' values, vision, business principles and culture are adopted by the acquired company.

The above is part of a formalised methodology and integration process applied to each acquisition.

New acquisitions need to be given access to and educated about the international capabilities of the Group whilst retaining their local expertise. Knowledge needs to flow seamlessly between acquired businesses and the Group (in both directions) to ensure the expertise of all parties are at the very cutting edge of the industry in question.

This integration process takes place at multiple levels and across multiple departments and functions.

Over time, SGS has developed unique guidelines and methodology to drive a smooth and complete integration process across all activities.

Integration managers are coached and benefit from a unique platform to drive and monitor this process. Migrating and leveraging acquired brand equity is a key area of focus as ultimately the acquired capabilities help strengthen the SGS brand. Meanwhile, the acquisitions themselves benefit from having access to the full service portfolio of the SGS network. But the unifying factor across all these elements is the strength of the SGS brand.

The SGS brand strengthens the acquired businesses and acquired capabilities strengthen the SGS brand.

ONE

GLOBAL NETWORK
GLOBAL BRAND

A BRAND NOT ONLY
DIFFERENTIATES
A COMPANY,
IT UNITES IT.



GROWTH





WHETHER THROUGH ACQUISITIONS, STRATEGIC PARTNERSHIPS OR BY ORGANIC EXPANSION, THE CONTINUED GROWTH OF OUR GLOBAL NETWORK AND ITS UNRIVALED PHYSICAL FOOTPRINT IS A KEY COMPETITIVE ADVANTAGE.

4. BUSINESS LEADERSHIP

22%

21%

65%

47%

42%

33%

25%

27%

26%

42%





367.6

**REVENUE
IN CHF MILLION**

4.0%

**GROWTH
IN 2015**

Agricultural Services maintained organic revenue growth of 4.0% to CHF 368 million for the year, despite the fishing ban in Peru and the full-year impact of the curtailment in collateral management activities, without which organic growth would have been 6.6%.

Both Seed & Crop and Laboratory services delivered strong growth, supported by recent investments across the network. Trade and related activities delivered moderate growth. In the second half of the year, growth increased in line with traditional seasonality of the business in greater Europe and the Americas, while operations in South East Asia Pacific were hampered by low agricultural export volumes.

The adjusted operating margin improved to 17.3% from 16.2% in the prior year (constant currency basis) driven by the high trade volumes in Europe and profit improvement initiatives in North America launched in late 2014, which are already delivering results.

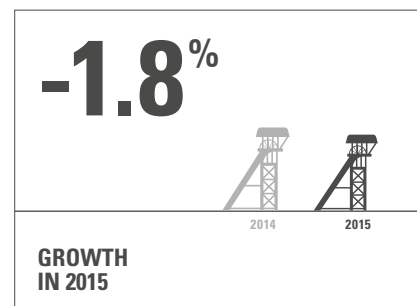
Seed & Crop investments in the southern hemisphere came on-line in the second semester and are expected to gain traction in 2016. Considerable efforts have also been made to realign the business organisation with the recently announced Group strategy.

<i>(CHF million)</i>	2015	2014 PRO-FORMA ²	2014
REVENUE	367.6	353.6	387.1
<i>Change in %</i>		4.0	(5.0)
ADJUSTED OPERATING INCOME ¹	63.7	57.3	63.8
<i>Change in %</i>		11.2	(0.2)
MARGIN % ¹	17.3	16.2	16.5

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs, and other non-recurring items.

2. Constant currency basis.





Minerals Services delivered revenue of CHF 633 million, down 1.8% versus the prior year. This was mainly attributable to reduced exploration funding in the mining sector, which resulted in flat sample volumes at commercial facilities in most regions and also impacted metallurgical testing programmes.

The onsite laboratories continued to perform solidly with four new sites commencing operation in 2015 and four new contract wins that will come into operation during 2016.

Energy Minerals performed well, mainly in Russia, South Africa and China, but this was partially offset by the market contraction in the USA, Australia and Indonesia.

Trade services for fertiliser and non-ferrous activities continued to perform well, while steel and raw materials volumes were impacted by a reduction in demand for iron ore and associated steel products.

Despite the downturn in the market, Minerals business in Chile was successful in securing key contracts from the major global copper producers, which will drive performance in 2016.

The Minerals service portfolio in 2015 included the new hyperspectral scanning services which have already experienced some success in the North American market. There are opportunities to further grow this using the SGS global footprint.

The adjusted operating margin for the period increased to 14.2% from 13.8% in the prior year (constant currency basis). Efforts to improve cost alignment and efficiency initiatives, including further network consolidation in the USA and Australia, helped to offset strong pricing pressure.

During the year, the Group initiated the acquisition of Bateman Projects, specialists in process plant design and site engineering services. This is expected to be concluded in early 2016 and will be integrated into the SGS site services portfolio, further strengthening the Group's position as the leading one-stop-shop service provider.

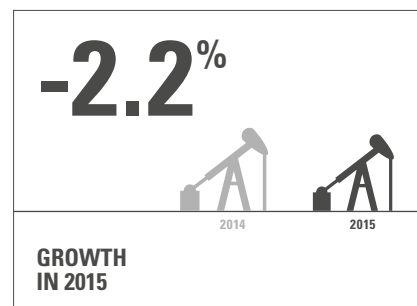
(CHF million)	2015	2014 PRO-FORMA ²	2014
REVENUE	632.8	644.2	702.7
Change in %		(1.8)	(9.9)
ADJUSTED OPERATING INCOME¹	89.6	88.6	98.8
Change in %		1.1	(9.3)
MARGIN %¹	14.2	13.8	14.1

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs, and other non-recurring items.

2. Constant currency basis.

4. BUSINESS LEADERSHIP





Oil, Gas and Chemicals Services organic revenue declined by 2.2% to CHF 1 119 million for the period, primarily impacted by the double-digit decline in Upstream services. This was partially offset by growth in Trade-related services and Plant and Terminal Operations.

Falling oil prices continued to cripple exploration affecting Well-side services and Subsurface Consultancy. To minimise the impact, efforts were made to re-allocate resources towards the more resilient Production segment which achieved solid wins in Eastern Europe, Middle East and North Africa.

During the first three quarters of the year, Trade-related services experienced strong growth in Russia and the Middle East due to high volatility in the market. However, activity slowed down in the last quarter, particularly in the Americas and in some parts of Asia due to a deficit in storage capacity compounded by flat demand in Europe.

Plant and Terminal Operations started the year with low double-digit growth but slowed to flat growth by the end of the year, particularly in North America. The Oil Condition Monitoring segment continued to see mid double-digit growth with operating margin improvement due to better utilisation of the laboratories.

The Non-Inspection Related Testing/Laboratory Outsourcing segment grew in high single-digits over the year improving margin in the testing business, while experiencing a drop in laboratory commissioning projects.

The adjusted operating margin for the period declined from 11.6% in the prior year to 11.5% (constant currency basis), mainly due to the contraction in high-margin Upstream services. Oil, Gas and Chemicals continues to reconfigure its business mix to align with evolving market conditions.

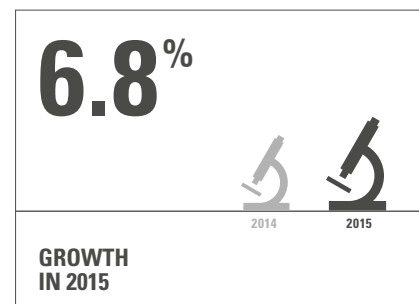
<i>(CHF million)</i>	2015	2014 PRO-FORMA ²	2014
REVENUE	1 119.5	1 144.3	1 201.0
<i>Change in %</i>		<i>(2.2)</i>	<i>(6.8)</i>
ADJUSTED OPERATING INCOME ¹	129.2	132.7	144.5
<i>Change in %</i>		<i>(2.6)</i>	<i>(10.6)</i>
MARGIN % ¹	11.5	11.6	12.0

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs, and other non-recurring items.

2. Constant currency basis.

4. BUSINESS LEADERSHIP





Life Science Services delivered revenue growth of 6.8% (of which 6.4% was organic) to CHF 211 million for the period, with strong performance in Laboratory services. Laboratory services delivered double-digit growth driven by strong performance in North America, Asia and Europe.

Clinical Research in Antwerp experienced a slow start to the year due to projects postponed by clients. This impact was partially offset by strong performance in Biometry. In addition, new initiatives have been implemented to increase presence in North America and Europe.

The adjusted operating margin for the period increased to 10.8% from 9.1% in the prior year (constant currency basis), driven by strong results in laboratory testing which were partially offset by the slow start in Clinical Research.

The business continued its drive towards operational excellence with a strong focus on quality and cost efficiency.

During the year, the Group completed the acquisition of Quality Compliance Laboratories Inc. in Canada, a provider of analytical testing to the pharmaceutical, nutrition and cosmetic industries.

Several investments were also initiated including a new quality control laboratory in France and significant expansion of capabilities in India. The business continues to optimise the laboratory network which is expected to improve performance in 2016 with a focus on the UK and the USA. Operational excellence, quality improvement and customer focus remain the Group's key objectives to drive business growth.

(CHF million)	2015	2014 PRO-FORMA ²	2014
REVENUE	211.2	197.8	212.7
Change in %		6.8	(0.7)
ADJUSTED OPERATING INCOME¹	22.8	18.0	19.9
Change in %		26.7	14.6
MARGIN %¹	10.8	9.1	9.4

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs, and other non-recurring items.

2. Constant currency basis.



CONSUMER TESTING SERVICES

1 132.9

REVENUE
IN CHF MILLION

6.3%



GROWTH
IN 2015

Consumer Testing Services delivered revenue growth of 6.3% (of which 4.9% organic) to CHF 1 133 million for the period with strong growth in Western Europe, the Americas, Eastern Europe & Middle East and East Asia.

Food Testing activities achieved double-digit growth fuelled by increased food safety concerns in Asia and the recent acquisition of SVA Ltd. in the UK.

Automotive Parts testing continued to exceed expectations with a strong contribution from operations in Germany, China and India.

Electrical and Electronics experienced stable growth, benefiting from solid results in Restricted Substances Testing and Electromagnetic Compatibility and Safety Testing, despite delays in some Wireless and Mobile Testing projects. The Cosmetics, Personal Care & Household segment remained strong throughout the year, especially in Germany and China.

Despite strong growth in new sourcing countries, Softlines faced difficult market conditions as retail industry and brand owners continue to consolidate their supply chains. The performance of Hardlines remained stable thanks to new inspection and testing programmes with e-retailers.

The adjusted operating margin for the period decreased from 25.2% in the prior year (constant currency basis) to 23.8% as a result of difficult market conditions for Softlines and Toys testing, as well as a change in the portfolio mix.

During 2015, the Group acquired SVA Ltd., a leading UK-based independent provider of advisory, testing and IT services to retailers and food manufacturers. This acquisition adds new testing capabilities and expands the Group's geographical footprint.

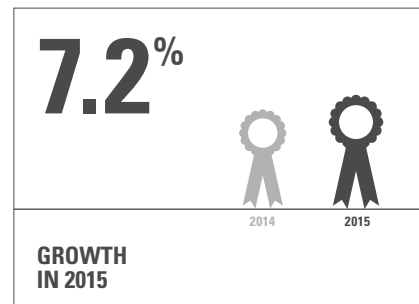
(CHF million)	2015	2014 PRO-FORMA ²	2014
REVENUE	1 132.9	1 066.0	1 093.1
<i>Change in %</i>		6.3	3.6
ADJUSTED OPERATING INCOME¹	269.9	268.7	269.7
<i>Change in %</i>		0.4	0.1
MARGIN %¹	23.8	25.2	24.7

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs, and other non-recurring items.

2. Constant currency basis.



100/100	-10.1	Coupon	Maturity
529.29	-8.7	5.500	Australia 2
58574.79	-12.2	3.250	10
15524.75	-7.7	3.500	Belgium 2
46078.07	-5.1	0.800	10
3361.36	-5.6	4.250	France 2
18351.36	-8.1	1.000	10
5231.94	-10.6	0.500	Germany 2
		1.000	



Systems and Services Certification delivered solid organic revenue growth of 7.2% to CHF 419 million for the period with all regions reporting growth.

Management System Certification delivered strong growth driven by high adoption of the new 2015 standards and good performance in food activities. Training activities achieved double-digit growth boosted by solid demand from our clients for the new ISO 9001:2015 standard training.

The adjusted operating margin for the period decreased from 18.1% in the prior year (constant currency basis) to 16.9%, mainly impacted

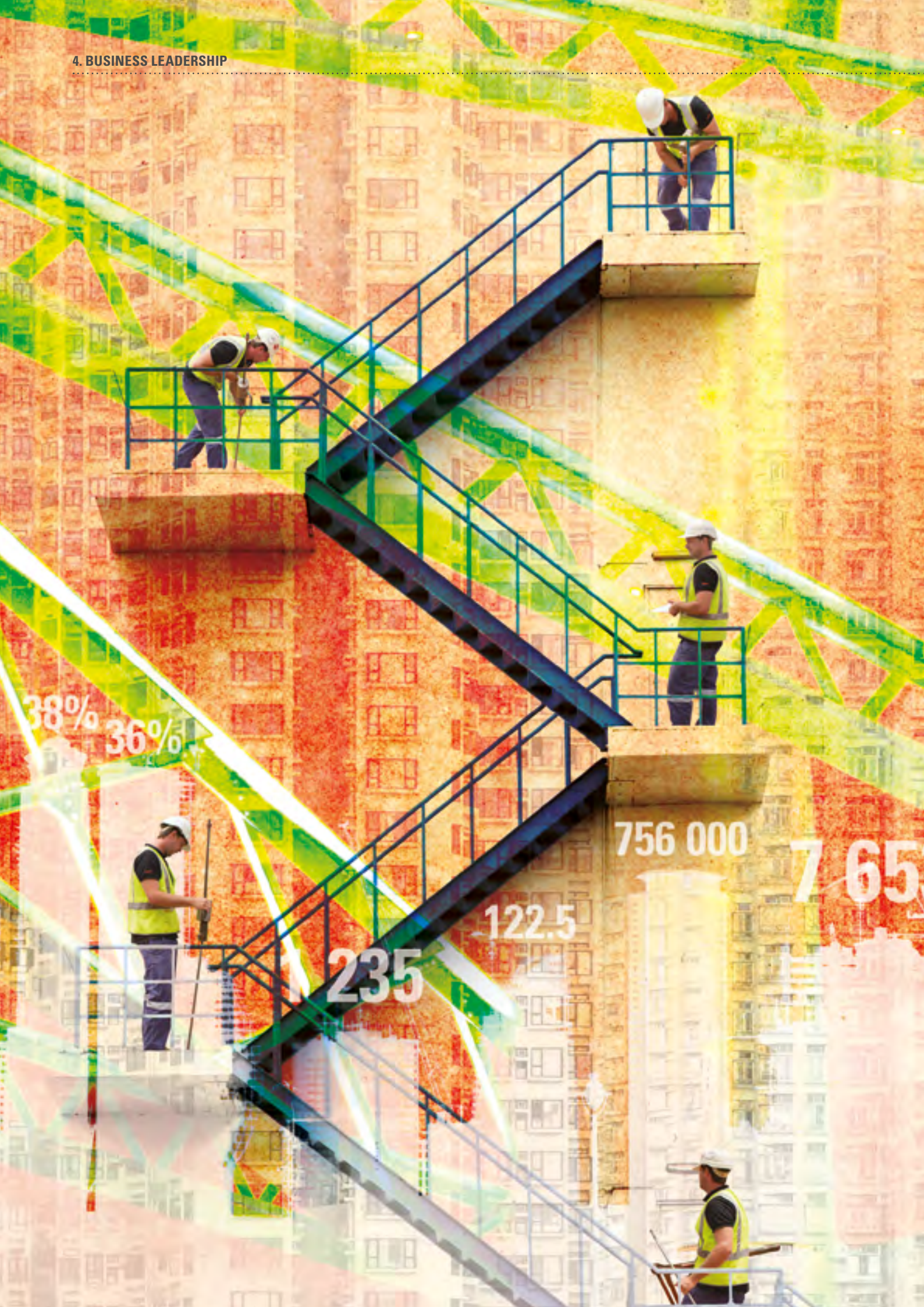
by margin erosion in some regions. In particular, China continues to be impacted by high labour costs, East Asia by strong competition and Western Europe by additional personnel cost mainly related to strengthening of the medical device team in the UK.

Going forward, growth is expected to remain healthy driven by Training, as well as recent contract wins in Hospitality, Automotive and Hart Aviation and further transition to the new ISO 9001:2015 standard. New product launches in industry sectors will start to feed the product mix supporting future growth.

(CHF million)	2015	2014 PRO-FORMA ²	2014
REVENUE	419.0	390.9	414.6
<i>Change in %</i>		7.2	1.1
ADJUSTED OPERATING INCOME¹	71.0	70.7	73.9
<i>Change in %</i>		0.4	(3.9)
MARGIN %¹	16.9	18.1	17.8

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs, and other non-recurring items.

2. Constant currency basis.



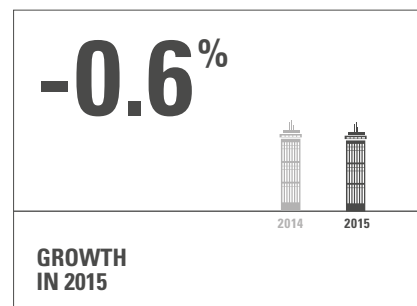
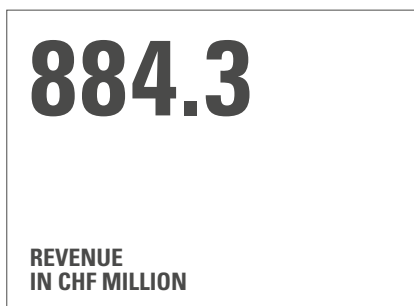
38% 36%

235

122.5

756 000

7 65



Industrial Services reported a decline in revenue of 0.6%, with an organic decline of 3.0%, largely offset by acquisitive growth of 2.4%, to CHF 884 million for the year. Organic growth was heavily impacted by declining oil and gas prices on activities in North America, South East Asia Pacific and to a lesser extent in Africa.

North America reported reduced supply chain inspections and asset integrity services in the USA and lower volumes in geotechnical services in the Canadian Oil Sands. Australia, Singapore and Malaysia were impacted by lower volumes and pricing due to reduced investments in the Mining and Energy sector. Despite difficult market conditions in Brazil and Colombia, South America posted stable revenue through the development of new activities in Argentina and expanding its reach into new markets such as maintenance-related activities. China reported double-digit growth driven by the continued increase in volume in testing activities. Globally, the implementation of key account management helped the business to secure new accounts which are expected to drive revenue growth.

The adjusted operating income margin for the year decreased from 12.8% in the prior year (constant currency basis) to 11.3%, impacted by margin erosion related to the difficult market conditions in North America, South East Asia Pacific and Africa. Other regions performed in-line with the prior year.

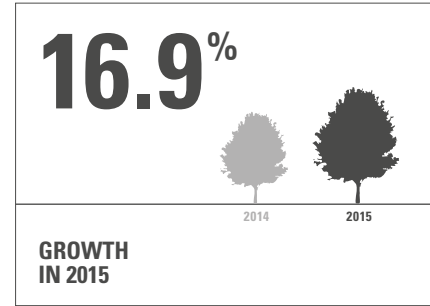
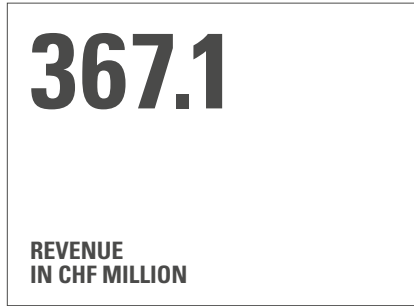
During the year, the Group acquired Le Brigand in France, specialised in non-destructive testing for the aviation industry. The Group also acquired a majority stake in SIGA in Chile, an engineering consulting company; initiated a majority stake in FirstRank, specialised in quality and safety assurance and Safety-Tech, specialised in valve maintenance, repair and overhaul services, both in China. The acquisition of Matrolab Group in South Africa, specialising in engineering and construction materials testing, is being concluded. A minority stake was acquired in SAVI Technology, Inc. in the USA, a leader in sensor-based solutions.

<i>(CHF million)</i>	2015	2014 PRO-FORMA²	2014
REVENUE	884.3	889.7	977.0
<i>Change in %</i>		<i>(0.6)</i>	<i>(9.5)</i>
ADJUSTED OPERATING INCOME¹	100.0	113.8	122.6
<i>Change in %</i>		<i>(12.1)</i>	<i>(18.4)</i>
MARGIN %¹	11.3	12.8	12.5

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs, and other non-recurring items.

2. Constant currency basis.





Environmental Services delivered robust revenue growth of 16.9% (of which 5.2% organic) to CHF 367 million for the year, by increasing market share.

Strong performance in Europe was driven by the optimisation of the laboratory network and cost control measures. In South America, the business successfully developed a strong market position through increased field and testing services, with the exception of Brazil which is experiencing an economic slowdown, partially offset by the synergies from acquisitions made in the first semester. China delivered top and bottom line improvements due to the development of key product lines in addition to restructuring in the first half of the year. The market in Australia continues to face strong pricing pressure in the mining sector.

Industrial Hygiene services continued to expand globally, supported by a strengthened international sales and key account management structure.

The adjusted operating margin for the period increased to 12.8% from 10.0% in the prior year (constant currency basis), benefiting from an efficiency drive across the entire network and successful cost control measures.

During the year, the Group acquired Western Radiation Services Pty Ltd. and Radiation Safety Services Pty Ltd. in Australia; and AirServices Estudos e Avaliações Ambientais Ltda. and Cronolab Referência em Análises Químicas e Ambientais Ltda. in Brazil.

<i>(CHF million)</i>	2015	2014 PRO-FORMA²	2014
REVENUE	367.1	314.1	342.4
<i>Change in %</i>		16.9	7.2
ADJUSTED OPERATING INCOME¹	46.9	31.3	34.3
<i>Change in %</i>		49.8	36.7
MARGIN %¹	12.8	10.0	10.0

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs, and other non-recurring items.

2. Constant currency basis.

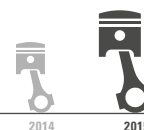


AUTOMOTIVE SERVICES

317.5

REVENUE
IN CHF MILLION

13.8%



GROWTH
IN 2015

Automotive Services delivered strong growth of 13.8% (of which 8.5% organic) to CHF 318 million for the period with solid results from all activities.

The statutory inspection business strengthened in the Americas, Europe and Africa, with particularly solid growth in Homologation and Vehicle Inspection services. Commercial inspection activities and Testing services also delivered solid results, supported by growth from recent acquisitions and increased inspection volumes in the USA and Europe.

Several long-term contracts were awarded to SGS during the year. In Africa, an exclusive motor vehicle inspection programme was secured with the Ministry of Works & Transport in Uganda and an existing motor vehicle inspection concession was extended in Ivory Coast. In the USA, an amendment was signed with the State of California

to extend the next generation electronic transmission data management service contract for the California Smog Check programme. In Argentina, SGS was awarded a contract for the design, build and management of vehicle inspection stations in Buenos Aires.

The adjusted operating margin for the period decreased from 20.0% in the prior year (constant currency basis) to 19.5%, impacted by the liberalisation of the statutory inspection market in Spain, investments in the development of testing activities and start-up costs for the motor vehicle programme in Uganda.

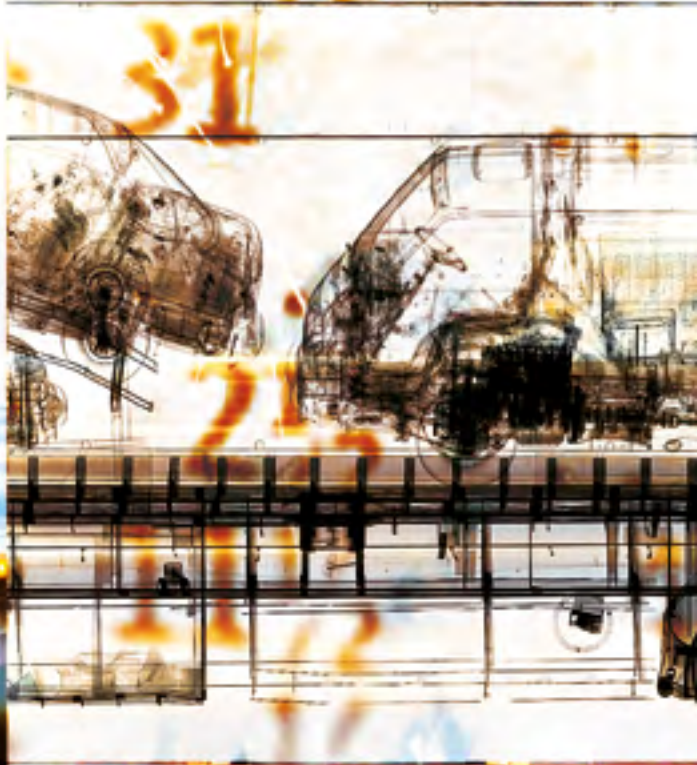
During the period, the Group acquired two operations: Testing Services Group LLC, a leading provider of fuel testing systems in North America and DLH-VIS, a specialist in vehicle inspection services in Lyon, France. These acquisitions enable the Group to diversify and expand its global footprint.

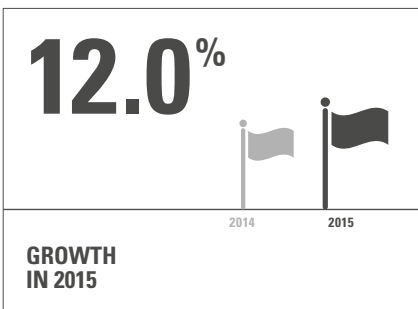
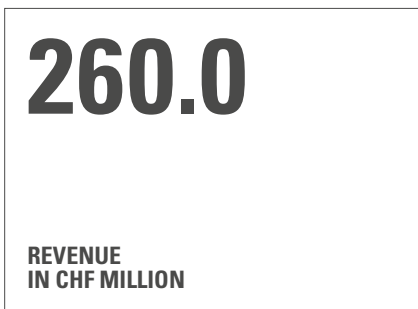
(CHF million)	2015	2014 PRO-FORMA ²	2014
REVENUE	317.5	279.1	302.8
<i>Change in %</i>		<i>13.8</i>	<i>4.9</i>
ADJUSTED OPERATING INCOME¹	61.8	55.9	62.0
<i>Change in %</i>		<i>10.6</i>	<i>(0.3)</i>
MARGIN %¹	19.5	20.0	20.5

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs, and other non-recurring items.

2. Constant currency basis.

4. BUSINESS LEADERSHIP





Governments and Institutions Services delivered solid organic growth of 12.0% to CHF 260 million for the year, led by strong contract volumes in Product Conformity Assessments (PCA) and Single Window solutions.

PCA achieved double-digit growth in Asia, Europe and the Middle East, along with three new mandates signed in Africa. Single Window solutions delivered excellent performance in Ghana and Mozambique thanks to high import volumes, as well as the successful launch of new consulting services in Nepal. The new valuation solution, SGS E-Valuator™, was also launched, replacing the traditional Pre-Shipment Inspection in Benin and thus complying with the recent recommendations of the World

Customs Organisation and World Trade Organisation. A new national Timber Legality and Traceability solution was deployed in the Republic of Congo and TransitNet gained new markets in Europe.

The adjusted operating margin for the period increased to 24.0% from 22.3% in the prior year (constant currency basis), as a result of the new service mix and economies of scale, despite higher royalties incurred on renewed PCA programmes.

During the year, improved cost control measures allowed the business to invest more in innovation. The continued introduction of new solutions is opening into new markets supporting the business diversification strategy.

(CHF million)	2015	2014 PRO-FORMA ²	2014
REVENUE	260.0	232.1	249.5
<i>Change in %</i>		12.0	4.2
ADJUSTED OPERATING INCOME ¹	62.3	51.8	57.9
<i>Change in %</i>		20.3	7.6
MARGIN % ¹	24.0	22.3	23.2

1. Before amortisation of acquisition intangibles, restructuring, transaction and integration-related costs, and other non-recurring items.
2. Constant currency basis.



In addition to growing organically, SGS has long benefited from making strategic acquisitions to help us achieve our goals. This is particularly true for geographical areas where we have service gaps, or where we want to acquire leading skills, capabilities and technological capacities.

On other occasions it also makes sense for us to acquire targets that offer similar services to SGS and by joining forces, we can benefit from economies of scale and technical synergies.

Careful thought is given to every acquisition. For example, our purchase of AirServices Estudos e Avaliações Ambientais Ltda. in Sao Paulo, Brazil, built upon our existing industrial hygiene capabilities in the country. The subsequent acquisition of Cronolab Referência em Análises Químicas e Ambientais Ltda., a soil and air testing lab in Rio de Janeiro, added specialised dioxin and furan testing capabilities to our Brazilian footprint.

When taken together the two acquisitions have added significant depth to our environmental service offering in the country – allowing us to work with a much wider customer base.

The above example also provides a good overview of our acquisition strategy. We do not see much value in acquiring isolated businesses that are disconnected from the activities of the remainder of the Group, irrespective of the price point. We prefer to strategically enter a market only after having considered the matter deeply.

Ultimately, the decision of whether or not to make an acquisition comes down to experience. And our experience in the field of acquisitions is one of the main reasons behind our successful growth over the last 137 years.

ACQUISITIONS AND STRATEGIC PARTNERSHIPS SECURED IN 2015

QUALITY COMPLIANCE LABORATORIES

Canada

MATROLAB GROUP

South Africa

SAVI TECHNOLOGY

(17.65% Stake)
USA

SAFETY-TECH

(51% Stake)
China

ASSETS OF BATEMAN PROJECTS

South Africa

LE BRIGAND NDT

France

SIGA

(70% Stake)
Chile

FIRSTRANK

(75% Stake)
China

DLH-VIS CENTERS

France

SVA LTD.

United Kingdom

TESTING SERVICES GROUP LLC

USA

WESTERN RADIATION SERVICES PTY LTD.

Australia

RADIATION SAFETY SERVICES

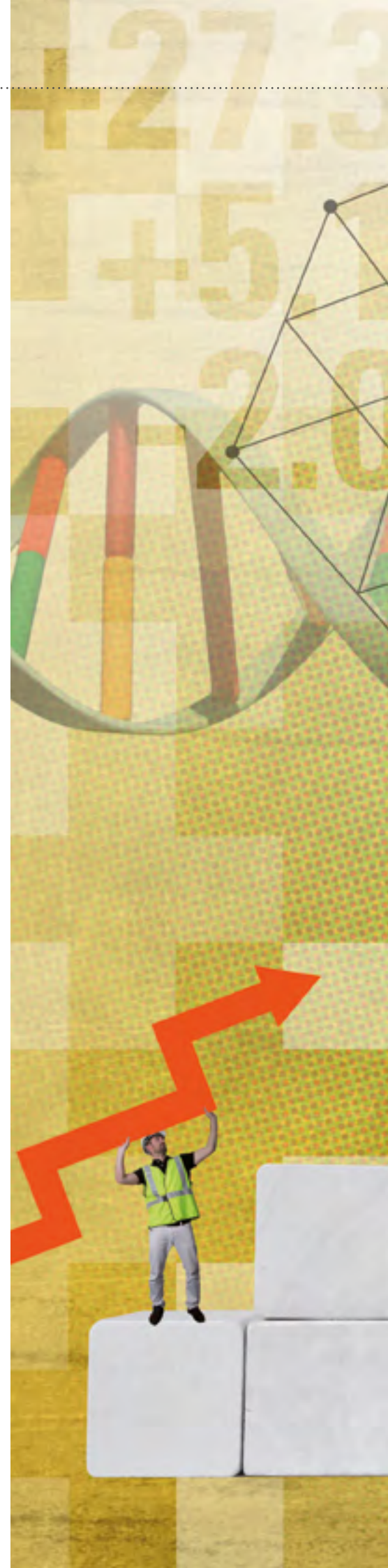
Australia

CRONOLAB

Brazil

AIRSERVICES

Brazil





STRATEGIC PARTNERSHIPS

We are enriching our acquisitions strategy as we adapt to new market conditions and customer demands.

We are complementing our existing acquisition strategy, which traditionally saw us focusing our efforts on an outright purchase of another company to complete networks or supply chains. Adding to this existing strategy is what we call strategic partnerships. These are the purchase of minority stakes (5 – 25%) in businesses that operate in areas in which we are not generally active.


Particularly, we are looking to increase our footprint in the technology sector as we act to secure and enhance our position in the face of the disruption of the traditional service-based industry marketplace. An example of this is our strategic partnership with SAVI, the US-based sensor technology company in which we own a 17.65% stake.

In this case, the partnership enabled us to develop a groundbreaking, integrated logistics and tracking service that offers real-time asset-tracking and comprehensive journey monitoring. As our partnership with the company continues we expect that we will be able to replicate that success through other services thanks to SAVI's technological capabilities.

This is how we leverage our strategic partnerships to drive innovation and improve our service offering.

INNOVATION





THE WORLD CHANGES. PEOPLE MOVE ON. MARKETS MOVE. AND WORLD-CLASS BUSINESSES LIKE SGS NEED TO STAY AHEAD OF THESE CHANGES IN ORDER TO RETAIN THEIR POSITIONS AS MARKET LEADERS INTO THE FUTURE.

For us, innovation is the platform on which tomorrow is built. Tomorrow is everything to a company and its the innovation process that underpins our future. We adapt, realign and evolve to continue to succeed and to keep taking the next step up.

Creativity is said to be at the heart of innovation. But creativity without a structure for implementation is of no use to anyone. That's why we have a formalised process for managing innovation which is headed by our CEO.

This process brings together internal and external communities to share ideas.

It is needed because as markets change SGS must remain agile enough to adapt to new circumstances. It means that with our ingrained entrepreneurial spirit we are quick to spot and offer relevant new services and solutions to meet our customers' emerging needs.

Technology of course plays a natural role in innovation, but that is not the only place we look for improvements. By being smarter in the way that we conduct our business (for example through optimisation and searching for ways to increase individual and collective productivity), we can find other methods to stay ahead of the curve.

Another important part of achieving leadership in tomorrow's world is involving tomorrow's workforce, tomorrow's thinkers and tomorrow's decision makers. We are talking about creating links with universities and other places of learning and engaging the brightest minds and raising awareness of what can be achieved.

Sources of serious innovation can be found in unexpected places. One of the best examples of this in action within SGS is the fact that we are successfully driving innovation through our procurement function. We are doing this through our Supplier Innovation Club, which features some of the world's biggest companies, who are helping us become more efficient and effective by maximising the use of their resources.

And to the question of funding? Innovation generates its own return on investment. Internal and external incentives, carried out with the right structure and focus, produce the results and innovation that drive performance and swell the bottom line. This is how we work today to ensure we are leaders tomorrow.

EXPERTISE

Trusted all over the world, SGS is a market leader because we put passion and pride into everything we do. Our business touches nearly every part of the world and reaches across a huge range of industries.

Our international experts help customers operate in more efficient and sustainable ways by streamlining processes, improving quality and productivity, reducing risk, verifying compliance and increasing speed to market.

Therefore, having specialists with access to state-of-the-art technology and infrastructure is not only a benefit for SGS – it is essential.

For example, thanks to our experts, we were nominated for prizes of excellence in 2015 (winning two Gulf Coast Safety Council awards) and our customers also won awards of their own.

The fact that we ensure our customers get first-rate, top-quality advice is one of the reasons that our business continues to grow. But such successes can only happen in an environment where our employees are given the freedom to exercise their judgment and make decisions. Crucially though, they also have the skills and ability to work in that way. Brimming with passion and energy, they know what we do is important and that our work has a real impact on people's lives.


Consequently, we are mindful of the fact that recruiting and retaining the best talent is important for us (see pages 69 and 70) because new and bold thinking is the lifeblood of our business. It is part of what keeps us ahead of the competition.



**THE ABILITY TO
ATTRACT AND RETAIN
THE BEST TALENT
IS A CORNERSTONE
OF ANY SUCCESSFUL
BUSINESS MODEL.**

INVESTMENT

INERTIA IS NOT AN OPTION FOR BUSINESSES LIKE SGS THAT MUST CONSTANTLY ADAPT TO CHANGING CUSTOMER DEMANDS AND MARKET CONDITIONS. THIS MEANS THAT INVESTMENT HAS TO BE AT THE HEART OF OUR BUSINESS MODEL.



Investment is vital. Having the right talent, assets, technology and R&D in place are fundamental to the long-term success and profitability of any organisation. This is particularly true for SGS, which must not only stay ahead of developments within the TIC industry, but must also keep abreast of the technologies, markets, regulations and dynamics of the extremely diverse industries we service.

Thus, as discussed on page 69, investing in our people and their on-boarding, retention and continual development is important. So too is investment in high-quality IT platforms, laboratory capabilities and best-in-class technological capacity. Our growth has in many places been driven by acquisitions or by buying equity in key technology providers to allow us to form strategic partnerships. As discussed on page 59, investment in innovation is also a company priority, with an emphasis on supporting new business areas with long-term growth potential.

Naturally, despite being in a strong financial position, SGS will only invest in areas where we feel we will see significant returns on that investment. Thus, capital expenditure (capex) investments are focused on the strongest areas of the business, and those with the best growth record or long-term growth potential.

Standing still is not an option for a business that intends to retain its status as an industry leader, and SGS has no intention of doing so.

OPERATIONAL EXCELLENCE



HOW DO BUSINESSES ENSURE WORLD-CLASS PERFORMANCE? BY ASSURING GENUINE OPERATIONAL EXCELLENCE ACROSS BUSINESS FUNCTIONS AND THROUGH UTILISING THE BEST POSSIBLE SUSTAINABLE BUSINESS PRACTICES.

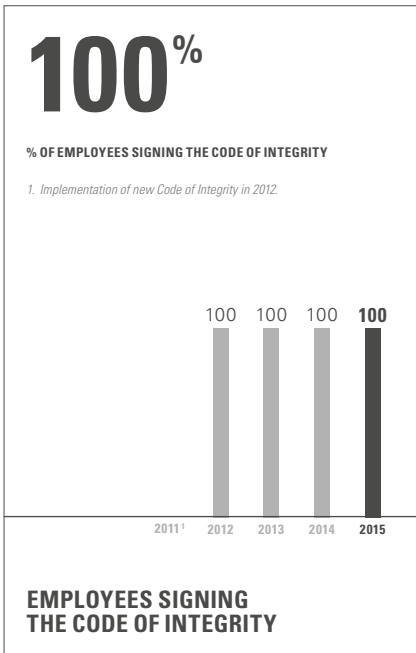


PROFESSIONAL EXCELLENCE

Trust lies at the heart of the value we deliver to our customers and society. We have a responsibility to maintain the highest levels of professional integrity.



PERFORMANCE

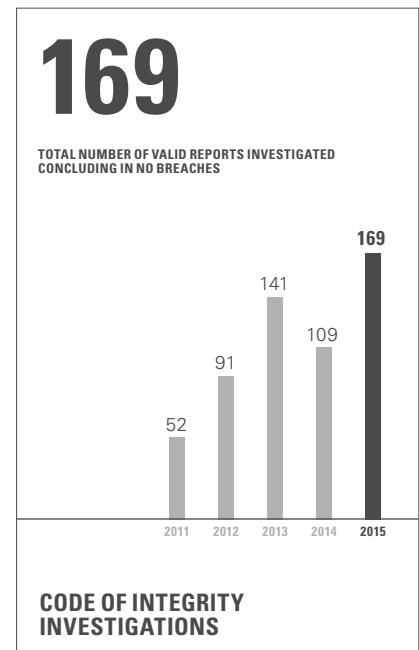
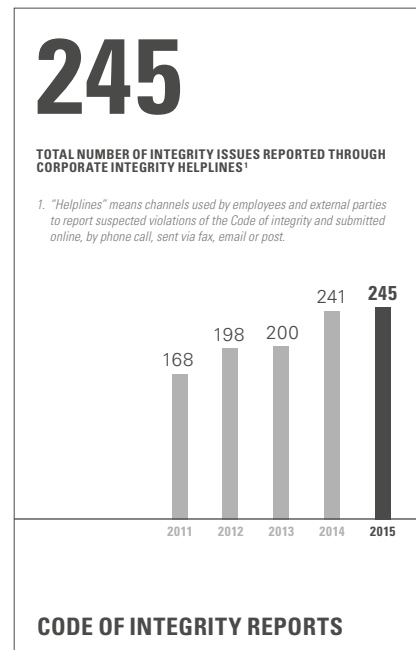
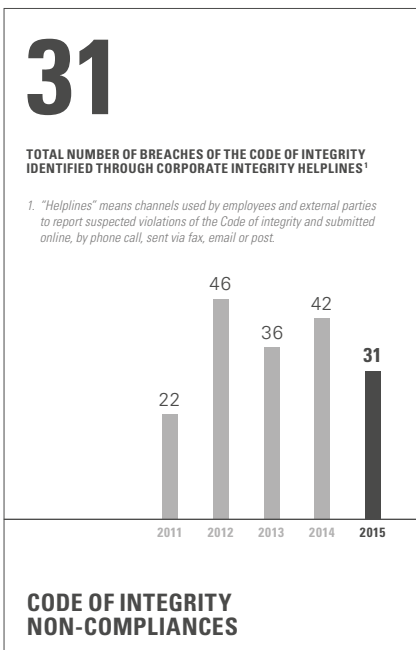


The SGS Code of Integrity defines the main principles of professional integrity for the SGS Group and is an expression of the values that are shared throughout our organisation, our businesses and our affiliates. The Code applies to all of our employees, officers and directors, our affiliated companies, our contractors, our joint-venture partners, our agents, our subcontractors and anyone acting on behalf of or representing SGS. It addresses issues such as conflicts of interest, bribery and corruption, facilitation payments and the use of intermediaries and consultants. Violations of the Code result in disciplinary action, including termination of employment and criminal prosecution for serious violations.

TRAINING FORMS PART OF A CONTINUOUS PROCESS OF LEARNING AND REINFORCEMENT, WHICH INCLUDES EMPLOYEES SIGNING THE CODE, COMPLETING INTEGRITY E-LEARNING AS PART OF THEIR ON-BOARDING PROGRAMME, AND ATTENDING ANNUAL INTEGRITY TRAINING.

The content of our Annual Integrity Training is updated each year using real-life case studies drawn from the business. Training is typically conducted face to face and in teams by trained managers using scenarios adapted to employees' areas of work. New employees must sign the Code at the start of their employment with SGS and are expected to complete an integrity e-learning module within three months of joining.

A Professional Conduct Committee ensures implementation of the Code within our organisation and advises management on all issues of business ethics. The Committee consists of five members: the Chairman of the Board of Directors, two other Board members, the Chief Executive Officer and the Chief Compliance Officer.



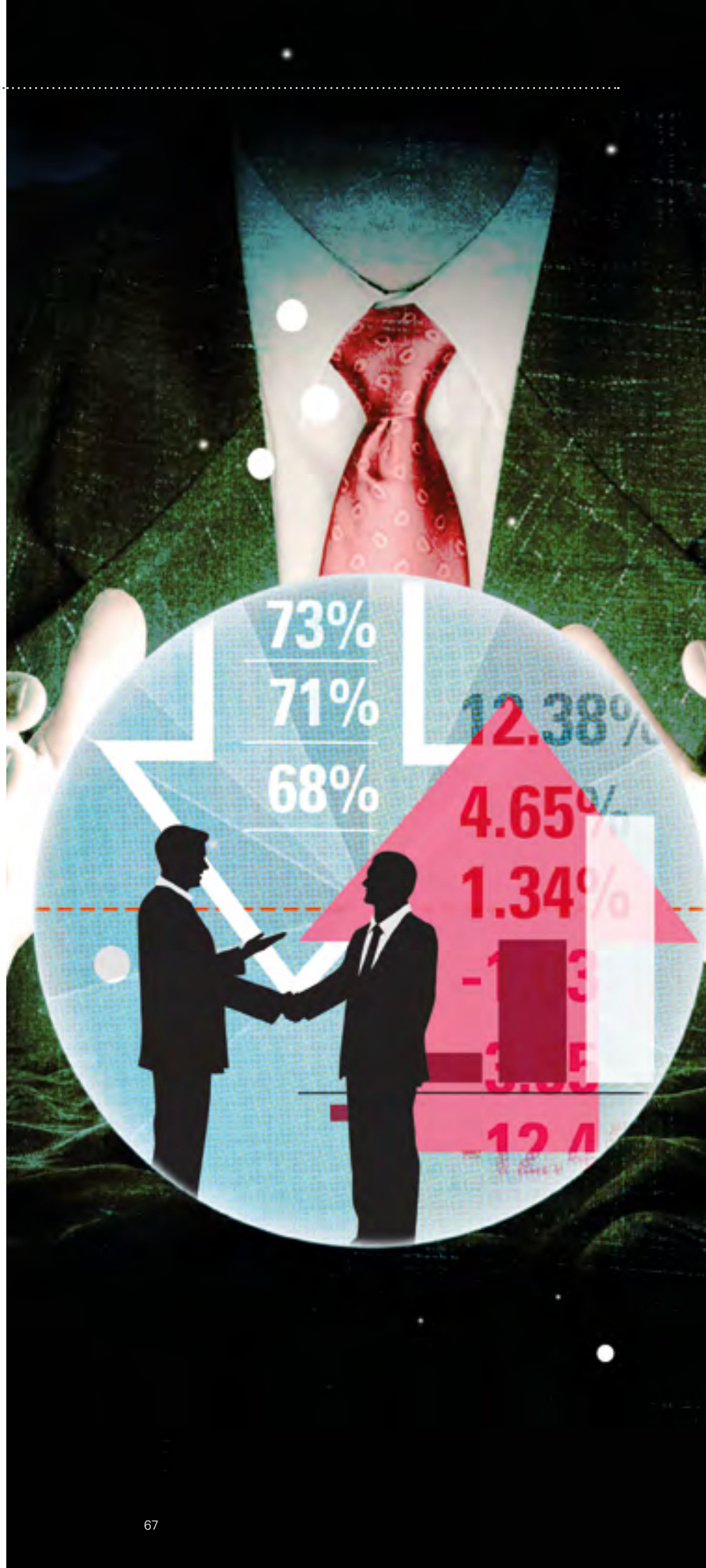
PROCUREMENT

SGS' Procurement operations can point to a number of major achievements in 2015. The function reported CHF 40 million in savings for the year as part of a 3-years savings programme for 2015-2017.

The year was also marked by the ongoing success of our supplier incentive programme, which we developed to focus our procurement volume on strategic partners. We are also targeting further savings through greater transactional efficiency. In 2015, we reduced our number of suppliers significantly worldwide, brought rationalisation to our invoicing, delivery and transaction volumes, increased the use of our internal catalogues and created a streamlined procurement community. In 2016, we will begin a shift to electronic invoicing and payment systems. In addition, we have negotiated better payment terms, reduced our inventory levels and contributed to the significant improvement of the company's Net Working Capital.

Sustainability and innovation-based initiatives remain an integral part of our strategic development. We are implementing a code of conduct for our suppliers, relating to responsible sourcing. We are also discussing issues such as CO₂ emissions and energy efficiency with them. We continue to set an example through initiatives relating to supply chain management and resources use.

We have consolidated the SGS Innovation Club initiative, a community made up of strategic suppliers with the goal of improving our operations and driving innovation that will generate notable efficiencies and competitive advantages.



PEOPLE

Our people are our most important asset. We must ensure that our employees are safe and healthy at work, treated fairly and with respect and are able to fulfil their potential.





TALENT ACQUISITION

ACHIEVEMENTS

Our strength lies in our people. In a competitive business environment, our global reach and breadth of activities offer many possibilities for talented individuals to pursue a career at SGS.

Our ability to acquire, manage, develop and retain talent is essential, as we need highly skilled employees to deliver outstanding services to our customers. Our global spread, variety of business lines and approach to sourcing talent locally wherever possible means we need to attract exceptional people from diverse backgrounds, cultures and geographies.

Competition for talent is growing, with companies, industry sectors and markets seeking to attract the same pool of highly skilled people. A feature of this is the increased mobility of highly skilled workers, particularly in science and technology-based industries.

The migration of talent plays an important role in shaping skilled labour forces throughout developing countries, diffusing knowledge, boosting innovation and enhancing career opportunities locally.

Meeting these challenges demands a dynamic recruitment strategy, as well as the successful integration of employees from business acquisitions. During 2015, more than 16 000 positions were filled either by internal candidates or external people joining SGS. More

than half of these positions are newly created positions. Our approach to talent acquisition is characterised through programmes linked to e-recruitment, employer branding, internally and externally benchmarking our talent acquisition against peers and world class companies, establishing networks with selected universities, and efficient on-boarding.

A HIGHLIGHT IN 2015 WAS OUR ONGOING PARTNERSHIP WITH LINKEDIN, WHERE WE SAW SIGNIFICANT INCREASE IN THE NUMBER OF FOLLOWERS ON OUR COMPANY PAGE (FROM 14 000 IN 2012 TO MORE THAN 220 000 IN 2015).

On this page, potential recruits can learn about career opportunities and find out about life at SGS. Our industry stakeholders can also stay up to date with company news and the latest thought leadership from their industries.

OUTLOOK 2016

Building on the success of our e-recruitment strategy, we will continue to deploy our digital and mobile responsive solutions for talent acquisition. We also plan to optimise our HR, Finance and IT support functions to ensure we have an agile, sustainable operating model that can effectively support our growing global organisation through enhanced analytics and reporting, talent growth and leveraged technology aimed at improving transactional productivity and enabling efficient access to information.



ACHIEVEMENTS

The continuous improvement of our business depends on our employees. We strive to give our people varied and stimulating experiences that come from changing roles, working across different businesses and geographies and, where possible, gaining client exposure. With our lean organisational structure, employees enjoy visibility and recognition. Our aim is to help our people to reach their full potential, through working in different parts of the organisation and through creating opportunities to work abroad, gaining access to our global portfolio of customers, and being exposed to different cultures and thinking.

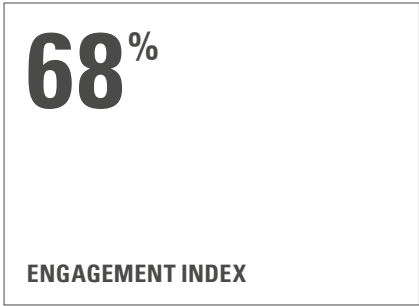
In a dynamic employment market, employee turnover is a challenge and managing it remains a priority at SGS. In this respect, we have a targeted approach to improve retention.

Highlights in 2015 centred on the roll-out of our performance management initiative and related training in 34 countries; and expanding our employee engagement programme, CATALYST, which is now active in 31 countries and directly targets our employee natural turnover and the underlying issues affecting people’s motivation to pursue careers within SGS. Feedback from employees through our annual employee

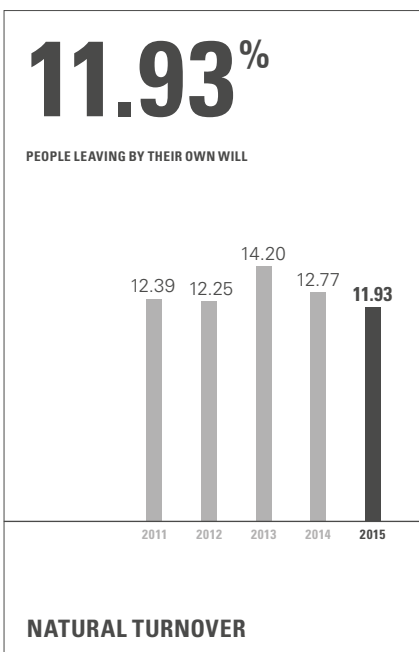
survey indicated, once again, a high level of engagement from employees with our sustainability agenda, with 77% of respondents being aware of the role that sustainability plays in supporting business growth.

OUTLOOK 2016

Our efforts will be focused on working towards the achievement of our 2020 Ambition to maintain employee natural turnover at 10% or less. To this end, we will reinforce talent management programmes across the Group. Engagement will continue to be at the heart of our team activities, at local and global level, to ensure that our employees have a voice in making SGS an even better place to work. We will also deploy our new annual incentive plan which formally links business and team performance to reward.



PERFORMANCE





26%

WOMEN IN LEADERSHIP POSITIONS

ACHIEVEMENTS

Around the world, talented, ambitious women are held back from achieving their potential at the top of organisations by a range of cultural, social, educational and emotional barriers. This, in turn, hampers progress in organisations' abilities to innovate and solve complex problems, and adequately respond to the needs of their customers through a lack of insight and empathy for the female population who make up half of the customer base. Progressive governments and organisations have introduced well-meaning policies, but change is occurring at a slow speed.

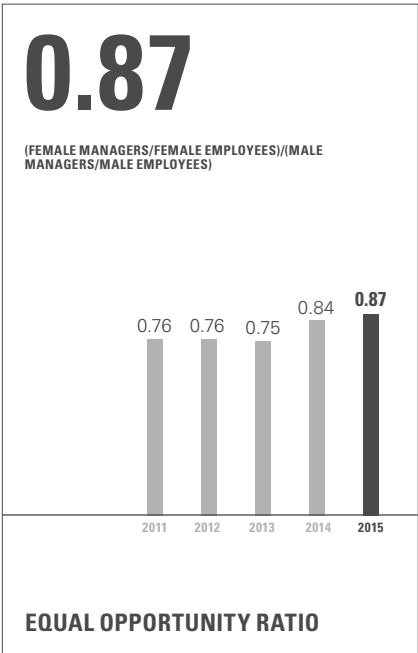
SGS is a diverse and inclusive business where ambitious people at every level have the opportunity to realise their true potential. The SGS Code of Integrity and our Employment Policy underline our commitment to diversity and equal opportunity, and all of our employees and managers are trained in the principles of non-discrimination as part of our mandatory annual integrity training. As a part of this, SGS recognises the significant contributions that women make to business success. In November 2014, we appointed Carla De Geyseler as Chief Financial Officer. Our Operations Council now includes three female members.

We will do more to create opportunities for women to succeed. To be effective in addressing it, we will need to consider a range of approaches.

OUTLOOK 2016

In support of our 2020 Ambition to have women represent 30% of our senior management team, we will be specifically reinforcing women's leadership development, which will fast track the career development and advancement of women across our global network.

PERFORMANCE





ACHIEVEMENTS

Operational Integrity (OI) is the term we use to describe our health, safety and environmental management approach. With more than 85 000 people working for us, we are committed to keeping them safe and healthy, and to supporting their wellbeing.

The OI team reports directly to the CEO and our strategy is clear; to be best in class on safety. Striving for zero incidents demands a global safety culture that is based on a continuous commitment to making personal and co-worker safety an integral part of everyday working lives. We are building this culture through a redefined OI strategy based on seven pillars (see page 73) and underpinned by a Group-wide Operational Integrity Management System (OIMS) which is aligned to internationally recognised standards of health, safety and environment¹.

Another key component of our OI is the Top-Page cascading and deployment process, as per the EFQM model, which allows our global OI objectives to be shared throughout the organisation, regions and countries (before a deeper deployment to cities in 2016). This process also allows us to put focus on specific key programmes, such as incident investigations, training, hazard identification and correction, leadership visits and best practices.

Alongside the focus on safety, we need to manage the impacts of working in industrial environments, which can present potential hazards, such as the exposure to carcinogens or damage to hearing. Our global industrial hygiene (IH) programme uses a standardised approach to managing IH aimed at protecting the health and wellbeing of our people through disease and fatality prevention, increased quality of life, improved health and promoting healthy and safe living. The Global OI Industrial Hygiene and Occupational Health Function provides active management of emerging health issues, which focuses especially on communicable diseases, such as cholera and Middle East Respiratory Syndrome Corona Virus (MERS-CoV). We added this element following an outbreak of cholera in Kenya in May 2015 and of MERS-CoV in South Korea in June 2015. As a signatory

to the WASH Pledge, we are working to ensure appropriate access to safe water, sanitation and hygiene for all employees in all premises under company control.

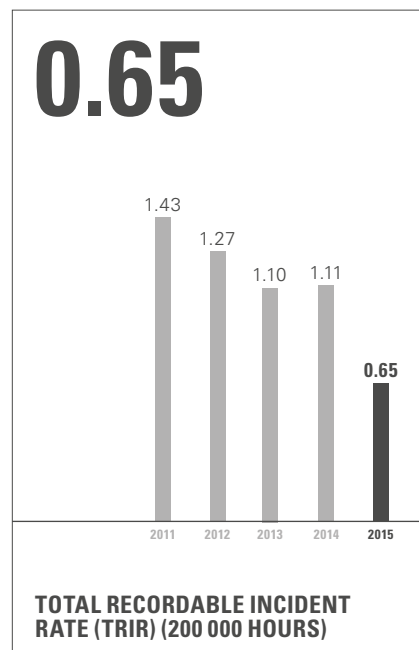
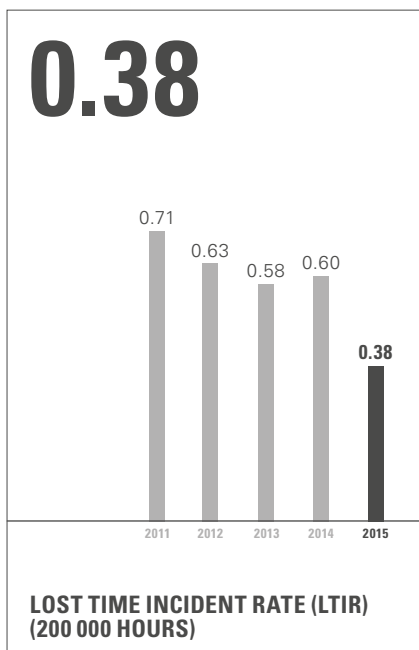
We are sad to report that there were two fatalities (one employee and one subcontractor) in 2015. These resulted in investigations being conducted and awareness about the SGS Rules for Life being reinforced across our network through field-based examples.

OUTLOOK 2016

Our 2020 Ambition for OI is to reduce our Total Recordable Incident Rate (TRIR) and our Lost Time Incident Rate (LTIR) by 50%, based on a 2014 baseline. As such, we will continue our focus on integrating safety culture through the company using the seven pillars of our OI strategy. Alongside this, we will further develop our IH management system and continue to implement our waste management system to ensure appropriate and coordinated controls are in place to minimise and manage our impacts and provide more detailed performance reporting via our sustainability report.

1. Standards include: Quality (ISO 9001), Health and Safety (OHSAS 18001), Environmental (ISO 14001), Inspection Management (ISO/IEC 17020), Testing and Calibration Laboratory (ISO/IEC 17025), and Sustainability (ISO 26000).

PERFORMANCE



OUR SEVEN OI PILLARS

<p>LEADERSHIP</p>	<p>is overseen by a quarterly Executive OI Steering Committee, which includes 50% of Operations Council members. Furthermore, our extended OI Steering Committee brings managers, regional businesses and corporate functions together bi-annually to collaborate on managing OI across the network. Our Chief Operating Officers, Managing Directors and site and laboratory managers provide active leadership on OI across our global network. In 2015, more than 12 leadership visits were conducted per hundred employees compared to nine in the previous year.</p>
<p>COMMUNICATION</p>	<p>is managed via a Top-Page initiative which ensures that information is consistently cascaded through the network and actions are systematically tracked. We raise awareness of safety issues in a variety of ways, such as through our Rules for Life which are 15 non-negotiable rules that help save lives. These include new rules on the dangers of engulfment and suffocation, the control of work around mobile equipment, and getting out of the line of fire. The SGS Rules for Life apply to all employees, contractors and others working on behalf of SGS and are incorporated in all our safety-related communication.</p>
<p>TRAINING AND AWARENESS</p>	<p>is targeted at all levels of the organisation and includes briefings for Chief Operating Officers and Executive Vice Presidents on leadership site visits, as well as dedicated safety seminars for MDs in addition to generic and specific training of employees across all functional operations and corporate sites. Road safety remains a critical risk associated with the territories and driving cultures in which our employees and subcontractors are required to work, as well as driver behaviour and driving habits. Over the past two years, we have run numerous campaigns focused on in-vehicle monitoring. These have resulted in a reduction in our vehicle incident rate of 11% in 2015.</p>
<p>RESOURCES AND SKILLS</p>	<p>have been strengthened at the global OI team level as well as at regional and affiliate levels. These included the appointment of an OI communications manager in our global headquarters and the establishment of an industrial hygiene (IH) team which operates globally and comprises experts in clinical health and hygiene.</p>
<p>KEY PERFORMANCE INDICATORS</p>	<p>are captured via our reporting tool, Crystal, which provides a standardised, multilingual and data-driven incident management and reporting interface to expedite regulatory and client-mandated incident reporting. Crystal ensures that all data collected meets our high standards, while encouraging greater use of data analysis to identify trends. Following its implementation and the simplification of the reporting functionality, we have detected a significant increase in the reporting of near misses and hazards. Alongside Crystal, our Safety Data Sheet Management System, ChemWatch, provides consolidated and up-to-date information on potential hazards associated with the chemicals used in our laboratories, and how to manage these.</p>
<p>AUDITS AND COMPLIANCE</p>	<p>reviews cover health risks, environmental and chemical impacts, and safety risks. The audits are conducted by an internal team of 19 certified HSE auditors and the findings are reported to the executive management team.</p>
<p>HEALTH, SAFETY AND ENVIRONMENTAL (HSE) SELF-ASSESSMENTS</p>	<p>will be conducted annually using a specially designed online tool which provides a comprehensive overview of potential risks per site and the controls in place for managing them. This tool was piloted in 44 sites during 2015 and will be rolled-out across our sites during 2016. Performance will be benchmarked across SGS sites globally.</p>

ENVIRONMENT

We are committed to achieving sustainable growth while managing our impact on the environment, under our aim to "Do More With Less". We also recognise our role in helping our customers to improve their own environmental performance. We also commit to measuring and reducing our carbon footprint.



ACHIEVEMENTS

As a global company, we are concerned about the potential impacts of climate change on the regions and communities in which we operate. Although our industry is not a major emitter of greenhouse gases, our employees, customers and other stakeholders expect SGS to show leadership on climate change, both in terms of our own energy consumption and by helping our customers and suppliers to reduce their emissions. In 2012, we issued The Green Book, a bi-annual environmental Profit & Loss account intended for senior managers, which helps to assess and monitor the financial impact of our sustainability performance, including our carbon footprint. This innovative model helps us to understand how sustainability can detect operational efficiencies in order to achieve our 2020 Ambitions and ultimately to reduce our environmental impact.

We are on a journey to reduce our carbon emissions and, since 2014, we have achieved carbon neutral status

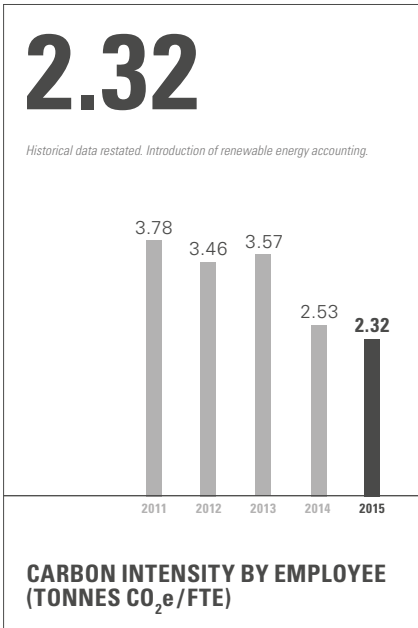
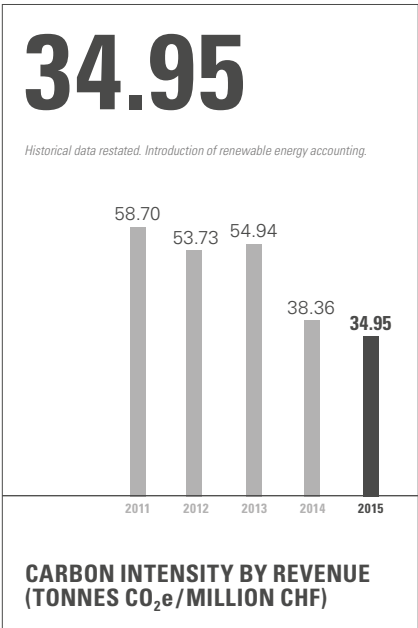
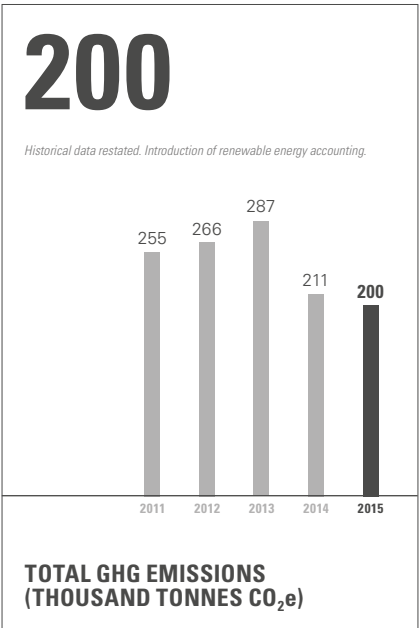
through offsets and Guarantees of Origin solutions (investments in renewable energy projects), energy efficient measures and green electricity supply in some of our affiliates. We have over 90 projects and investigations underway worldwide to optimise operational efficiency in our laboratories and offices. Since 2014, we have offset our CO₂ emissions through projects located in the regions SGS operates in, thus making a positive contribution in areas where we have impact. We annually offset any residual CO₂ emissions associated with our operations in major countries. To mitigate our 2014 emissions, this year we purchased 56 GWh of guaranteed origin renewable energy certificates from Norwegian company, ECOHZ. We also purchased 88 GWh of International Renewable Energy Certificates (I-RECs) in China, Hong Kong and Taiwan, and we purchased 58 GWh of Renewable Energy Certificates in North America. Since December 2014, when SGS became one of the first companies globally to sign the RE100 initiative, we have pledged to use 100% power from renewable sources by 2020. Led by The Climate Group and in partnership with Carbon Disclosure Project, RE100 is collaborating with the International Renewable Energy Agency (IRENA) and others to get 100 of the world's largest companies committing to 100% renewable power by 2020.

Alongside these initiatives, we realise that SGS can make a greater

contribution by helping our customers to respond to climate change challenges through our services linked to energy efficiency and alternative energy. These include energy management services and multiple services related to energy efficiency of buildings, including renewable energy, feasibility studies, energy audits, energy performance certificates and ISO 50001 certification. We also offer a range of specialist advisory services and engineering expertise on sustainable buildings through SGS Search, based in the Netherlands. These services include cradle-to-cradle product certifications for companies committed to the development of a circular economy.

Over the past two years, we have conducted a study to examine our role in helping our customers to reduce their carbon intensity. We began by estimating the CO₂ emissions of our customers in our Industrial and Agriculture business lines and considered how much our customers had reduced their emissions. We then calculated the extent to which our services had contributed to these reductions in CO₂. The study estimated that the activities of our customers on fertilisers usage and fuel distribution through pipelines emit 3.7 million tonnes of CO₂. With our Pipeline Integrity and Precision Farming services in 2015 we helped our customers to reduce their CO₂ emissions by 17%.

PERFORMANCE



4. BUSINESS LEADERSHIP

For the second year running, SGS was recognised in the CDP Climate Performance Leadership Index, a global ranking of listed companies on their approach to climate change mitigation. We are committed to being part of the solution, using our scale and our expertise to enable a more responsible, balanced and sustainable future. We recognise that ambitious action on climate change is necessary and that companies must play an active role in bringing solutions to the table which support the global economy and the global climate agenda. As part of our commitment to climate action, SGS was involved in several key collaborative processes as part of the United Nations Conference on Climate Change² that was held in Paris in December 2015 and was aimed at helping to inform progress toward a universal, ambitious and balanced climate agreement.

OUTLOOK 2016

By 2020, we plan to have reduced our annual CO₂ emissions (by revenue and by headcount) by 20%, against our 2014 baseline. We aim to achieve this through improved energy efficiency and by switching to low-carbon options, including renewable energy sources and the introduction of mandatory low-emission fleet cars. In addition, we will continue to work across our business lines and functions to show the tangible value of our services and our people in contributing to society and its impacts on climate change. In particular, we will continue to maximise our contribution by ensuring the integrity and safety of existing energy supply and storage systems, and ensuring that our customers have accurate and reliable data to manage their reduction strategies. In addition, new lower-carbon technologies will challenge us to think about how we combine our skills and competencies and test our technologies and services to generate new ideas and insights that will enable us to actively contribute to a lower-carbon future.

² United Nations Framework Convention on Climate Change, 21st Conference of the Parties (or COP21).





ACHIEVEMENTS

SGS is not an energy intensive company. However, with over 85 000 employees working in more than 1 800 offices and laboratories and with a building floor area of approximately 2 million square metres, targeting energy consumption at our offices and laboratories is the most direct and effective way we can contribute to tackling climate change. The electricity used in our buildings accounts for almost 55% of our global carbon emissions.

SGS is a signatory to the World Business Council for Sustainable Development (WBCSD) Energy Efficiency in Buildings (EEB) Manifesto. Under this manifesto, we have committed to a 20% reduction in CO₂ emissions for all offices and laboratories we own that are larger than 2 000 m² by 2020, against a 2010 baseline.

Progress against our EEB targets is tracked via the SGS Energy Rating Tool for Offices and Laboratories, and reported to the WBCSD. As part of our target to reduce CO₂ emissions intensity by 20%, we conducted 58 energy audits and self-assessments on buildings as part of our EEB Programme in 2015 and we have around 30 projects ongoing across our affiliates. Extending our commitment to energy efficiency in buildings, SGS is leading the WBCSD EEB 2.0 project in India which aims to unlock financially viable energy efficiency investments that are currently not being realised because of financial, regulatory or organisational barriers.

Recognising that energy efficiency is driven by behaviour as much as by technological intervention, our Spot the Orange Dot behaviour change campaign uses strategically positioned orange stickers to remind employees to take concerted action to improve energy and resource efficiency. To date, at least 34 000 employees in 21 affiliates across our network have participated in the campaign, resulting in tangible improvements in their energy efficiency and waste management impacts.

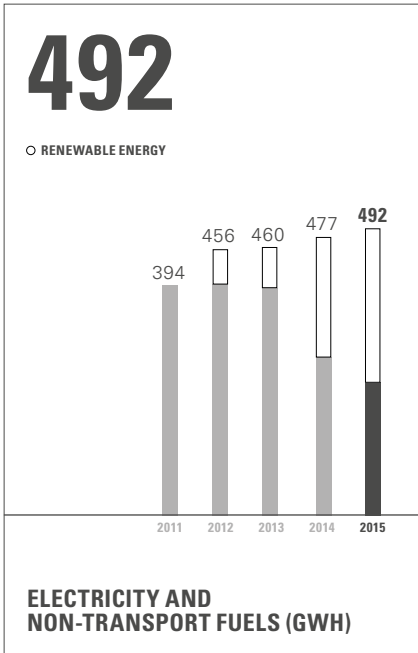
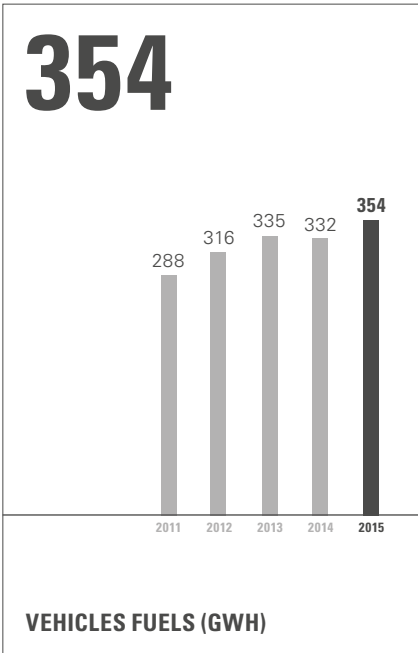
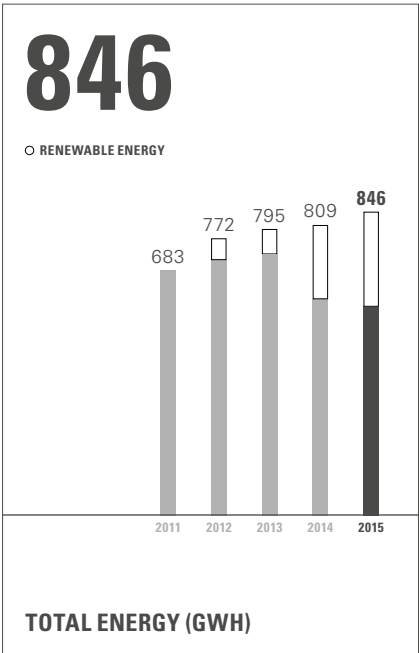
Examples of case studies linked to EEB and Spot the Orange Dot can be found in our Corporate Sustainability Report which will be available online from 14 March 2016: www.sgs.com/cs-report2015

Across our network, we increasingly use video, audio and web conferencing to reduce travel costs, cut CO₂ emissions, and improve work-life balance. During 2015, we placed 85 191 conference calls and 19 956 video calls that helped us save more than 5 200 flights.

OUTLOOK 2016

In addition to our 2020 Ambition to reduce annual CO₂ emissions by 20% on a 2014 baseline, we also plan to reduce CO₂ emissions from all company-owned offices and laboratories above 2 000 square metres by 20% within the same timeframe. We plan to achieve this through our EEB programme and Spot the Orange Dot campaign. We also plan to hold a Lower Carbon Day in 2016 to focus employee efforts on energy reduction linked to lowering our carbon impact. We will report on progress against these initiatives through our online sustainability report.

PERFORMANCE





ACHIEVEMENTS

As with the rest of the services industry, SGS is responsible for generating relatively small quantities of hazardous and non-hazardous (e.g. mixed paper mixed plastics, mixed organic) waste. A standard operating procedure for waste management and minimisation is established as part of the SGS Operational Integrity Management System (OIMS). Audits are conducted regularly by the Operational Integrity team, which assesses conformity to the procedure to ensure best practices are applied. In 2015, the generation of hazardous waste from our operations increased by approximately 13% and non-hazardous waste decreased by 5% against a 2014 baseline.

OUR MOST SIGNIFICANT IMPACT ON WASTE MANAGEMENT IS ACHIEVED THROUGH OUR SERVICES. OUR WASTE MANAGEMENT SERVICES HELP OUR CUSTOMERS TO RECYCLE, TREAT AND DISPOSE OF WASTE IN A COST-EFFECTIVE AND EFFICIENT MANNER. TO REDUCE WASTE DISPOSAL, WE ARE CONSTANTLY INVESTIGATING WAYS TO RECYCLE AND REUSE MATERIALS TO AVOID CONTRIBUTING TO LANDFILL.

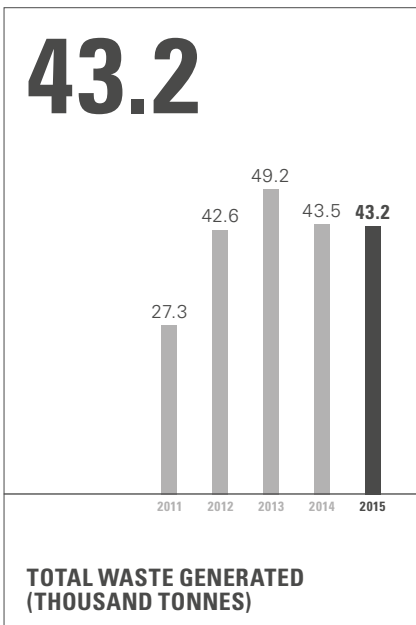
Our comprehensive waste services include the pre-treatment, intermediate storage and reconditioning of dangerous industrial waste products, while our audit services benchmark public standards such as the Recycling Industry Operating Standard (RIOS) and the Responsible Recycling® Standard (R2) as well as customers' own criteria. We investigate ways to reduce the volume of waste, treatments to make waste more stable and suitable for packaging, and long-term storage if needed. Processing is carried out at our licensed treatment plants by our accredited technicians. All our work complies with the latest national and international environmental principles.

We provide certification as proof that waste has been processed in a manner compliant with the regulations for each specific industry. For materials that are not reusable, we investigate options for environmentally sound intermediate storage or waste disposal. Our technicians are licensed to collect, transport and treat hazardous waste. Understanding that profitable landfill management involves many environmental considerations and maintaining a safe site can be complex and constant work, SGS also provides integrated landfill management solutions.

OUTLOOK 2016

We will continue to develop services linked to waste reduction, treatment, storage and reconditioning and responsible disposal in response to our customers changing needs around complying with increased legislation, and finding innovative solutions linked to the introduction of new products, materials, technologies and manufacturing methods.

PERFORMANCE





ACHIEVEMENTS

As a service company, our water consumption is relatively low. We use water in our laboratories, and for drinking, food preparation, cleaning and sanitation. While water may not be a material issue for us, we recognise that it is increasingly important in a wider sustainability context, as the potential impacts of climate change and other factors on water supplies become more apparent. As a global business, we are also concerned that some of our operations are in water-stressed regions. Water efficiency is managed through the SGS Energy Efficiency in Buildings programme (EEB). Our Green Building Checklist, which is deployed for new buildings and major renovations, sets out our standards on water usage, reduction, monitoring and re-use. Notable examples of EEB projects in recent years that have resulted in significant reductions in water usage include the use of waste water that has been processed in an effluent treatment

plant at our textile testing laboratories in Tirupur and Chennai, which have more than halved the volume of water purchased; the collection and processing of condensation from air conditioning units that is recycled as laboratory grade water; and a collaboration with the Port of Antwerp in the Netherlands to re-use water from the nearby dock in our cooling system. Beyond managing our water consumption, we are also concerned about water quality. In December 2014, SGS signed the WASH Pledge which commits signatory companies to ensuring appropriate access to safe water, sanitation and hygiene for all employees in all premises under company control within three years of signing the pledge.

Alongside our operational programmes, SGS provides a diverse range of services linked to water, from comprehensive field sampling and laboratory analyses to data management services that enable us to monitor and interpret our customers’ water impacts. Some of our specialist water services include:

- Ballast water services aimed at helping customers to stop the spread of invasive species through ballast water on ships;
- Groundwater and hydrogeological studies aimed at preserving and managing water resources efficiently and in a cost-effective way, as well as in changing environments;

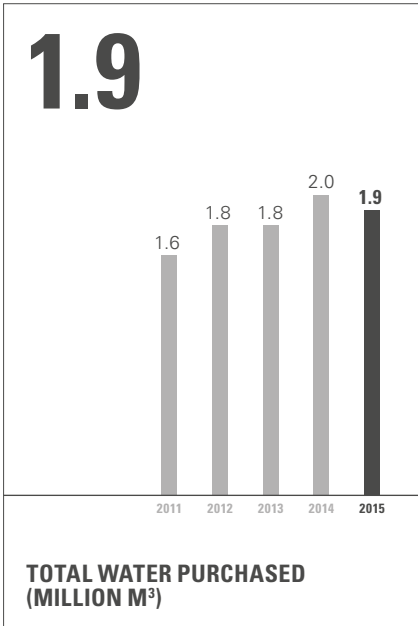
- Precision farming and precision irrigation services which provide farmers, agronomists and agricultural investors with full support on water management;
- Hydrogeological studies where our team of hydrogeologists provide expert guidance to customers on anticipating groundwater challenges and develop solutions that suit particular industries.

In addition, SGS provides Water Benefit Certificates which give confidence to donors and investors that real water benefits are being delivered to communities who need them most. These services help our customers to preserve and manage water resources efficiently and in a cost-effective way and in changing environments.

OUTLOOK 2016

During 2016, we will continue to manage our water impacts through our EEB programme (which includes monitoring our water performance using our new building rating tool, Stellar), as well as other specific projects managed at affiliate level. In addition, we will continue to evolve our services linked to water, as more companies come under scrutiny to disclose details of their water management approach and their commitments to protecting valuable water supplies.

PERFORMANCE





COMMUNITY

We welcome local talent and knowledge to our business. We want to give back to the communities in which we operate and live.

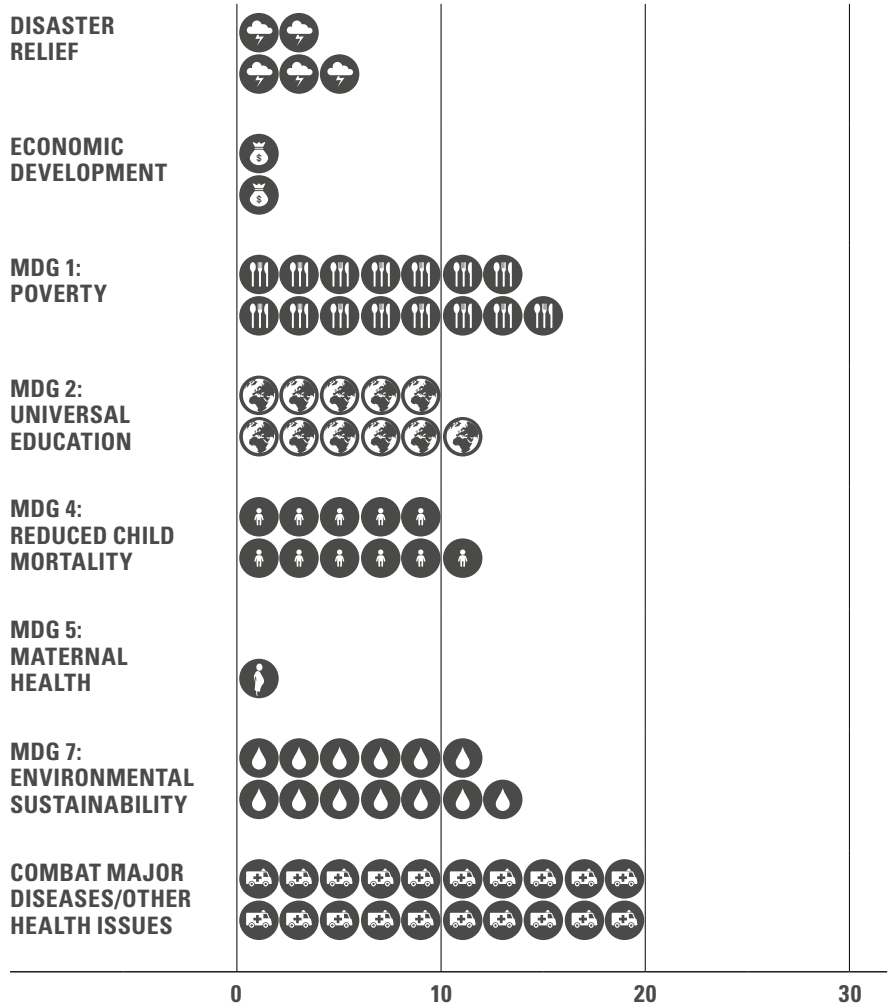


COMMUNITY PROGRAMMES

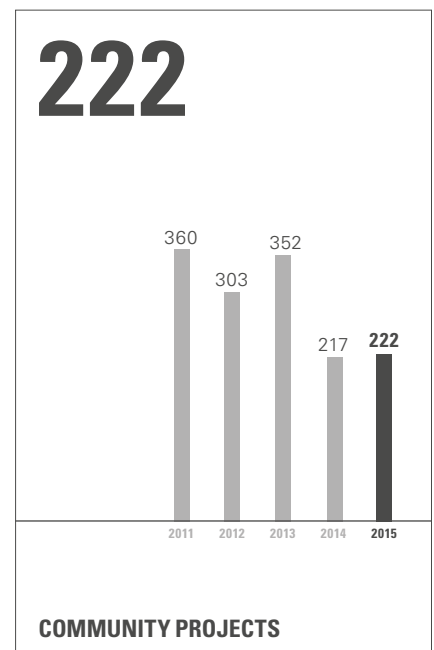
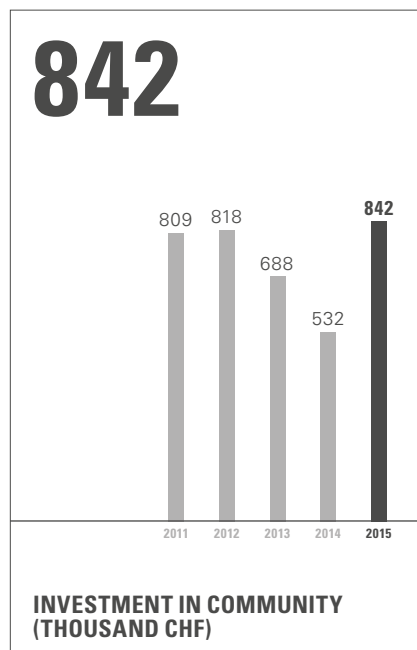
PROGRAMMES

Our community programme is led by our affiliates through collaborations with local community organisations. Across our global network, we support around 200 community initiatives that are initiated by employees and leadership teams in our affiliates in response to local challenges. Many of the projects are aligned with the United Nations Millennium Development Goals (MDGs).

CAUSES SUPPORTED BY SGS COMMUNITY PROJECTS



PERFORMANCE



ACHIEVEMENTS

SGS is committed to supporting projects that have the potential to change lives in communities where SGS employees live and work.

THE SGS GLOBAL COMMUNITY PROGRAMME IS ORGANISED AROUND THREE CORE THEMES: EDUCATION, EMPOWERMENT, AND ENVIRONMENTAL SUSTAINABILITY.

Education projects are aimed at improving access to elementary, primary, secondary, higher and further education, as well as informal education in the form of employment training schemes and skills workshops.

Empowerment projects are aimed at promoting the physical, emotional, intellectual and economic empowerment of women and men through access to healthcare, counselling, mentoring, enterprise schemes and micro credit.

Environmental sustainability projects are aimed at reducing or eliminating the reliance on non-renewable or scarce resources such as fossil fuels and water.

SGS offers support to communities through cash donations, community-led sponsorship, employee volunteering, pro bono services and in-kind support. We also provide immediate support to communities in the aftermath of major disasters. The majority of community programmes are identified and managed locally in line with the Group Community Policy and Guidelines.

OUTLOOK 2016

In line with our 2020 Ambition to increase community investment by 30% using a 2014 baseline, we will focus effort on encouraging more active involvement of employees through community volunteering. We will implement guidelines on employee volunteering to our affiliates, which includes sections on measuring the social outcomes from volunteering, and we will report on our progress against our 2020 Ambition in our annual sustainability report, available online.



SGS' BUSINESS PRINCIPLES ARE THE CORNERSTONE ON WHICH ALL OF OUR ACTIVITY RESTS. THEY ARE HELD TO BE FUNDAMENTAL, OVERARCHING BELIEFS AND BEHAVIOURS THAT GUIDE OUR DECISIONS AND ALLOW US TO EMBODY THE SGS BRAND IN EVERYTHING WE DO.



INTEGRITY

MAKING SURE WE BUILD TRUST

We act with integrity and behave responsibly. We abide by the rules, laws and regulations of the countries we are operating in. We speak up: we are confident enough to raise concerns and smart enough to consider any that are brought to us.



HEALTH AND SAFETY

MAKING SURE WE ESTABLISH SAFE AND HEALTHY WORKPLACES

We fully protect all SGS employees, contractors, visitors, stakeholders, physical assets and the environment from any work-related incident, exposure, and any kind of damage.



QUALITY AND PROFESSIONALISM

MAKING SURE WE ACT AND COMMUNICATE RESPONSIBLY

We embody the SGS brand and its independence in our everyday behaviour and attitude. We are customer-focused and committed to excellence. We are always clear, concise and accurate. We strive to continually improve quality and promote transparency. We respect client confidentiality and individual privacy.



RESPECT

MAKING SURE WE TREAT ALL PEOPLE FAIRLY

We respect human rights. We all take responsibility for creating a working environment that is grounded in dignity, equal opportunities and mutual respect. We promote diversity in our workforce and do not tolerate discrimination of any kind.



SUSTAINABILITY

MAKING SURE WE ADD LONG-TERM VALUE TO SOCIETY

We use our scale and expertise to enable a more sustainable future. We ensure that we minimise our impact on the environment throughout the value chain. We are good corporate citizens and invest in the communities in which we operate.



LEADERSHIP

MAKING SURE WE WORK TOGETHER AND THINK AHEAD

We are passionate entrepreneurial people with a relentless desire to learn and innovate. We work in an open culture, where smart work is recognised and rewarded. We foster teamwork and commitment.



THROUGH OUR EMPLOYEES, CUSTOMERS, INVESTORS, COMMUNITY AND INDUSTRIES, WE ADD A TREMENDOUS AMOUNT OF VALUE TO SOCIETY. PERHAPS MORE IMPORTANTLY, THANKS TO THE SERVICES WE PROVIDE, WE EMPOWER AND INSPIRE OTHERS TO DO SO TOO.

OUR STAKEHOLDERS



OUR EMPLOYEES

We add value to our employees by offering them training, nurturing their potential and encouraging them to work across multiple functions and geographies during their careers. We offer flexible working conditions and equal opportunities to all.

Existing

Potential

Sub contractors



OUR CUSTOMERS

We add value to our customers by providing them with leading services, which helps make their businesses more efficient, profitable and sustainable. This value is passed on to society in the form of job security for employees, higher quality products and better environmental management.

Existing

Potential



OUR INVESTORS

We add value to our investors by being a robust, sustainable business with a 137-year track record. Our transparency, strong leadership and commitment to long-term sustainability make us a sound investment.

Shareholders

Financial community

Socially responsible investors



OUR COMMUNITY

We currently support around 200 community initiatives in response to local challenges. Many of these are aligned the United Nations' Millennium Development Goals. We also support disaster relief and environmental sustainability by sharing our expertise and network with non-profit organisations.

People

Environment

Community programmes

Special interest groups

NGOs and academics



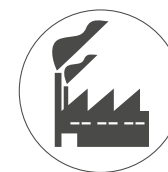
OUR PARTNERS

We provide value to our partners by sharing our expertise and support and by helping them to refine their product offerings. In this way we help them develop their businesses.

Suppliers

Business partners

Consultants



OUR INDUSTRIES

We help advance the industries we operate in through the services we offer. We help our customers improve the safety and quality of global supply chains and to drive innovation. This in turn establishes new industry benchmarks for efficiency, sustainability and operational best practices.

Industry peers, trade bodies and associations

Authorities, governments and regulators

Unions and work councils

WHAT MAKES US STAND OUT?

As an independent service provider, we offer our customers an impartial view through service offerings that span all industries and encompass full supply chains. Our services enable our customers to operate in a more sustainable manner, by reducing their impact on the environment, ensuring product safety, safeguarding trade and helping to bring new technologies to market.

MARKET POSITIONING

Our market position is:

THE WORLD'S LEADING INSPECTION, VERIFICATION, TESTING AND CERTIFICATION COMPANY

THE LEADING PROVIDER OF COMPETITIVE ADVANTAGE, DRIVING SUSTAINABILITY AND DELIVERING TRUST

THE GLOBALLY RECOGNISED BENCHMARK FOR QUALITY AND INTEGRITY

At SGS, we are continually pushing ourselves to deliver innovative services and solutions that help our customers move their businesses forward.

THE TIC INDUSTRY UNMASKED

BY GROUP REVENUE AND MARKET SHARE, SGS IS THE LARGEST INSPECTION, VERIFICATION, TESTING AND CERTIFICATION COMPANY IN THE WORLD.

The Testing, Inspection and Certification (TIC) Industry is not widely understood by the general public, yet our activities as members of that industry interweave with almost everything that a consumer touches.

The breadth and reach of the industry is perhaps unrivalled. Look around you. The furniture that you are using, the clothes that you are wearing, even the paper you are holding have most likely all been touched at some stage by the TIC industry.

From verifying that the olive oil in your cupboards is unadulterated extra virgin to ensuring that the paint on a toy will not be harmful to your children's health, the TIC industry is involved in assuring safety, quality and sustainability in a way most people have never considered.

But individuals are far from being the only entities that rely on the TIC industry to provide assurance services. Governments and businesses need companies like SGS to provide assurance services for everything from precision farming to offshore oil rig management.

The market has two main driving mechanisms. The first is the ever more demanding regulatory and legal environment faced by many firms, who not only need to understand and conform to their respective market regulations but also need to demonstrate to their customers and the relevant authorities that the necessary steps have been taken to ensure compliance. Moreover, the increasingly complex nature of global supply chains have made it even harder for firms to ensure conformity (or even quality) for all the component parts in any given product.

This can have quite serious consequences if left unchecked. For example, there have been instances where firms have inadvertently breached international sanctions because they failed to consider the place of manufacture of a particular component part. As a result of this, companies (and indeed governments) have often found it preferable to outsource these services to an expert and independent third party firm in the TIC industry; indeed firms are often required to do so. In reality, pressure is often passed down the supply chain by larger companies, who need to gain greater control over the actions of their own suppliers.

The second market mechanism is often simply financial, with firms finding that specialist companies such as SGS are able to offer more efficient and effective services than they are capable of reproducing in-house. This is because businesses like SGS benefit from having a global network, a deep pool of expertise, and the necessary technological capabilities to draw upon. Our services thus become a cornerstone of innovation and operational excellence for our clients, as well as giving them greater control over their risk.



SGS has started a process to understand our value to society. Value to society is based on the premise that all business activities take place within a field of social capital, which is contained within the natural environment. Social capital allows the development of interpersonal relationships that in turn enable the combination of human capital, natural capital and intellectual capital to produce goods and services (i.e. manufactured capital). A key component of the value to society framework is determining the economic values for respective capital stocks and flows. This process of economic evaluation, often termed monetisation, is necessary to enable integration of the full factors of production (i.e. the natural capital, human capital, manufactured capital, etc.) into a core financial-based business decision-making system. The first stage in the process has involved the quantification and economic valuation of the various capital stocks and flows that comprehensively represent the necessary inputs and outputs of our business activities. First, we identified the entire asset base that underpins SGS' operations. Conceptually supported by the International Integrated Reporting Council's [IRRC] guidelines, operations require (directly and indirectly) a complement of:

FINANCIAL CAPITAL

The medium for exchange, a store of economic value and as a unit of account.

NATURAL CAPITAL

The economic functions of the natural environment.

HUMAN CAPITAL

The economic functions of the labour force.

INTELLECTUAL CAPITAL

The economic functions of knowledge.

SOCIAL CAPITAL

The economic functions of trust within stakeholder networks.

MANUFACTURED (OR BUILT) CAPITAL

The economic functions of property, plant, equipment, inventory and intermediate inputs.

In future, we will start reporting around the six capitals. A significant amount of work has already been completed, which indicates that the business activities of SGS are net positive (which means that we contribute more value than we derive). There is further work to be done to adapt the concept to our business model using auditable data, but we expect to be in a position to report on this in detail in 2016. We are also focusing on aligning our future reporting to the IRRC framework. As such, 2016 will be a decisive year involving high-level stakeholder dialogue and consultation on our evolved reporting approach. More details on how we are measuring our value to society can be found on our website: www.sgs.com/cs-report2015



5. MARKET RISKS

RISKS AND UNCERTAINTIES

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

The Board deliberates on the adequacy of measures in place to mitigate and manage risks and assigns responsibility to designated managers for implementation of such measures. As part of this process, the ownership and accountability for identified risks are approved by the Board. The implementation of such actions is audited by Internal Audit. These findings are communicated to the Board of Directors so that progress and identified risks can be monitored objectively and independently from Management.

The risks identified and monitored by the Board fall broadly into four categories:

- Governance and Integrity Risks – arise when corporate governance structure and controls are inadequate and when ethical culture and procedures are weak.
- Strategy and Planning Risks – arise when the company's strategy selection and execution is inadequate and when there are external factors that can affect the company's performance.
- Global Support Risks – arise when core functions of the company do not operate effectively and do not support the business performance.
- Operations Risks – arise when business processes do not achieve the objectives they were designed to achieve in supporting the company's business model.

5. MARKET RISKS



RISK AREA	RISK DESCRIPTION	MEASURES IN PLACE
STRATEGY AND PLANNING		
EXTERNAL FACTORS / COMPETITION	The SGS Group operates in volatile markets and needs to sustain and/or develop market share through innovation and technical developments.	<ul style="list-style-type: none"> • Customer insights • Competitor intelligence (periodic reviews of activities of major competitors in the TIC industry) • Innovation team • Organic growth initiatives
MERGER AND ACQUISITIONS	Part of the SGS Group's strategy relies on acquisitions of new companies allowing access to new markets. Inefficient integration of new companies may lead to sub-optimal synergies.	<ul style="list-style-type: none"> • Specific policy ruling mergers and acquisitions is in place • Operations Council reviews/approves projects meeting admissible criteria • Integration guidelines and system to report upon adequate integration of acquisitions
POLITICAL ACTIVITIES	Political instability is a risk in some of the countries in which SGS operates.	<ul style="list-style-type: none"> • Collaboration with experts to maintain knowledge and alignment with local, legal and fiscal changes • Diversification of activities and countries to compensate higher risks in some geographical areas
GOVERNANCE AND INTEGRITY		
LOSS OF REPUTATION	Loss of reputation through poor or inconsistent delivery and poor client relationship management or inappropriate health and safety practice.	<ul style="list-style-type: none"> • Health and safety standards and performance • Client relationship management • Business operating procedures
ETHICS	SGS operates in countries recognised to have higher bribery and corruption risks.	<ul style="list-style-type: none"> • SGS Code of Integrity • Integrity rules (from integrity of services to compliance with laws) • Training course for all employees
LEGAL CLAIMS	The SGS Group is exposed to litigation proceedings in connection with services provided. Litigations could lead to payment of damages and affect the reputation of the Group.	<ul style="list-style-type: none"> • Claim reporting system • Insurance coverage and policies

RISK AREA	RISK DESCRIPTION	MEASURES IN PLACE
GLOBAL SUPPORT		
IT SYSTEMS	Information systems and the technology infrastructure are key to supporting SGS' strategy and growth. The IT architecture and the new technologies chosen could expose SGS to new threats.	<ul style="list-style-type: none"> • Information Technology Service Delivery Model • Security systems and applications • Identification and prioritisation of strategic projects through IT Committee • Internal and external audit testing
FINANCE	The SGS Group could suffer from failing to present reliable financial statements.	<ul style="list-style-type: none"> • Independent external audit of the Group's annual financial statements • Financial and management controls are in place to ensure Group's assets are safeguarded from major financial risks
TALENT MANAGEMENT / RECRUITMENT	The SGS group relies on key personnel from operations to executive level. Skilled employees may not be attracted and know-how and information of value for SGS may be lost.	<ul style="list-style-type: none"> • Succession planning to ensure effective continuation of leadership and expertise • Geographic mobility to ensure continuity • Employer branding initiative to attract talent

OPERATIONS

CYCLICAL DOWNTURN	The cyclical nature of certain businesses may lead to over-capacity and surplus resources in certain geographies.	<ul style="list-style-type: none"> • Monitoring of operational KPIs to allow rapid up/down-scaling of variable costs • Diversified service offering to a wide range of industries and geographies
CUSTOMER SERVICES	A lack of focus on customer needs may lead to customer dissatisfaction and customer loss.	<ul style="list-style-type: none"> • Customer satisfaction survey • Key account management structure and dedicated sales people • Tracking on-time delivery through laboratory excellence • Customer care shared services

As a step towards adopting a fully integrated reporting structure in the future, for the first time we have also included our sustainability risks in this section of the report.

CORPORATE SUSTAINABILITY

	SGS is concerned about the potential impacts of climate change and resource depletion. Energy consumption and greenhouse gas emissions, as well as water consumption and waste, if not adequately managed, could lead to increased costs, interrupted supply and regulatory fines. The resulting impact could cause disruption to services as well as risks to people and assets.	<ul style="list-style-type: none"> • Sustainability Management System and external parties' verification of sustainability data • Energy Efficiency in Building Programme • Carbon Neutral Strategy • Green Procurement Strategies • Employees Awareness Campaigns • Signature of the WASH Pledge and World Business Council for Sustainable Development's Manifesto for Energy Efficiency in Buildings
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As an industry leader, we are committed to upholding the highest standards to ensure our business operates in a sustainable way.

Our Materiality Matrix sets out the issues that are deemed most important to our stakeholders and our business. We have identified the material aspects for SGS and our stakeholders and in the coming years we will merge both processes.

Our online sustainability report describes the processes we use to identify our most important issues in detail (see Materiality Process), and it explains how we manage each of these important issues through our sustainability management system.



ASSURANCE STATEMENT

REPORT ON THE INTERNAL ASSURANCE OF THE SUSTAINABILITY CONTENT IN THE 2015 SGS ANNUAL REPORT

NATURE AND SCOPE OF THE ASSURANCE

The scope of this assurance was performance data, report text supporting performance data and a review of the management of this data.

This Sustainability Content in the 2015 SGS Annual Report has been assured using SGS' own protocols to ensure consistency with the service offered to customers. The assurance comprised a combination of documentation review and face-to-face interviews with relevant employees at the Head Office in Geneva and at affiliate level. Audit reviews of data samples and management were also carried out in selected sites.

For the period 2011 to 2014, the assurance procedures on the sustainability performance had been carried out on SGS trend countries, which represent three-quarters of revenue and two-thirds of headcount. For the year 2015, the sustainability performance assurance procedures covered the full SGS Group.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors with the following qualifications: Lead Quality, Health and Safety, Environmental and SA8000 Auditor and assurance practitioner.

The responsibility of the assurance team is to express an opinion on the text, data, graphs and statements within the scope of verification, with the intention to inform all SGS stakeholders and to inform improvements in the process for future reporting.

This report has been assured at a moderate level of scrutiny using our protocols for:

- Evaluation of veracity of the reported text, graphs and statements and performance data (including data on the web) with a focus on text, graphs and statements and performance data related to the identified material issues

ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within the Sustainability Content in the 2015 SGS Annual Report is reliable and provides a fair and balanced representation of SGS activities in 2015 within the limitations of the stated reporting scope.

The apparent discrepancies in the previous years CO₂ emission statistics have been noted by the assurors who are satisfied that they actually reflect the extension of the CO₂ emission scope to the full SGS Group and the change of methodology to calculate the Scope 2 CO₂ emissions with the integration of renewable energy accounting.

RECOMMENDATIONS

Further opportunities were identified during the assurance for consideration to ensure continual improvement, including the following:

- Currently the reported environmental data is based on financial evidence. When such evidence is not available, the data is not systematically estimated. Although estimated as non-material and thus not biasing the stakeholders' opinion, it is recommended that a methodology is implemented to estimate such data based on the location surface area or/and the number of employees.

A report has been prepared for SGS management which includes a detailed set of recommendations to help identify areas for future improvement.



Rita Godfrey

Lead SRA Assuror



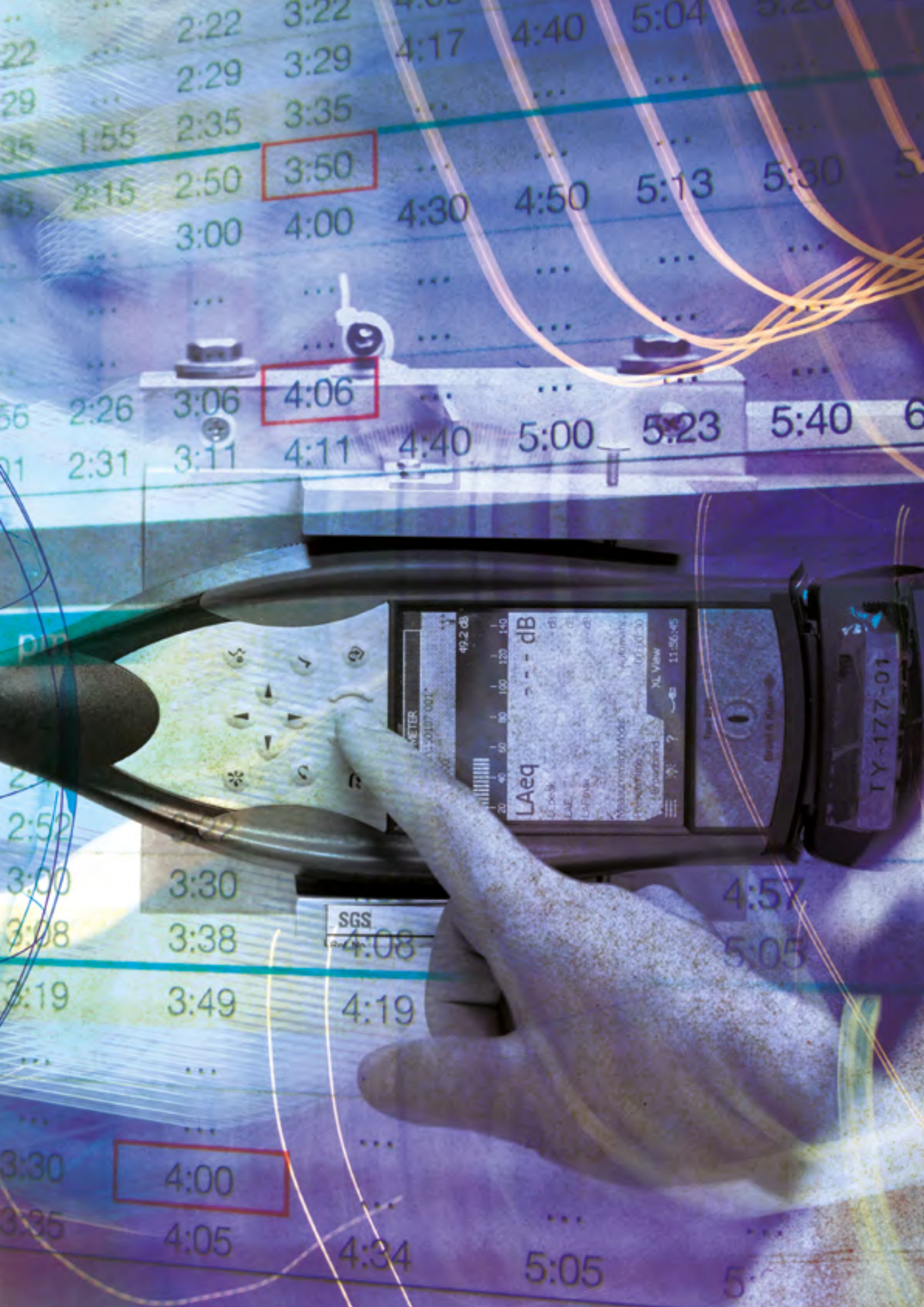
Michel Mooser

SRA Assuror

Geneva, 8 February 2016

6. GOVERNANCE





This Corporate Governance Report informs shareholders, prospective investors and the public at large on SGS policies in matters of corporate governance such as: the structure of the Group, shareholders' rights, composition, roles and duties of the Board of Directors and its Committees and Management, internal controls and audits. This report has been prepared in compliance with the Swiss Exchange (SIX) Directive on Information Relating to Corporate Governance of 1 September 2014 and with the Swiss Code of Best Practice for Corporate Governance.

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

1. GROUP STRUCTURE AND SHAREHOLDERS

- 1.1. Group Structure
- 1.2. Significant Shareholders
- 1.3. Cross-Shareholdings

2. CAPITAL STRUCTURE

- 2.1. Issued Share Capital
- 2.2. Authorised and Conditional Share Capital
- 2.3. Changes in Capital
- 2.4. Shares and Participation Certificates
- 2.5. Profit Sharing Certificates
- 2.6. Limitations on Transferability and Admissibility of Nominee Registrations
- 2.7. Convertible Bonds and Warrants/Options

3. BOARD OF DIRECTORS

- 3.1. Members of the Board of Directors
- 3.2. Cross Involvement
- 3.3. Elections and Terms of Office
- 3.4. Limits on External Mandates
- 3.5. Internal Organisational Structure
 - 3.5.1. Allocation of Tasks within the Board of Directors
 - 3.5.2. Committees
 - 3.5.3. Working Methods of the Board and its Committees
- 3.6. Definition of Areas of Responsibility
- 3.7. Information and Control Instruments vis-à-vis the Management

4. OPERATIONS COUNCIL

- 4.1. Members of the Operations Council
- 4.2. Other Activities and Functions
- 4.3. Limits on External Mandates
- 4.4. Management Contracts

5. COMPENSATION, SHAREHOLDINGS AND LOANS

- 5.1. Content and Method of Determining the Compensation and the Shareholding Programmes
 - 5.1.1. Rules on Performance-Related Pay and Allocation of Equity-Linked Instruments
 - 5.1.2. Rules on Loans, Credit Facilities and Post-Employment Benefits
 - 5.1.3. Rules on Vote on Pay

6. SHAREHOLDERS' PARTICIPATION RIGHTS

- 6.1. Voting Rights and Representation Restrictions
- 6.2. Statutory Quorums
- 6.3. Convocation of General Meetings of Shareholders
- 6.4. Agenda
- 6.5. Registration in the Share Register

7. CHANGE OF CONTROL AND DEFENCE MEASURES

- 7.1. Duty to Make an Offer
- 7.2. Clauses on Change of Control

8. AUDITORS

- 8.1. Duration of the Mandate and Term of Office
- 8.2. Audit Fees
- 8.3. Additional Fees
- 8.4. Supervisory and Control Instruments vis-à-vis the Auditors

9. INFORMATION POLICY

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1. GROUP STRUCTURE

SGS SA, registered in Geneva (CH), also referred to as the "Company", controls directly or indirectly all entities worldwide belonging to the SGS Group, which provides independent inspection, verification, testing, certification and quality assurance services. The shares of SGS SA are listed on the SIX Swiss Exchange and are traded on SIX Europe (Swiss Security Number: 249745; ISIN: CH0002497458).

On 31 December 2015, the market capitalisation of SGS SA was CHF 14 949 million.

None of the companies under the direct or indirect control of SGS SA has listed its shares or other securities on any stock exchange.

The principal legal entities consolidated within the Group are listed on pages 200 to 203 of the Annual Report, with details of the share capital, the percentage of shares controlled directly or indirectly by SGS SA and the registered office or principal place of business.

Details of acquisitions made by the SGS Group during 2015 are provided in note 3 to the consolidated financial statements included in the section SGS Group Results (pages 144 to 145) of this Annual Report.

The operations of the Group are divided into 10 regions, each led by a Chief Operating Officer who is responsible for the SGS businesses in that region and for the local implementation of Group policies and strategies.

At 31 December 2015, geographic operations were organised as follows:

Europe, Africa, Middle East

- Western Europe
- Northern and Central Europe
- Southern Central Europe
- Eastern Europe and Middle East
- Africa

Americas

- North America
- South America

Asia Pacific

- East Asia
- China and Hong Kong
- South Eastern Asia and Pacific

The Group is also structured into 10 lines of business. Each business line is responsible for the global development of Group activities within its own sphere of specialisation and for the execution of strategies with the support of the Chief Operating Officers.

At 31 December 2015, the business lines were organised as follows:

- Agriculture
- Minerals
- Oil, Gas and Chemicals
- Life Science
- Consumer Testing
- Systems and Services Certification
- Industrial
- Environmental
- Automotive
- Governments and Institutions

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

With effect as from 1 January 2016, the geographic operations and business lines are realigned, with the consequence that, from 2016 onwards, the Group is structured into 9 lines of business and 9 regions.

1.2. SIGNIFICANT SHAREHOLDERS

As at 31 December 2015, Mr. August von Finck and members of his family acting in concert held 15.03% (2014: 14.97%), Groupe Bruxelles Lambert acting through Serena SARL held 15.00% (2014: 15.00%), the Bank of New York Mellon Corporation held 3.35% (2014: 3.43%), BlackRock Inc. held 3.03% (2014: 3.00%) and MFS Investment Management held 3.01% (2014: 0.00%) of the share capital and voting rights of the Company.

At the same date, SGS Group held 2.77% of the share capital of the Company (2014: 1.88%).

During 2015, the Company published regularly on the electronic platform of the Disclosure Office of the SIX Swiss Exchange Ltd. all disclosure notifications received from shareholders of transactions subject to the disclosure obligations of Article 20 SESTA. Such disclosure notifications can be accessed at www.six-swiss-exchange.com/shares/companies/

1.3 CROSS-SHAREHOLDINGS

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

2. CAPITAL STRUCTURE

2.1. ISSUED SHARE CAPITAL

The share capital of SGS SA is CHF 7 822 436 and comprises 7 822 436 fully paid-in, registered shares of a par value of CHF 1.

On 31 December 2015, SGS SA held 216 976 treasury shares (2014: 146 930). In 2015, 54 636 treasury shares were sold or released to cover option rights.

These shares were sold at an average price of CHF 1 483. During the year, 45 778 treasury shares were purchased for cancellation and 78 904 treasury shares were purchased to support future share incentive programmes in application of a CHF 750 million Share Buy-Back programme valid from 29 January 2015 to 31 December 2016.

2.2. AUTHORISED AND CONDITIONAL SHARE CAPITAL

The Board of Directors has the authority to increase the share capital of the Company by a maximum of 500 000 registered shares with a par value of CHF 1 each, corresponding to a maximum increase of CHF 500 000 in share capital. The Board is authorised to issue the new shares at the market conditions prevailing at the time of issue. In the event that the new shares are issued for the purpose of an acquisition, the Board is authorised to waive the shareholders' preferential right of subscription or to allocate such subscription rights to third parties. The authority delegated by the shareholders to the Board of Directors to increase the share capital is valid until 12 March 2017. The shareholders have conditionally approved an increase of share capital by an amount of CHF 1 100 000 divided into 1 100 000 registered shares with a par value of CHF 1 each. This conditional share capital increase is intended to obtain the shares necessary to meet the Company's obligations with respect to employee share option plans and option or conversion rights of convertible bonds or similar equity-linked instruments that the Board is authorised to issue.

The right to subscribe to such conditional capital is reserved to beneficiaries of employee share option plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorised to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed 10 years from the date of issuance of the equity-linked instruments.

2.3. CHANGES IN CAPITAL

There have been no changes to the Company's share capital in the last eight years.

2.4. SHARES AND PARTICIPATION CERTIFICATES

All shares, other than treasury shares held by SGS SA, have equal rights to the dividends declared by the Company and have equal voting rights.

The Company has not issued any participation certificates (bons de participation/Partizipationsscheine).

2.5. PROFIT SHARING CERTIFICATES

The Company has not issued any profit sharing certificates.

2.6. LIMITATIONS ON TRANSFERABILITY AND ADMISSIBILITY OF NOMINEE REGISTRATIONS

SGS SA does not limit the transferability of its shares. The registration of shares held by nominees is not permitted by the Company's Articles of Association, except by special resolution of the Board of Directors. By decision of the Board, the Company's shares can be registered in the name of a nominee acting in a fiduciary capacity for an undisclosed principal, provided however that shares registered in the names of nominees or fiduciaries may not exercise voting rights above a limit of 5% of the aggregate share capital of the Company. This rule was made public on 23 March 2005.

The Company has a single class of shares and no preferential rights, statutory or otherwise, have been granted to any shareholder.

2.7. CONVERTIBLE BONDS AND WARRANTS/OPTIONS

No convertible bonds have been issued by the Company or by any entity under its direct or indirect control. Options and other share-based remuneration granted to senior managers of the Group are detailed in the SGS Remuneration Report. Details of all options and shares outstanding are provided in note 31 to the consolidated financial statements of the Group. No other options or similar instruments have been issued by the Company nor by any of the Group's subsidiaries.

3. BOARD OF DIRECTORS

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

3.1. MEMBERS OF THE BOARD OF DIRECTORS

This section presents the Members of the Board of Directors of the Company, with their functions in the Group, their professional background and all their material positions in governing and supervisory boards, management positions and consultancy functions, official tenures and political commitments, both in Switzerland and abroad, as at 31 December 2015 (an * denotes a listed company).

Each Board member brings particular skills, leadership and experience, acquired through their respective careers spanning many industries. Together they enable the Board to provide leadership, strategic overview and guidance, which contribute to setting ambitious targets to the Group and meeting long-term value-creation objectives.

SERGIO MARCHIONNE (1952)

Canadian/Italian

Function in SGS

Chairman:

- Board of Directors
 - Audit Committee
 - Professional Conduct Committee
-

Initial appointment to the Board

May 2001

Professional Background

Chief Executive Officer of *Fiat Chrysler Automobiles N.V., since 2014

Sergio Marchionne holds a BA in Philosophy from the University of Toronto, and an LLB degree from Osgoode Hall Law School, York University, and Toronto. He also has an MBA and B.Com from the University of Windsor, in Canada.

A barrister, solicitor and chartered accountant, Mr. Marchionne began his career in Canada in 1983.

In 2004, he became CEO of Fiat S.p.A., headquartered in Turin. In addition, in June 2009, he was appointed CEO of Chrysler Group LLC and, in September 2011, also assumed the role of Chairman. In October 2014, he became Chairman of Ferrari S.p.A. and CEO of *Fiat Chrysler Automobiles N.V. (FCA), the company resulting from the merger of Fiat S.p.A. and Chrysler Group LLC. He served as Chairman of CNH Global N.V. from 2006 and Fiat Industrial S.p.A. from 2011, becoming Chairman of *CNH Industrial N.V., the company resulting from the merger of CNH Global N.V. and Fiat Industrial S.p.A. in 2013.

Other Activities and Functions

*Philip Morris International SA, Lausanne (CH), Member of the Board

*Exor S.p.A., Turin (IT), Member of the Board

Peterson Institute for International Economics, Member of the Board/Council for the United States and Italy, Chairman

European Automobile Manufacturers' Association (ACEA), Brussels (BE), Member of the Board

PAUL DESMARAIS, JR (1954)

Canadian

Function in SGS

Member:

- Board of Directors
-

Initial appointment to the Board

July 2013

Professional Background

Chairman and Co-Chief Executive Officer, * Power Corporation of Canada.

Paul Desmarais, Jr. has a Bachelor of Commerce Degree from McGill University, Montréal and an MBA from the Institut Européen d'Administration des Affaires (INSEAD), France.

He has received honorary doctorates from various Canadian universities.

He joined Power Corporation of Canada in 1981 and assumed the position of Vice-President the following year.

In 1984, he led the creation of Power Financial Corporation to consolidate Power's major financial holdings, as well as Pargesa Holding SA, under a single corporate entity. Mr. Desmarais served as Vice-President from 1984 to 1986, as President and Chief Operating Officer of Power Financial from 1986 to 1989, as Executive Vice Chairman from 1989 to 1990, as Executive Chairman from 1990 to 2005, as Chairman of the Executive Committee from 2006 to 2008 and as Executive Co Chairman from 2008 until today. He was named Chairman and Co-CEO with Power Corporation in 1996. After Power Financial and the Frère Group of Belgium took control of Pargesa in 1990, Mr. Desmarais moved to Europe from 1990 to 1994, to develop the partnership with the Frère Group and to restructure the Pargesa group.

From 1982 to 1990, he was a member of the Management Committee of Pargesa, in 1991, Executive Vice Chairman and then Executive Chairman of the Committee, in 2003, he was appointed Co-Chief Executive Officer and in 2013 named Chairman of the Board. He is a Director of many Power Group companies in North America.

Other Activities and Functions

*Groupe Bruxelles Lambert, Brussels (BE), Vice-Chairman of the Board of Directors

*Great-West Lifeco Inc., Winnipeg (Can), Member of the Board (including those of its major subsidiaries)

*IGM Financial Inc., Winnipeg (Can), Member of the Board (including those of its major subsidiaries)

*LafargeHolcim, Zürich (CH), Board Member

*Pargesa Holding SA, Geneva (CH), Board Member since 1992, Chairman of the Board since 2013

*Total SA, Paris (F), Board Member

Member of the Advisory Council of the European Institute of Business Administration (INSEAD)

Trustee of the Brookings Institution and a Co-Chair of the Brookings International Advisory Council (USA)

Chairman of the Canadian Council of Chief Executives (Can)

AUGUST VON FINCK (1930)

German

Function in SGS

Member:

- Board of Directors
 - Nomination and Remuneration Committee
-

Initial appointment to the Board

October 1998

Professional Background

August von Finck is an Industrialist. He descends from the banking family von Finck. His grandfather, Wilhelm von Finck, founded Merck, Finck & Co. in 1870, the private bank which was at the origin of companies including Munich Re, Allianz insurance and the Löwenbräu breweries, among others.

Based in Munich, the member of the third generation of the von Finck family holds interests in a number of German, Swiss and Austrian companies as well as in groups from other countries. In Switzerland, August von Finck's participations include Mövenpick Holding A.G. and Von Roll Holding A.G.

6. GOVERNANCE

AUGUST FRANÇOIS VON FINCK (1968)

Swiss

Function in SGS

Member:

- Board of Directors
- Audit Committee

Initial appointment to the Board

May 2002

Professional Background

François Von Finck holds a Master of Business Administration from Georgetown University, Washington D.C. He has a banking background and is currently Managing Director of Carlton Holding in Basel.

Other Activities and Functions

*Custodia Holding, Munich (DE), Member of the Board since 1999

Carlton Holding, Allschwil (CH), Member of the Board since 2001

*Staatl. Mineralbrunnen AG, Bad Brückenau (DE), Member of the Board since 2001

Bank von Roll, Zürich (CH), Vice-President of the Board since 2009

*Von Roll Holding AG, Breitenbach (CH), Member of the Board since 2010

IAN GALLIENNE (1971)

French

Function in SGS

Member:

- Board of Directors
- Nomination and Remuneration Committee

Initial appointment to the Board

July 2013

Professional Background

Managing Director of *Groupe Bruxelles Lambert, since 2012. Ian Gallienne has a degree in Management and Administration, with a specialisation in Finance; from Ecole Supérieure des Dirigeants d'Entreprises (ESDE) in Paris and an MBA from INSEAD in Fontainebleau.

He began his career in 1992 in Spain as co-founder of a sales company.

From 1995 to 1997, he managed a consulting firm, specialising in turning around businesses in France.

From 1998 to 2005, he was Manager of the private equity funds Rhône Capital LLC in New York and London.

In 2005 to 2012, he founded the private equity funds Ergon Capital Partners in Brussels and was Managing Director of such funds until 2012.

In 2012, he became Managing Director of *Groupe Bruxelles Lambert of which he had been a Board Member since 2009.

Other Activities and Functions

*Imerys, Paris (F), Member of the Board and Chairman of the Strategic Committee, Member of the Compensation and Nomination Committee

Lafarge, Paris (F), Member of the Board

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

Erbe SA (BE), Member of the Board

Ergon Capital SA (BE), Member of the Board

Ergon Capital II SARL (LU), Manager

* Umicore NV, (BE), Member of the Board

CORNELIUS GRUPP (1947)

Austrian

Function in SGS

Member:

- Board of Directors
- Professional Conduct Committee (since March 2015)

Initial appointment to the Board

March 2011

Professional Background

Dr. Grupp holds a Doctorate in law and a Master in Business Administration.

He is the owner and general manager of Tubex Holding GmbH, Stuttgart, Germany, a company active in the

packaging industry and specialised in the production of aluminum aerosol cans, aluminum tubes and plastic tubes and of CAG Holding GmbH, Lilienfeld, Austria, active in the field of aluminum, glass and fibers.

Other Activities and Functions

Schoellerbank AG, Vienna (AT), Member of the Board since 1999

Stölzle Oberglas, Koeflach (AT), Member of the Board since 1989

Honorary Consul of Austria to the Land of Baden-Württemberg

PETER KALANTZIS (1945)

Swiss/Greek

Function in SGS

Member:

- Board of Directors
- Audit Committee

Initial appointment to the Board

March 2009

Professional Background

Peter Kalantzis holds a Ph.D. in Economics and Political Sciences from the University of Basel and engaged in research as a member of the Institute for Applied Economics Research at the University of Basel between 1969 and 1971.

Prior to 2000, Peter Kalantzis was responsible for Alusuisse-Lonza Group's corporate development and actively involved in the de-merger and stock market launch of Lonza, as well as the merger process of Alusuisse and Alcan. Dr. Kalantzis served as head of the Chemicals Division of Alusuisse-Lonza Group from 1991 until 1996. In 1991, Dr. Kalantzis was appointed Executive Vice-President and Member of the Executive Committee of the Alusuisse-Lonza Group.

Dr. Kalantzis has worked as an independent consultant since 2000.

Other Activities and Functions

Mövenpick/Holding AG, Baar (CH), Chairman of the Board from 2000 to 2014, Member since 2014

Clair AG, Cham (CH), Chairman of the Board since 2004

*CNH Industrial NV, Amsterdam (NL), Member of the Board since 2013

Degussa Sonne/Mond Goldhandel AG, Cham (CH), Chairman of the Board since 2012

Consolidated Lamda Holdings Ltd., Luxembourg (LU), Member of the Board since 2002

Pan-European Oil and Industrial Holdings SA, Luxembourg (LU), Member of the Board since 2001

*Von Roll Holding AG, Breitenbach (CH), Chairman of the Board since 2010, Member of the Board since 2007

Hardstone Services SA, Geneva (CH), Chairman of the Board since 2014, Member since 2009

Gnosis Foundation, Vaduz (FL), President of the Foundation Board since 2008

John S. Latsis Public Benefit Foundation, Vaduz (FL), President of the Executive Board since 2015

CHRISTOPHER KIRK (1956)

English

Function in SGS

Member

- Board of Directors

Initial appointment to the Board

March 2015

Professional Background

Chris Kirk holds a BSc (Hons) degree in Zoology. He began his career at SGS in 1981 in New Zealand. From 1981 to 1987 he undertook a range of different roles in the company, including Operations Manager, Business Development Manager and General Manager for SGS New Zealand.

Between 1987 and 1999, Chris held a number of senior positions in Thailand, Ghana, Singapore and Australia. He was appointed as Chief Operating Officer of the South East Asia/Pacific region in 2002 and was then appointed Vice President for Minerals and Environmental Services, a role he held for three years.

Chris was Chief Executive Officer for SGS between 2006 and 2015 before being elected to the Board of Directors at the 2015 Annual Shareholders Meeting. He brings to the Board his unparalleled experience in the industry and in-depth knowledge of the Group.

Other Activities and Functions

Compass Limited, Hamilton, Bermuda, Member of the Board since 2011

GÉRARD LAMARCHE (1961)

Belgian

Function in SGS

Member:

- Board of Directors
- Audit Committee

Initial appointment to the Board

July 2013

Professional Background

Managing Director of *Groupe Bruxelles Lambert, since 2012.

Gérard Lamarche holds a bachelor of Economics from the University of Louvain-la-Neuve with a specialisation in Business Administration and Management. He also completed the Advanced Management Program for Suez Group Executives at INSEAD Business School and took part in the 1998-99 Wharton International Forum, Global Leadership Series.

He began his professional career in 1983 with Deloitte Haskins & Sells in Belgium, and became a M&A Consultant in the Netherlands in 1987. In 1988, he joined Société Générale de Belgique as Investment Manager. He was promoted to Controller in 1989, and was appointed in 1992 Advisor to the Director of Strategic Planning.

He became Secretary of the Suez Executive Committee (1995-1997); he was later appointed Senior Vice President in charge of Planning, Control and Accounting.

In 2000, Gérard Lamarche joined NALCO (US subsidiary of the Suez Group and world leader in industrial water treatment) as Member of the Board, Senior Executive Vice President

and CFO. He was appointed CFO of the Suez Group in 2003.

He has been a Director of *Groupe Bruxelles Lambert since 2011 and Managing Director since 2012.

Other Activities and Functions

*LafargeHolcim, Zurich (CH), Member of the Board, Member of the Strategy and Sustainability Committee, Member of the Finance and Audit Committee

Lafarge, Paris (F), Member of the Board

*Legrand, Limoges (F), Member of the Board and Member of the Audit Committee

*Total SA, Paris (F), Member of the Board, Member of the Audit Committee and Chairman of the Remuneration Committee

SHELBY R. DU PASQUIER (1960)

Swiss

Function in SGS

Member:

- Board of Directors
- Professional Conduct Committee
- Nomination and Remuneration Committee, Chairman

Initial appointment to the Board

March 2006

Professional Background

Attorney at law, Partner Lenz & Staehelin law firm, Geneva.

Shelby R. du Pasquier holds degrees from Geneva University Business School and School of Law as well as from Columbia University School of Law (LLM). He was admitted to the Geneva Bar in 1984 and to the New York Bar in 1989. He became a partner of Lenz & Staehelin in 1994.

Other Activities and Functions

*Swiss National Bank, Member of the Board since 2012

Stonehage Trust Holdings (Jersey) Limited, Member of the Board since 2012

Pictet & Cie Group SCA, Chairman of the Supervisory Board since 2013

The Directors bring a wide range of experience and skills to the Board. They participate fully in decisions on key issues facing the Group. Their combined expertise in the areas of finance, commercial law, strategy, and their respective positions of leadership in various industrial sectors are important contributing factors to the successful governance of an organisation of the size and complexity of SGS.

The Board undertakes a periodic review of the Directors' interests in which all potential or perceived conflicts of interests and issues relevant to their independence are considered. Based on this review, the Board has concluded that, with the exception of Christopher Kirk who was Group CEO immediately before his nomination to the Board, all Directors (including the Chairman) are independent from management and free of any relationship that could materially interfere with the exercise of their independent judgement.

Other than Sergio Marchionne (Group Chief Executive Officer between February 2002 and June 2004) and Christopher Kirk (Group Chief Executive Officer between November 2006 and March 2015), none of the Directors or their close relatives has or had any management responsibility within the SGS Group.

None of the Members of the Board of Directors or their close relatives has or had any material business connections with the Company or its affiliated companies. The remuneration of the Members of the Board of Directors is detailed in the Remuneration Report.

The Chairman of the Board, jointly with members of the Board of Directors, reviews periodically the performance of the Board as a whole, of its Committees and of each of its individual members.

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

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

3.2. CROSS INVOLVEMENT

No member of the Board of Directors or of the Operations Council is also a member of the executive bodies of entities or organisations with which the Group has material business or commercial relations.

3.3. ELECTIONS AND TERMS OF OFFICE

The Articles of Association of SGS SA provide that each Member of the Board of Directors, and among them the Chairman of the Board of Directors and the Members of the Nomination Remuneration Committee, is elected each year by the shareholders for a period ending at the next Annual General Meeting. Each Member of the Board is individually elected. There is no limit to the number of terms a Director may serve. The initial date of appointment of each Board Member is indicated in section 3.1.

3.4. LIMITS ON EXTERNAL MANDATES

At the 2015 Annual General Meeting, the Shareholders modified the Articles of Association of the Company in compliance with the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC), for the purpose of introducing limits on the number of mandates permissible to Board members. The new rules limit the number of mandates which board members can accept to no more than ten board memberships in entities outside the Group, out of which a maximum of five memberships in board of companies whose shares are traded on a stock exchange. Mandates assumed at the request of a controlling entity do not count towards the maxima defined in the Articles of Association. In addition, the Articles of Association set similar limits to participations in board of associations and other non for profit organisations. All Board members have confirmed that they comply with these rules.

3.5. INTERNAL ORGANISATIONAL STRUCTURE

The duties of the Board of Directors and its Committees are defined in the Company's Articles of Association and in its internal regulations which are reviewed periodically. They set

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

3.5.1. Allocation of Tasks within the Board of Directors

The Chairman of the Board is elected by the Annual Meeting of Shareholders. He plans and chairs the Board meetings, defines the agenda of the meetings and conducts the deliberations of the Board of Directors. All Members of the Board of Directors participate in deliberations of the Board and participate equally in its decisions. Within the limits permitted by law or by the Articles of Association, the Board of Directors can decide to delegate certain of its tasks to standing or ad-hoc committees. With the exception of the members of the Nomination and Remuneration Committee who are elected by the Shareholders, the members of other Committees are appointed by the Board.

3.5.2. Committees

The following Committees have been established within the Board of Directors:

- Nomination and Remuneration
- Audit
- Professional Conduct

Each Committee acts within terms of reference established by the Board of Directors and set out in the internal regulations of the Company. The minutes of their meetings are available to all Directors.

Nomination and Remuneration Committee

The Committee acts in part in an advisory capacity to the Board, and in part as a decision-making body on matters that the Board has delegated to the Committee. The Committee advises the Board of Directors on matters regarding the remuneration of the Members of the Board of Directors and management and on general policies relating to remuneration applicable to

the Group. The Committee defines the conditions of share-based remuneration plans or other plans for the allocation of shares, issued from time to time by the Company. The Committee reviews and approves the contractual terms of the employment of the Chief Executive Officer and the other members of the management. The Committee reviews regularly, at least once a year, the compensation of each member of the Operations Council. The Committee drafts the SGS Remuneration Report.

In 2015, the following Directors served on the Nomination and Remuneration Committee:

- Shelby du Pasquier (Chairman)
- August von Finck
- Ian Gallienne

In 2015, the Committee held three meetings and passed three resolutions in writing. Meetings of the Nomination and Remuneration Committee were attended by all members and had an average duration of 1 hour.

Audit Committee

The Audit Committee supports the Board of Directors in discharging its duties in relation to financial reporting and internal control. Such duties include consideration of the appropriateness of accounting policies, the adequacy of internal controls and risk management and regulatory compliance. It is also responsible for the supervision of the internal and external auditors of the Group, each of which provides regular reports to the Committee on findings arising from their work. The Committee reports regularly to the Board of Directors on its findings.

In 2015, the following Directors served on the Audit Committee:

- Sergio Marchionne (Chairman)
- August François von Finck
- Gérard Lamarche
- Peter Kalantzis.

In 2015, the Audit Committee held four meetings, with an average duration of one and a half hours. Meetings were attended by all members, with one member being excused for one meeting.

Professional Conduct Committee

The Professional Conduct Committee assists the Board of Directors and Management in establishing policies relating to professional conduct and oversees their implementation.

The Group's professional conduct policies are embodied in the Code of Integrity which sets out the principles governing business conduct, which are applied across the whole SGS Group. These principles reflect the Business Principles for Countering Bribery issued by Transparency International and Social Accountability International and incorporate the rules adopted by the International Federation of Inspection Agencies (IFIA), the professional association for the inspection industry.

In 2015, the following Directors served on the Professional Conduct Committee:

- Sergio Marchionne (Chairman)
- Shelby du Pasquier
- Cornelius Grupp (since March 2015)

In addition to the Board Members, the Professional Conduct Committee also comprises the Chief Executive Officer and the General Counsel & Chief Compliance Officer (General Counsel). The head of Internal Audit attends all meetings of the Professional Conduct Committee. The Committee met three times in 2015, with an average duration of one hour and passed several resolutions in writing. All meetings were attended by all members.

3.5.3. Working Methods of the Board and its Committees

The Board of Directors and each Committee convene regularly scheduled meetings with additional meetings held as and when required, in person or by phone conference. The Board and the Committees may pass resolutions by written consent.

Each Board Member has the right to request that a meeting be held or that an item for discussion and decision be included in the agenda of a meeting.

Board and Committee members receive supporting documentation in advance of the meetings and are entitled to request further information from the Management in order to assist them to prepare for the meetings. The Board and each of the Committees can

request the attendance of members of the management of the Group. The Board and each of the Committees are authorised to hire external professional advisors to assist them in matters within their sphere of responsibility.

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

The Board of Directors held five physical meetings in 2015 and one meeting by phone conference. Meetings of the Board of Directors had an average duration of two and half hours. All members of the Board of Directions attended every meeting of the Board in 2015, with the exception of one board member being excused for one meeting.

3.6. DEFINITION OF AREAS OF RESPONSIBILITY

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

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

In accordance with the Company's internal regulations, operational management of the Group, a function which the Board of Directors has

6. GOVERNANCE

delegated, is the responsibility of the Operations Council. The Operations Council has the authority and responsibility to decide on all issues which are not attributed to the Board of Directors. In the event of uncertainty on a particular issue regarding the separation of responsibility between the Board of Directors and the Management, the final decision is taken by the Chairman of the Board. The Chairman is regularly informed of the activities of the Operations Council by the Chief Executive Officer, Chief Financial Officer and General Counsel.

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

- The Chief Operating Officers (COOs) are responsible for operations in the Group's 10 regions (see section 1.1.)
- The Executive Vice Presidents (EVPs) are entrusted with the management and development of the Group's 10 business lines (see section 1.1.)
- The Senior Vice Presidents (SVPs) represent the principal Group support functions (Finance, Human Resources, IT, Communications & Investor Relations, Corporate Development, Legal & Compliance and Strategic Transformation).

The composition, role and organisation of the Operations Council are detailed in section 4.1.

3.7. INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE MANAGEMENT

A. Responsibility of the Board

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

B. Governance Framework

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

The Chief Executive Officer and the Chief Financial Officer participate in the meetings of the Board of Directors and of the Audit Committee.

The Group Controller and the Head of the Internal Audit Function participate in the meetings of the Audit Committee. The Head of Human Resources participates in the meetings of the Nomination and Remuneration Committee and the General Counsel & Chief Compliance Officer attends all meetings of the Board of Directors and its Committees. The other members of the Operations Council and other members of management only participate in the Board and Committee meetings by invitation.

C. Information to the Board

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

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

During Board Meetings, the Board is updated on important issues facing the Group. The Chief Executive Officer, the Chief Financial Officer and the General Counsel & Chief Compliance Officer (hereafter "Senior Management") attend all of the Board of Directors meetings, while other Operations Council members attend from time to time to discuss matters

under their direct responsibility.

The Board of Directors meets regularly with the members of the Operations Council. During Board Meetings or Committee Meetings, Board members can require any information concerning the Group. The Board reviews and monitors regularly and formally previous acquisitions and large investments as well as the implementation of related Group strategies.

The Group has a dedicated Internal Audit function, reporting to the Chairman of the Board and the Audit Committee, which assesses the effectiveness and appropriateness of the Group's risk management, internal controls and governance processes as well as the reliability of internal financial and operational information and ensures that the standards and policies of the Group are respected. Internal Audit reviews and identifies areas of potential risk associated with the key business activities performed by a particular office, highlights opportunities for improvement and proposes constructive control solutions to reduce any exposures. All key observations are communicated to the Operations Council and the Chairman of the Board through formal and informal reports.

The Audit Committee is regularly informed about audits performed and important findings, as well as the progress in implementing the agreed actions by management.

D. General Counsel and Chief Compliance Officer

Furthermore, the Group has a Compliance Function, headed by the General Counsel & Chief Compliance Officer, who is a member of the Professional Conduct Committee and has direct access to the Chairman of the Board. The Compliance Function supports the implementation of a compliance programme based on the SGS Code of Integrity, available in 30 languages. The goal of the programme is to ensure that the highest standards of integrity are applied to all of the Group's activities worldwide in accordance with international best practices. The General Counsel & Chief Compliance Officer reports

violations of compliance rules every semester to the Professional Conduct Committee. The Committee monitors disciplinary actions taken and monitors implementation of corrective actions.

E. Other

In addition, the main business lines have specialised technical governance units, which ensure compliance with internally set quality standards and industry best practices. Formal procedures are in place for both internal and external auditors to report their findings and recommendations independently to the Board's Audit Committee.

F. Risk Assessment

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

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

The implementation of such actions is audited by Internal Audit. These findings are communicated to the Board of Directors so that progress and identified risks can be monitored objectively and independently from Management. The risks identified and monitored by the Board fall broadly into three categories: first, environment risk which includes circumstances outside the Group's direct sphere of influence, such as competition and economic or political landscape; second, process risks which include risks linked to the operations of the business, the management of the Group and the integrity of its reputation in the market place; and thirdly, risks associated with information and decision-making.

4. OPERATIONS COUNCIL

The Operations Council (as defined in section 1.1.) meets on a regular basis, in principle at least six times a year. Between meetings, it holds regular phone conferences and may make decisions on such calls or by electronic voting.

4.1. MEMBERS OF THE OPERATIONS COUNCIL

Members of the Operations Council bring to the Group years of experience in their respective field and area of expertise. They come from a diversity of backgrounds which reflects the multiple aspects of the Group. The Group strives to promote talents internally and encourages women to assume senior leadership positions. The members of the Operations Council at 31 December 2015 were as follows:

FRANKIE NG (1966)
Swiss/Chinese

Chief Executive Officer
(since March 2015)
EVP Life Science, ad interim
BA in Economics and Electronics
Engineering
Joined SGS in 1994

Previous responsibilities

2011 – 2015: EVP, Industrial Services
2005 – 2011: EVP, Consumer Testing Services
2002 – 2004: Managing Director, US Testing
2000 – 2002: Director, Consumer Testing Services, China and Global Hardlines
1997 – 2000: Operations Manager, Consumer Testing Services, China

CARLA DE GEYSELEER (1968)
Belgian

Chief Financial Officer
EMBA, Executive Master in Administration IMD, 2005
Master in Economics and Finance, 1991
Joined SGS in 2014

Previous work experience

2012 – 2014: Chief Financial Officer, Vodafone Libertel, BV, The Netherlands
2010 – 2012: Director Financial Controlling, Vodafone GmbH, Germany
2007 – 2010: Chief Financial Officer DHL Express Benelux, The Netherlands
1995 – 2007: Various finance positions DHL Express
1991 – 1995: Senior Auditor, Ernst & Young, Belgium

OLIVIER MERKT (1962)
Swiss

General Counsel and Chief Compliance Officer
Doctorate in Law, admitted to the bar in Switzerland
Joined SGS in 2001

Previous responsibilities

2006 – 2008: VP, Corporate Development
2001 – 2006: Senior Counsel

Other work experience

1993 – 2001: Senior Manager Legal, Ernst & Young, Geneva

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TEYMUR ABASOV (1972)

Azerbaijani

COO, Eastern Europe and Middle East
Degree in Electrical Engineering
Joined SGS in 1994

Previous responsibilities

2006 – 2007: Managing Director,
Kazakhstan & Caspian Sub-Region

2004 – 2006: Managing Director,
Azerbaijan and Georgia

2003 – 2004: Managing Director,
Georgia

2001 – 2003: Operations Manager, Oil
Gas and Chemicals Services, Azerbaijan

DOMINIQUE BEN DHAOU (1965)

Swiss

SVP, Human Resources
Degree in Hotel Industry Management
Joined SGS in 2001

Previous responsibilities

2008 – 2010: Vice President,
Human Resources

2003 – 2005: additional role as Africa
Regional Human Resources Manager

2003 – 2008: Assistant Vice President
Human Resources

2001 – 2003: International Compensation
and Benefits and HQ HR Manager

Other work experience

International Human Resources positions:

2000 – 2001: Firmenich

1999 – 2000: Novartis Consumer Health

1991 – 1998: Levi Strauss

JEAN-LUC DE BUMAN (1953)

Swiss

SVP, Corporate Communications,
Investor Relations and Corporate
Development

Legal studies

Joined SGS in 1998

Other work experience

1978 – 1998: Country Head Switzerland,
Sales Fixed Income, UBS

HELMUT CHIK (1966)

Chinese

COO, China and Hong Kong

Master in Business Administration

Joined SGS in 1991

Previous responsibilities

2003: Managing Director, Hong Kong

2002: Global Business Manager,
Softline, Consumer Testing Services

2000 – 2001: Director Greater China,
SBU Softline, Consumer Testing Services

1999: Director, Hong Kong, Consumer
Testing Services

OLIVIER COPPEY (1972)

Swiss

EVP, Agricultural Services

MSc Economics

Joined SGS in 1994

Previous responsibilities

2009 – 2013: Vice President Seed &
Crop, Agricultural Services

2006 – 2008: Vice President North
America, Agricultural Services, USA

1994 – 2006: Managerial positions,
Agricultural Services, Switzerland/
India/Cameroon

PAULINE EARL (1961)

British

COO, Western Europe
BSc in Food Science
Joined SGS in 1995

Previous responsibilities

2007 – 2010: Managing Director,
United Kingdom

2004 – 2007: SSC Business Manager,
United Kingdom

ALEJANDRO

GOMEZ DE LA TORRE (1959)

Peruvian

COO, South America

Degree in Business Administration,
Postgraduate Specialisation in
International Commerce

Joined SGS in 1986

Previous responsibilities

1996 – 2001: National Chief Executive,
Peru and Manager Central Sub-Region,
Latin America (1998 – 2001)

DERICK GOVENDER (1970)

South African

EVP, Minerals Services
(since October 2015)

Diploma in Analytical Chemistry

Post graduate in Business Management

Joined SGS in 2002

Previous responsibilities

2014 – 2015: Minerals Manager, Chile

2010 – 2014: VP Minerals Africa

2007 – 2010: Regional Minerals
Manager SGS Southern Africa

KIMMO FULLER (1967)

American

COO, North America
(since October 2015)

Bachelor of Science degree in Civil
Engineering; Masters in Business
Administration

Joined SGS in 2014

Previous responsibilities

2014 – 2015: Managing Director, USA

Other work experience

2013 – 2014: Regional Director,
Rolls Royce Plc

2011 – 2013: Regional Director,
Elliott Group

2007 – 2011: Business Unit Director,
Wood Group

1999 – 2007: General Manager,
General Electric.

DIRK HELLEMANS (1958)

Belgian

COO, Northern and Central Europe /
Southern Central Europe ad interim

Degree in Chemical Engineering and
Master in Business Administration

Joined SGS in 1988

Previous responsibilities

2004 – 2012: COO, Central & North
West Europe

2002 – 2004: COO, North West Europe

1997 – 2002: Managing Director, Belgium

FRÉDÉRIC HERREN (1955)

Swiss

COO, Africa

Master in Economics

Initially joined SGS in 1986, rejoined
in 1999

Previous responsibilities

2006 – 2014: EVP, Governments and
Institutions Services

2003 – 2006: EVP, Automotive Services

1999 – 2003: Head of Global Marketing,
Trade Assurance Services (now
Governments and Institutions Services)

Other work experience

1995 – 1998: CEO, Unilabs International

ROGER KAMGAING (1966)

Swiss

EVP, Governments and
Institutions Services

Master in Commercial Law and Tax

Master in Auditing and Consulting

Initially joined SGS in 1997, rejoined
in 2014

Previous responsibilities

2000 – 2012: Governments and
Institutions Services, Global Head
Business Development

1997 – 2000: Governments and
Institutions Services, Sales Manager

Other work experience

2012 – 2014: Kamgaing Associates
(Consulting) and Time (African Business
Incubator)

THOMAS KLUKAS (1965)

German

EVP, Automotive Services

PhD Engineering Science,
Master Business Administration

Joined SGS in 2006

Previous responsibilities

2008 – 2010: VP Automotive Services

2006 – 2008: Automotive Services
Regional Manager, North America

Other work experience

2000 – 2006: Senior Manager DEKRA SE
(Germany and USA)

FRANCOIS MARTI (1968)

Swiss

EVP, Industrial Services
(since October 2015)

Degree in International Relations

Initially joined SGS in 2003, rejoined
in 2011

Previous responsibilities

2012 – 2015: EVP Systems and
Services Certification

2011 – 2015: SVP, Strategic Transformation

2003 – 2005: VP Continuous Improvement

Other work experience

2005 – 2011: CEO Fiat Services
Senior Manager PWC and IBM

JEFFREY MCDONALD (1964)

Australian

EVP, Systems and Services Certification
(since October 2015)

Postgraduate Diploma in Education

Joined SGS in 1995

Previous responsibilities

2007 – 2015: COO, North America

2004 – 2007: EVP, Systems and
Services Certification

2003: Global Project Manager,
Systems and Services Certification

1995 – 2003: Systems and Services
Certification, South Eastern Asia and
Pacific, Regional Manager (Bangkok)

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PETER POSSEMIERS (1962)

Australian and Belgian

EVP, Environmental Services

BSc Chemistry and Microbiology

Joined SGS in 1983

Previous responsibilities

2007 – 2012: Global Sales, OGC

2005 – 2007: Managing Director, Korea

2003 – 2005: OGC Business

Development Manager Asia Pacific, China

2001 – 2003: OGC Business Development
Manager Asia Pacific, Australia

1998 – 2000: OGC Manager, Singapore

MALCOLM REID (1963)

British

COO South East Asia and Pacific
(since October 2015)

BSc Chemistry

Joined SGS in 1987

Previous responsibilities

2012 – 2015: EVP, Consumer
Testing Services

2008 – 2011: EVP, Systems and
Services Certification

2005 – 2007: Managing Director, Australia

2000 – 2005: Managing Director, Thailand

1997 – 2000: Managing Director,
Philippines

ALIM SAIDOV (1964)

Azerbaijani and Canadian

EVP, Oil, Gas and Chemicals Services

PhD in Science

Joined SGS in 1993

Previous responsibilities

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

2005 – 2007: COO, Eastern Europe &
Middle East

2004: COO, North America and
Managing Director, Canada

2001 – 2004: Managing Director,
Kazakhstan & Manager Caspian Region

RICHARD SHENTU (1968)

Chinese

EVP Consumer Testing Services
(since September 2015)

Textile Engineer, Masters in
Business Administration,
PhD in Management Science

Joined SGS in 1990

Previous responsibilities

2010 – 2015: Managing Director, China

2005 – 2011: Vice President CTS, CTS
Director and Executive Director China

2012 – 2015: Vice President
Industrial Services

2002 – 2004: CTS Hardline SBU director
China and Hong Kong

DENNIS YANG (1949)

Taiwanese

COO, East Asia

Master in Business Administration

Joined SGS in 1975

Previous responsibilities

2000 – 2002: Managing Director, Taiwan

1992 – 2000: Assistant General
Manager, Taiwan

In the course of 2015, Michael Belton, EVP Minerals Services resigned from his position and left the Group. Ladislav Papik, COO South East Europe left the Operations Council to assume a regional role within the Group. Anthony Hall, COO South East Asia & Pacific stepped down from the Operations Council to assume other responsibilities in the Group. The Nomination and Remuneration Committee approved in July 2015 the internal promotion and appointment of Derick Govender and Richard Shentu,

respectively EVP Minerals Services and EVP Consumer Testing Services, and in October 2015, the appointment of Kimmo Fuller as COO North America.

4.2. OTHER ACTIVITIES AND FUNCTIONS

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

CARLA DE GEYSELEER

Macintosh Retail Group (NL), Member of the Supervisory Board and Chair of the Audit Committee

JEAN-LUC DE BUMAN

Association pour le Développement des Compétences Bancaires, Geneva (CH), Member of the Board since 1999

Hyposwiss Private Bank Genève SA, Geneva (CH), Member of the Board since 2006

Federal Accreditation Commission, Bern (CH), Member since 2012

OLIVIER COPPEY

Swiss Trading and Shipping Association, Geneva (CH), Member of the Executive Board (since 2015)

ALEJANDRO GOMEZ DE LA TORRE

Swiss-Peruvian Chamber of Commerce, Lima (Peru), Director

THOMAS KLUKAS

CITA, International Motor Vehicle Inspection Committee, Brussels (BE), Member of the Bureau Permanent since 2011

FRANÇOIS MARTI

Swiss Philanthropy Foundation, Member of the Board since 2013

4.3. LIMITS ON EXTERNAL MANDATES

At the 2015 Annual General Meeting, the Shareholders modified the Articles of Association of the Company in compliance with the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC), for the purpose of introducing limits on the number of mandates permissible to members of the Operations Council.

The new rules limit the number of mandates which members of the Operations Council can accept, with the prior consent of the Board of Directors, to no more than four board memberships in entities outside the Group, out of which a maximum of one membership in board of companies whose shares are traded on a stock exchange. Mandates assumed at the request of a controlling entity do not count towards the maxima defined in the Articles of Association. In addition, the Articles of Association set limits to participations in board of associations and other non-profit organisations to no more than ten such memberships.

4.4. MANAGEMENT CONTRACTS

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

5. COMPENSATION, SHAREHOLDINGS AND LOANS

5.1. CONTENT AND METHOD OF DETERMINING THE COMPENSATION AND THE SHAREHOLDING PROGRAMMES

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

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

In compliance with the requirements of the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC), the Annual General Meeting approves the compensation payable to the Board and to the Operations Council. The rules on vote on pay applicable in the Group are explained below.

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

5.1.1. Rules on Performance-Related Pay and Allocation of Equity-Linked Instruments

At the 2015 Annual General Meeting, the principles of the variable remuneration and the allocation of shares or equity-linked instruments to the members of the Operations Council were introduced in the Company's Articles of Association (please refer to the Remuneration Report for a description of the Company's rules in the matter).

5.1.2. Rules on Loans, Credit Facilities and Post-Employment Benefits

Loans granted to members of the governing bodies of the Company may not exceed one year of remuneration and must be granted at market conditions. As of 31 December 2015, no such loan or credit facility had been granted to any member of the Board or management.

5.1.3. Rules on Vote on Pay

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

- It approves the fixed fees payable to the Board of Directors until the next Annual General meeting;
- It approves in advance the fixed remuneration payable to the Operations Council during the next financial year;
- It approves the total aggregate amount payable to the Operations Council for the performance-related annual bonus related to the prior year;
- It approves the maximum amount payable under Long-Term Incentive plans to be introduced by the Company.

Resolutions of such matters are binding on the Board of Directors. In addition, the Annual General Meeting is invited to cast a non-binding vote on the Remuneration Report which describes the Company's remunerations policies.

6. SHAREHOLDERS' PARTICIPATION RIGHTS

All registered shareholders receive a copy of the half-year and full-year results upon the publication of such results by the Company. They can request a copy of the Company's Annual Report and are personally invited to attend the Annual General Meeting of Shareholders.

6.1. VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

All registered shareholders can attend the General Meetings of Shareholders and exercise their right to vote. A shareholder may also elect to grant power of attorney to an independent proxy appointed by the Company or to any other registered shareholder. There are no voting restrictions, subject to the exclusion of nominee shareholders representing undisclosed principals, as detailed in section 2.6. Shareholders have the opportunity to give general or specific voting instructions to the independent proxy. The voting of resolutions by electronic votes is authorised by the Articles of Association, within the modalities defined by the Board of Directors.

6.2. STATUTORY QUORUMS

The General Meeting of Shareholders can validly deliberate regardless of the number of shares represented at the meeting. Resolutions are adopted by the absolute majority of votes cast. If a second ballot is necessary, a relative majority is sufficient, unless Swiss company law mandates a special majority.

6.3. CONVOCAION OF GENERAL MEETINGS OF SHAREHOLDERS

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

6.4. AGENDA

The Agenda of the General Meeting of Shareholders is issued by the Board of Directors. Shareholders representing shares with a minimum par value of CHF 50 thousand may request the inclusion of an item on the agenda of the General Meetings, provided that such a request reaches the Company at least 40 days prior to the General Meeting.

6.5. REGISTRATION IN THE SHARE REGISTER

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

7. CHANGE OF CONTROL AND DEFENCE MEASURES

No restriction on changes in control is included in the Company's Articles of Association.

7.1. DUTY TO MAKE AN OFFER

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

7.2. CLAUSES ON CHANGE OF CONTROL

There are no general plans or standard agreements offering specific protection to Board Members, Senior Management or employees of the Group in the event of a change of control, subject to the standard rules regarding termination of employment.

8. AUDITORS

8.1. DURATION OF THE MANDATE AND TERM OF OFFICE

Following a competitive process in 2000, Deloitte SA was appointed auditor of the Company and of the SGS Group by the Annual General Meeting of Shareholders upon recommendation of the Board of Directors. The auditors of the Company are subject to re-election at the Annual General Meeting every year. The current lead auditor, James Baird, has acted in this capacity since 2012. He assumed this position after agreement by the Company's Audit Committee

8.2. AUDIT FEES

Total audit fees paid to Deloitte for the audit of the Company and the Group financial statements in 2015 amounted to CHF 5.3 million (2014: CHF 6.0 million).

8.3. ADDITIONAL FEES

An aggregate amount of CHF 1.3 million (2014 CHF 1.3 million) was paid to Deloitte for other professional services, unrelated to the statutory audit activity. This amount includes CHF 0.7 million (2014: CHF 0.7 million) for tax compliance services and CHF 0.6 million (2014: CHF 0.6 million) for non-statutory reporting and assurance services.

8.4. SUPERVISORY AND CONTROL INSTRUMENTS VIS-A-VIS THE AUDITORS

The Audit Committee is responsible for evaluating the external auditor on behalf of the Board of Directors, and conducts assessments of the audit services provided to the Group during its regular meetings. It meets with the auditor at least three times per year (four times in 2015), including private sessions without the presence of management. The duties of the Committee include consideration of the audit plan, regular assessment of the performance of the auditor and approval of audit fees on the basis of the amount of work required in order to perform the audit.

The auditor regularly presents his findings, both during the deliberations of the Audit Committee and in written reports, to the attention of the Board of Directors which summarise key findings. The Group strives to safeguard and support the independence of the auditor by avoiding conflicts of interests. In applying this policy, the attribution of other consultancy assignments is carefully reviewed to ensure that such assignments do not endanger the auditor's independence.

9. INFORMATION POLICY

The policy of the Group is to provide individual and institutional investors, directly or through financial analysts, business journalists or investment consultants (financial community) and the employees with financial and business information in a consistent, broad, timely and transparent manner. The Group website has a section fully dedicated to investor relations, www.sgs.com/ir where all financial information and presentations are available. This includes an updated version of the articles of association, current information on share buy-back programmes and minutes of shareholders' meetings. SGS meets regularly with institutional investors, holds results presentations, roadshows, presentations at broker-sponsored country or industry conferences as well as one-on-one meetings.

The group publishes consolidated half-year unaudited and yearly audited results in print and on-line formats. The annual report is published in English and is available upon order on the internet. The current list of publication dates is available on the internet.

The group acknowledges the directives on the independence of financial research issued by the Swiss bankers association, particularly articles 26 and 29-32. In addition, the Group complies with rules regarding information and reporting of the federal act on stock exchange and securities trading, and the ordinance on stock exchanges and securities trading.

7. SGS REMUNERATION REPORT





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PRODUCTS

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 2015 business year.

The SGS Remuneration Report has been prepared in compliance with the Ordinance against Excessive Compensation in Stock Exchange listed Companies ("the Ordinance"), the Swiss Exchange (SIX) Directive on Information relating to Corporate Governance of 1 September 2014 and the principles of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

1. INTRODUCTION BY THE NOMINATION AND REMUNERATION COMMITTEE

2. COMPANY'S REMUNERATION POLICY AND GOVERNANCE

- 2.1. Remuneration Policy and Principles
- 2.2. Remuneration Governance
 - 2.2.1. Nomination and Remuneration Committee
 - 2.2.2. Shareholders' Engagement
 - 2.2.3. Method of Determination of Compensation – Benchmarking

3. REMUNERATION MODEL

- 3.1. Structure of Remuneration of the Board of Directors
- 3.2. Structure of Remuneration of the Operations Council
 - 3.2.1. Base Salary
 - 3.2.2. Short-Term Incentive
 - 3.2.3. Long-Term Incentive
 - 3.2.4. Shareholding Ownership Guideline
 - 3.2.5. Benefits
 - 3.2.6. Employment Contracts
 - 3.2.7. Timeline of Remuneration

4. REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

5. REMUNERATION AWARDED TO THE CEO, SENIOR MANAGEMENT AND OTHER MEMBERS OF THE OPERATIONS COUNCIL

- 5.1. Performance in 2015
- 5.2. Cash Compensation
- 5.3. Share-Based Compensation
 - 5.3.1. Restricted Shares
 - 5.3.2. Long-Term Incentive Plan
 - 5.3.3. Discontinued Share Option Plans
- 5.4. Total Compensation to the Operations Council, Senior Management and Chief Executive Officer
- 5.5. Other Compensation
 - 5.5.1. Severance Payments
 - 5.5.2. Loans to Members of Governing Bodies

1. INTRODUCTION BY THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is pleased to present its 2015 Remuneration Report to you.

During the year, the Committee has concentrated its efforts on the implementation of the new remuneration system developed as a result of a thorough review conducted in 2014. The new remuneration model is strongly aligned to the business strategy of profitable growth and to the expectations of our shareholders. The following changes are effective from 2015 onwards:

- Introduction of:
 - Grant of shares for both Short-Term and Long-Term Incentive plans;
 - Balanced mix of performance conditions in the Short-Term and Long-Term Incentive plans, including revenue goals, profitability objectives, cash flow and share price performance;
 - Relative performance measurement against peer companies in the Long-Term Incentive plan;
 - Share ownership guideline for the members of the Operations Council.
- Discontinuation of:
 - Any stock options program;
 - Discretionary bonus;
 - Incentive scheme for the Chairman of the Board of Directors.

More detailed information on the remuneration model is provided in section 3 of this report.

Furthermore, following the provisions of the Ordinance issued by the Swiss Federal Council, we have implemented the binding vote on compensation amounts at the Annual General Meeting in 2015. At the forthcoming Annual General Meeting, we will continue with the same "say-on-pay" vote structure:

- Consultative vote on the Remuneration Report;
- Binding vote on the prospective remuneration amount of the Board of Directors until the next Annual General Meeting;
- Binding vote on the retrospective variable remuneration of the Operations Council members of the previous business year;
- Binding vote on the prospective fixed remuneration amount of the Operations Council members for 2017.

The Articles of Association of SGS have been revised accordingly and outline the remuneration framework as well as the structure of the binding votes on remuneration. The revised Articles of Association were approved at the Annual General Meeting in 2015.

On the following pages, you will find detailed information about our new remuneration model, its principles and programs and the remuneration awarded to the Board of Directors and to the Operations Council related to business year 2015. We hope that you find this report informative and are confident that our approach to executive pay is fully aligned with the strategy, the wider competitive market benchmarks, the performance of the Company and with the interests of our shareholders.

Shelby du Pasquier
Chairman

2. COMPANY'S REMUNERATION POLICY AND GOVERNANCE

2.1. REMUNERATION POLICY AND PRINCIPLES

Remuneration of the Board of Directors

In order to guarantee their independence in exercising their supervisory duties

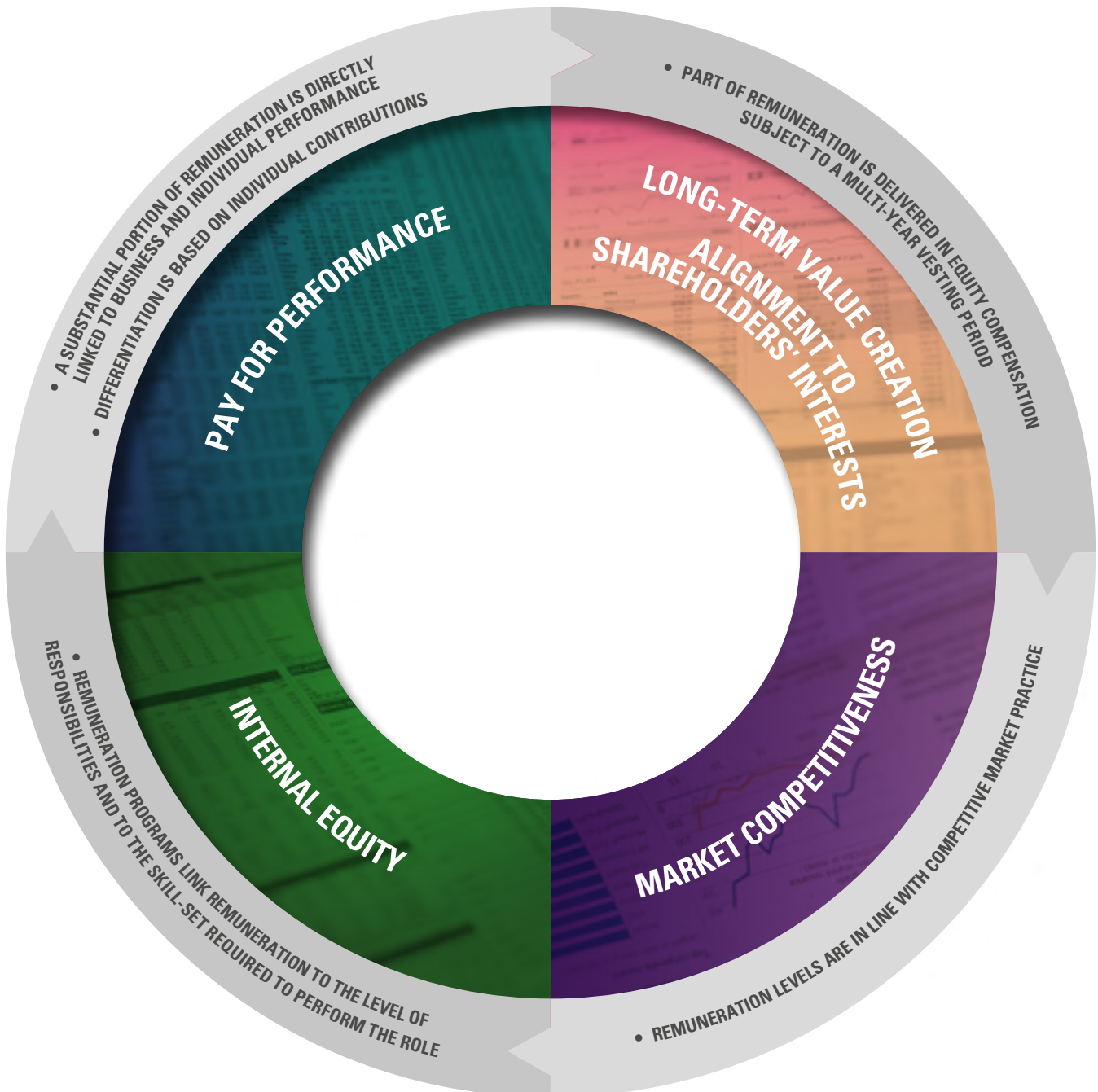
towards the executive management, the members of the Board of Directors receive a fixed remuneration only.

Remuneration of the Executive Management

The Company's remuneration policy applicable to the executive management (Operations Council) is defined by the Board of Directors with two main objectives: to attract and retain the best talents available in the industry,

and to motivate them to create and protect value for our shareholders by driving long-term sustainable financial success. The remuneration policy is built on core principles that are aligned to the Company's business strategy of profitable growth and that aim to drive and support the Company's core values of passion, integrity, entrepreneurship and innovative spirit.

Our remuneration system operates according to four principles described below.



2.2. REMUNERATION GOVERNANCE

2.2.1. Nomination and Remuneration Committee

The Board of Directors is responsible for determining the remuneration of the Chairman and the Directors. It also decides on the remuneration and terms of employment of the Chief Executive Officer, based upon the recommendations of the Nomination and Remuneration Committee. 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.

The Board of Directors is assisted in its work by a Nomination and Remuneration Committee ("the Committee"), which consists of independent non-executive Directors. The Committee acts in part in an advisory capacity to the Board, and in part as a decision-making body on matters that the Board has delegated to the Committee. The Committee reviews regularly, at least once a year, the compensation of each member of the Operations Council (including the Chief Executive Officer), and decides on

all matters relating to the remuneration of these executives.

The following charts summarise the authorisation levels for the main decisions relating to the compensation of the Board and the Operations Council members. When reviewing and deciding on executive remuneration policies, the Committee and the Board have access to Group Human Resources staff and may use third party consultants specialising in compensation matters. In 2015, neither the Committee nor the Board had recourse to such external advisors.

Authorisation levels:

SUBJECT MATTER	RECOMMENDATION	APPROVAL
Aggregate remuneration amount of the Board of Directors	Board of Directors	AGM (binding vote)
Individual remuneration of the members of the Board of Directors including the Chairman of the Board	Remuneration Committee	Board of Directors
Aggregate fixed remuneration amount of the Operations Council	Board of Directors	AGM (binding vote)
Individual remuneration of the CEO	Remuneration Committee	Board of Directors
Individual remuneration of the Operations Council members	CEO	Remuneration Committee
Establishment of Long-Term Incentive plans	Remuneration Committee	Board of Directors
Aggregate value of the grants awarded under the Long-Term Incentive plan for Operations Council members	Board of Directors	AGM (binding vote)
Setting of annual financial targets for variable remuneration of Operations Council members	CEO	Board of Directors
Remuneration report	Board of Directors	AGM (consultative vote)

The following Directors served on the Committee in 2015:

- Shelby du Pasquier (Chairman)
- Ian Gallienne
- August von Finck

In 2015, the Committee met three times and settled two resolutions by teleconference during the year. All members attended all meetings and teleconference calls. The Chairman of the Nomination and 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. As a general rule, the Chairman of the Board of Directors 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 and the Senior VP for HR, may be asked to attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed.

2.2.2. Shareholders' Engagement

In the last two years, based on the feedback received from our shareholders and their representatives, we have made significant efforts to improve the disclosure of remuneration in terms of transparency and level of detail provided about the remuneration principles and programs. The positive outcome of the consultative vote on the 2014 Remuneration Report indicates that shareholders welcome the progresses made. We will continue to submit the Remuneration Report to a consultative shareholders' vote at the Annual General Meeting, so that shareholders have an

opportunity to express their opinion about our remuneration model.

In addition, as required by the Ordinance, the aggregate amounts of the remuneration to be paid to members of the Board of Directors and to the Operations Council are subject to the approval of the shareholders in form of a binding vote on remuneration. The procedure on the vote is defined in the Articles of Association that were approved at the 2015 Annual General Meeting and foresees separate votes on (i) the Board remuneration for the period until the next Annual General Meeting (ii) the fixed remuneration of the Operations Council for the next calendar year (iii) the variable compensation awarded to the Operations Council in respect to the previous calendar year and (iv) any award to be granted to the Operations Council under the Long-Term Incentive plan.

7. SGS REMUNERATION REPORT

SHAREHOLDER VOTE AT THE 2016 AGM	2015	2016	2017
Consultative vote on 2015 Remuneration Report	Remuneration policy and principles	●	
Binding vote on remuneration of Board		● Remuneration	
Binding vote on fixed remuneration of OC		●	Fixed remuneration
Binding vote on variable remuneration of OC	Variable remuneration	●	

● Vote at AGM 2016

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

As required by the Ordinance, the Articles of Association of SGS have been revised and approved by the shareholders at the Annual General Meeting in 2015. The Articles of Association include the following provisions on remuneration (details available on www.sgs.com/governance):

- Principles of remuneration: The members of the Board of Directors receive a fixed remuneration. The amount of the remuneration depends on the tasks performed within the Board of Directors and in particular the participation in the committees of the Board of Directors. The remuneration may be paid in cash or in shares of the Company.
- The members of the Operations Council may receive a fixed and a variable remuneration. The fixed remuneration includes the annual base salary, submitted for approval to shareholder vote as per table above, the employer’s contributions to pension fund and/or health and life insurance, benefits in kind and seniority bonuses, as required by law and company policies. The variable remuneration is linked to the achievement of financial or non-financial performance objectives set by the Board of Directors. Variable compensation may be paid in cash or in shares or conversion rights or other equity instruments, at conditions determined by the Board of Directors.

In addition, the Board of Directors may implement Long-Term Incentive plans in order to motivate executives to reach strategic objectives for a period which exceeds one year. Such plans may provide for the allotment of shares or conversion rights or other equity instruments, which are contingent upon the objectives set by the Board of Directors being reached. Terms and conditions of such plans are determined by the Board of Directors.

- Additional amount for payments to members of the Operations Council appointed after the vote on remuneration at the Annual General Meeting: for the remuneration of members of the Operations Council who have been appointed after the approval of the aggregate remuneration amount by the Annual General Meeting, an amount of up to 25% of the maximum aggregate remuneration amount approved for the Operations Council is available without further approval of the Annual General Meeting.
- Loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Operations Council: loans and credits to a member of the Board of Directors or executive management may only be granted at market conditions and may not, when they are granted, exceed the most recent total annual remuneration of the member in question.

2.2.3. Method of Determination of Compensation – Benchmarking

As a global business in a broad range of sectors, SGS’ business success is driven by the commitment and engagement of its employees. Our remuneration policy must take account of both global and local practices. We therefore compare our practices with those of other similar global organisations. The Group performs periodic benchmarks against companies which satisfy the following criteria:

- Competitors in the testing, inspection and certification industry, such as Bureau Veritas, Intertek, DNV-GL and TÜVs.
- All SMI listed companies
- Internationally active companies within and outside Switzerland which operate in one or more of the industry sectors in which SGS is active, including the energy, mining, industrial, chemical, medical goods, pharmaceutical, durable and non-durable goods, and food sectors, such as Alstom, Glencore-Xstrata, Siemens, DuPont, Baxter, Actelion, Schindler and Amcor.

The elements of executive remuneration benchmarked include annual base salary, allowances, short-term and long-term incentive compensation and benefits. To ensure proper benchmarking, we use a proprietary job sizing methodology. Since more than one-third of our Operations Council members are based outside Switzerland, we utilise information published by reputable data providers, including Mercer and Towers Watson, who are able to supply information on both a local and a global basis.

3. REMUNERATION MODEL

3.1. STRUCTURE OF REMUNERATION OF THE BOARD OF DIRECTORS

In order to guarantee their independence in exercising their supervisory duties towards the executive management, the members of the Board of Directors receive a fixed remuneration only. They are entitled to a fixed annual board membership fee and additional annual fees for the participation in board committees. They do not receive additional compensation for attending meetings and do not receive any variable remuneration, options or shares.

The Chairman receives a fixed annual fee and additional fixed fees for chairing the Audit Committee and the Professional Conduct Committee.

REMUNERATION OF THE BOARD OF DIRECTORS

FIXED ANNUAL FEE	COMMITTEE FEE (PER COMMITTEE)	
300 000	30 000	Chairman
150 000	30 000	Board members

Directors receive an annual fixed fee of CHF 150 000 whilst the Chairman receives CHF 300 000. In addition members of a board committee receive CHF 30 000 for each committee. The remuneration is paid in cash in two instalments, in June and in December for the calendar year. Social charges are applied to the above amounts.

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 pension contributions on their behalf.

3.2. STRUCTURE OF REMUNERATION OF THE OPERATIONS COUNCIL

The remuneration earned by the Chief Executive Officer and by members of the Operations Council comprises: (i) a fixed base salary, (ii) an annual Short-Term Incentive, settled partly in cash and partly in restricted shares, (iii) a Long-Term Incentive, and (iv) other benefits such as retirement, insurances and perquisites.

The Group’s long-term strategic plan drives all the activities in the business and is reflected in the remuneration strategy that will assist the Group in achieving its financial and other business

goals. 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 annual Short-Term Incentive is used to reward the annual achievements against the business plan while the Long-Term Incentive is used to drive sustained performance aligned with the Group’s long-term strategic plan.

The Company considers that the payment of variable remuneration in the form of shares subject to restriction and/or vesting period is a key mechanism to align the management’s incentives to the long-term interests of shareholders.

7. SGS REMUNERATION REPORT

The table below summarises the various components of the compensation of Operations Council members, including the Chief Executive Officer:

REMUNERATION ELEMENT	REMUNERATION VEHICLE	DRIVERS	PERFORMANCE MEASURES	PURPOSE	PLAN PERIOD
Base Salary	Monthly cash salary	Position and experience, market practice (benchmarking)	n/a	Attract and retain key executives	Continuous
Short-Term Incentive	50% cash 50% restricted shares	Annual financial performance, individual performance against leadership behavioural model	Group Revenue, Group NPAT, Group ROIC ¹ , business profit, Regional CertiVva ² , Leadership multiplier	Pay for performance	1 year performance period 3-years deferral period
Long-Term Incentive	Performance Share Units (PSU)	Long-term financial performance	Relative organic revenue growth, relative NPAT improvement, relative TSR ³ , absolute free cash flow	Reward for long-term performance, align compensation with the interests of the shareholders	3-year performance period
Benefits	Retirement benefits and insurances, perquisites	Market practice	n/a	Protect executive against risks, attract and retain	Continuous

1. NPAT : Net Profit After Tax, ROIC : Return On Invested Capital.

2. SGS Internal Economic Value Added.

3. TSR: Total Shareholder Return.

3.2.1. Base Salary

The base salaries of the Chief Executive Officer and of each Operations Council member are reviewed annually on the basis of market data for similar positions in those companies and geographies against which the Group benchmarks itself. In addition to individual performance and contribution, business performance and results, the deciding body takes into account the scope and complexity of the areas of responsibility of the position, skill sets and experience required to perform the role, and relevant market practice in the industry.

3.2.2. Short-Term Incentive

Members of the Operations Council including the Chief Executive Officer are entitled to a performance-related annual incentive (the "Short-Term Incentive"). The Short-Term Incentive is designed to reward the executives for the annual financial performance of the Group

and its businesses, as well as for the demonstration of leadership behaviours in line with the SGS competency model.

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 55% and 65% of annual base salary.

Financial Performance

The key performance indicators used to measure the annual financial performance of the Group and its businesses have been amended in 2015 in order to be fully aligned with the business strategy of profitable growth. They include a measurement of growth (top-line contribution), profitability (bottom-line contribution) and efficient use of capital and thus reflect the financial performance of the Company

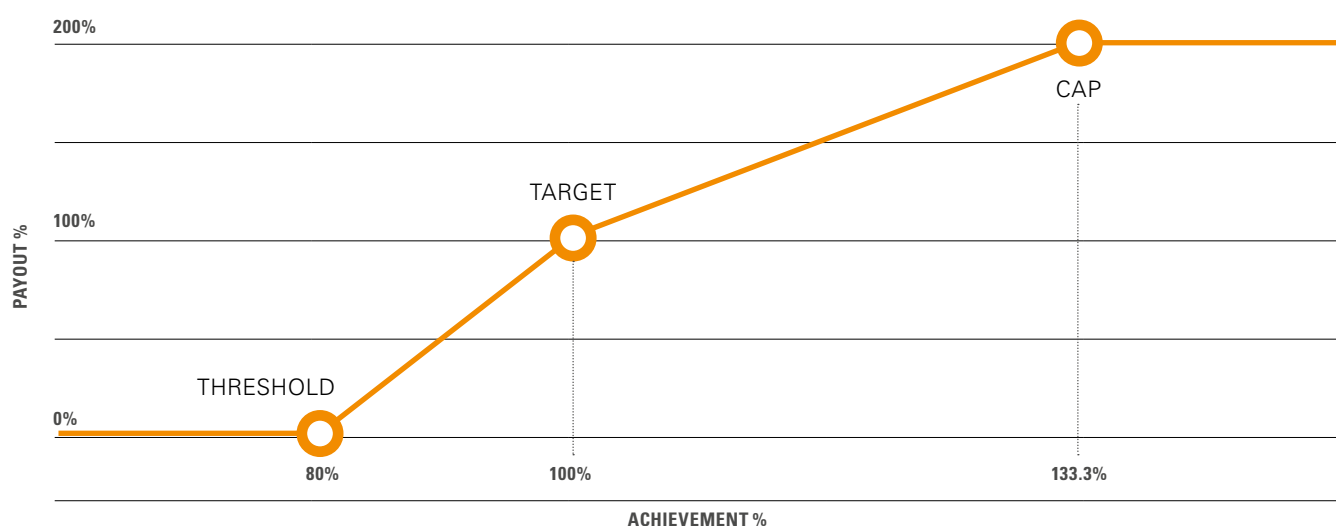
in a balanced manner. Those financial metrics are cascaded consistently throughout the organisation in order to ensure collective alignment. The CEO and the heads of corporate functions (SVPs) are measured on the financial performance of the Group, while the other members of the Operations Council are measured 50% on the financial performance of the Group and 50% on the financial performance of their own business line (EVPs) or region (COOs).

GROUP'S FINANCIAL PERFORMANCE

ROLE SPECIFIC FINANCIAL PERFORMANCE

	PROFITABILITY (BOTTOM-LINE)	GROWTH (TOP-LINE)	EFFICIENT USE OF CAPITAL	PROFITABILITY (BOTTOM-LINE)	EFFICIENT USE OF CAPITAL
CEO	Group NPAT 25%	Group Revenue 25%	Group ROIC 50%	-	-
SVPs	Group NPAT 65%	Group Revenue 25%	Group ROIC 10%	-	-
EVPs	Group NPAT 25%	Group Revenue 25%	-	Business-line profit 40%	Group ROIC 10%
COOs	Group NPAT 25%	Group Revenue 25%	-	Regional profit 40%	Regional CertiVVa 10%

At the beginning of the performance year, the objective for each financial metric is set by the Board of Directors on the basis of a recommendation by the CEO and in line with the annual budget. For each financial metric, the payout curve is predetermined as follows: a target (expected level of performance), a threshold (minimum level of performance to trigger a payout) and a cap (maximum level of performance above which the payout factor is capped at 200%). The Financial Performance Payout factor between the threshold, the target and the maximum is calculated by linear interpolation.



The payout curve is structured on a leverage of one to three for over-achievement and one to five for under-achievement:

- Every percentage achievement above 100% of the objective (budget) increases the payout factor by 3%. The payout factor is capped at 200%.
- Every percentage achievement below 100% of the objective (budget) reduces the payout factor by 5%. Therefore a performance below 80% achievement level (threshold) provides a 0% payout factor.

At the end of the performance period, the results for each objective are assessed against the pre-defined targets and the payout curve to determine a payout factor. The weighted average of the payout factors of each objective corresponds to the overall Financial Performance Payout factor. Below you will find an example of calculation for an Executive Vice President

GROUP REVENUE WEIGHT 25%	GROUP NPAT WEIGHT 25%	BUSINESS PROFIT WEIGHT 40%	GROUP ROIC WEIGHT 10%	FINANCIAL PERFORMANCE PAYOUT
100% x 0.25	80% x 0.25	150% x 0.40	150% x 0.10	= 120%

7. SGS REMUNERATION REPORT

Leadership Multiplier

To determine the final bonus amount to be paid, the financial performance payout factor is multiplied by a leadership multiplier. This combination of financial objectives and leadership multiplier has been chosen in order to balance between rewarding the financial performance of the Group and its businesses and rewarding wider leadership behaviours of the executives.

The leadership multiplier is determined for each executive on the basis of an assessment of their behaviours against sixteen pre-defined dimensions of the competency model of SGS in the areas of change management and people management. The assessment of the members of the Operations Council is conducted at year end by the CEO. The assessment leads to an overall leadership performance rating that is directly linked to the leadership multiplier as follows:

- “Needs improvement” rating corresponds to a leadership multiplier of 70%
- “Meets expectations” rating corresponds to a leadership multiplier of 100%
- “Exceeds expectations” rating corresponds to a leadership multiplier of 125%

TARGET INCENTIVE	X	FINANCIAL PERFORMANCE PAYOUT FACTOR	X	LEADERSHIP MULTIPLIER	=	ACTUAL PAYOUT
100 000		120%		125%		150 000

Short-Term Incentive Calculation

The final payout and the corresponding Short-Term Incentive amount for the CEO and the other members of the Operations Council are confirmed by the Nomination and Remuneration Committee and approved by the Board of Directors. They are subject to a binding vote at the Annual General Meeting.

Specific Short-Term Incentive Rules for the CEO

While determining the compensation package of the new CEO, the Board of Directors decided to adapt the rules of the Short-Term Incentive plan to the specific position of CEO, as follows:

- The CEO performance assessment is purely based on the financial performance of the company and the leadership multiplier does not apply to the CEO;
- Because of the absence of leadership multiplier, the payout curve for the CEO was adjusted: for the threshold level of performance, the payout starts at 25% (instead of 0%) and the 200% payout cap for financial performance does not apply. Furthermore there is no accelerator for performance above target.

Settlement of the Short-Term Incentive

Once the Short-Term Incentive amount is determined, it is settled 50% in cash and 50% in restricted shares, in order to strengthen the link between the compensation of the executives and the future company share price performance.

The cash component and the shares are paid out after the shareholders' approval at the Annual General Meeting of the following year. The shares are allocated at the value defined as the average closing share price during the 20-day period following the payment of the dividends after the Annual General Meeting. 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 blocked in all other instances.

The shares are subject to forfeiture in cases where the executives act in violation of the law or the internal regulations of the SGS Group, such as the code of integrity, or are in breach of their obligations to the SGS Group.

3.2.3. Long-Term Incentive

In 2015, the Board of Directors implemented a new Long-Term Incentive plan designed to motivate the leadership team to realise the long-term objectives of the Group. The plan consists of Performance Share Units (PSUs) granted in Q4 2015 to a selected number of senior executives of the Group, including the members of the Operations Council. The PSU vest after a performance period of three years (2015-2017) conditionally upon the achievement of pre-defined performance objectives and the executive being employed by the Group at the vesting date (31 December 2017).

In order to balance with the Short-Term Incentive which is based on absolute financial performance and on Leadership behaviours, a relative performance measurement has been introduced in the PSU plan, combining absolute performance of the SGS Group and relative performance compared to a peer group of companies:

- Relative total shareholder return (TSR, value delivered to shareholders), 40% weight
- Relative organic revenue growth (top-line performance), 20% weight
- Relative NPAT improvement (bottom-line performance), 20% weight
- Free cash flow (absolute measure against SGS annual budget), 20% weight.

The relative performance on revenue growth, NPAT and TSR is measured by an independent consulting company, Obermatt. Obermatt compares and ranks SGS amongst the performance of a selected peer group of companies which have been approved by the Board of Directors because they have a comparable range of services, technology, customers, suppliers or investors and thus, are exposed to similar market cycles. 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 neutralised. For each relative objective, the target is to reach at least the median performance of the peer group, which corresponds to 100% vesting level. There is no vesting for a performance below the median of the peer group and the vesting level is capped at 150% for performance at the upper quartile of the peer group. Any vesting level in between is interpolated linearly.

PEER GROUP

Adecco	ALS	Applus+	Bureau Veritas	Eurofins
Exova	Intertek	ISS	Mistras	Rentokil
SAI Global	Securitas	Sodexo	Team	

For the free cash flow objective, the vesting level is predetermined as follows: for every percentage point of underachievement below the target, the vesting level is reduced by 5%; for every percentage point of overachievement above target, the vesting level is increased by 3%, to a maximum of 150%.

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 (40%), relative NPAT improvement (20%), relative organic revenue growth (20%) and free cash flow against budget (20%) and ranges between 0% and 150%.

$$\text{Number of Shares Allocated at vesting} = \text{Number of PSUs originally granted to the Participant} \times \text{Overall vesting level (0-150\%)}$$

In case of termination of employment, all unvested PSUs are 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 performance 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 performance period that have expired until the termination date. The vesting level is based on an estimation of performance by the Board of Directors.

- In the event of a corporate transaction or liquidation, unvested PSUs vest immediately. The vesting level is based on an estimation of performance by the Board of Directors.

The PSUs are subject to forfeiture in cases where the executives act in violation of the law or the internal regulations of the SGS Group, such as the code of integrity, or are in breach of their obligations to the SGS Group. The grants awarded under the Long-Term Incentive plan take place every three years (no annual grants).

3.2.4. Shareholding Ownership Guideline

A shareholding ownership guideline (SOG) has been introduced in 2015, requiring 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, shares underlying vested and unvested warrants granted under the discontinued warrants plans and other shares that are owned by the Operations Council member directly or indirectly (by "closely related persons").

7. SGS REMUNERATION REPORT

The Nomination and Remuneration Committee reviews compliance with the SOG on an annual basis. Until the minimum requirement is met, 25% of the shares allocated under the Short-Term Incentive plan and all shares allocated upon vesting of the PSUs under the Long-Term Incentive plan will be blocked.

3.2.5. Benefits

Additional employment benefits such as allowances or memberships may be awarded in accordance with prevailing practice in the locations of employment of individual Operations Council members. They also include the employer's contributions to social benefits as per the applicable legislation in the country of employment. Retirement benefits are set out on page 129 in this Report. Swiss-based Operations Council members participate, on the same basis as other Swiss employees of the Group, in the Company's pension scheme. Employees contribute 8% of their base

salary and the Company contributes an amount equal to one and a half times the contributions paid by all employees to the scheme. Employees have the possibility to voluntarily increase their contribution rate by 2% above the standard rate. More flexibility has also been granted to employees who wish to fund a potential retirement before the normal age, or for those who wish to continue working after the age of 65.

3.2.6. Employment Contracts

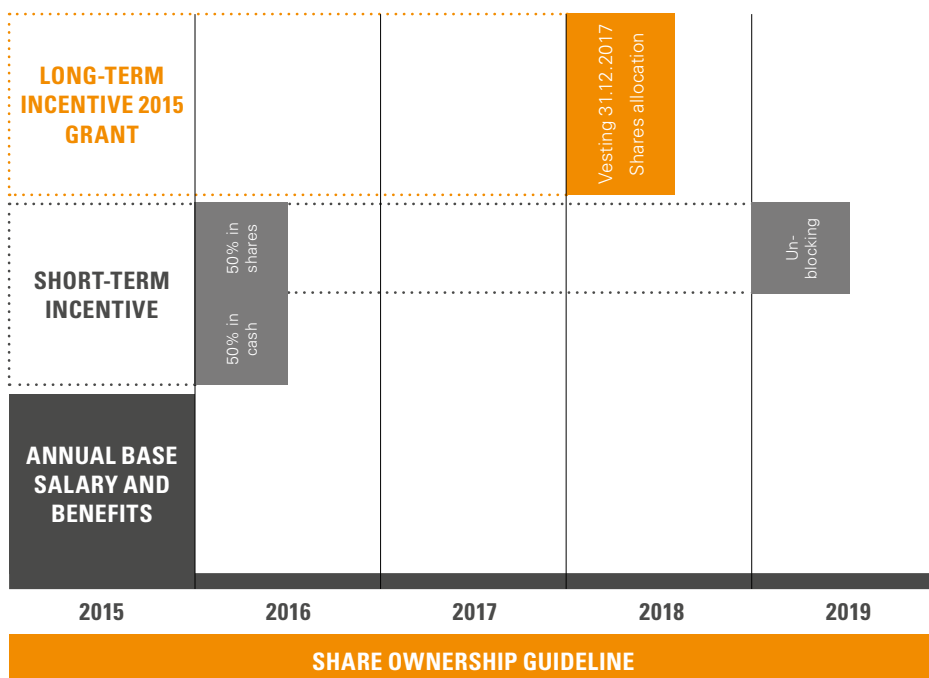
Employment contracts of Operations Council members have no fixed term and can be terminated at any time by either party, provided a standard notice period of six months is respected. For the Chief Executive Officer the notice period is twelve months. As of 2015, the executive contracts do not provide for any severance payments, and are subject to applicable legislation in the country of employment. More than one-third of the Operations Council members are not employed in Switzerland.

3.2.7. Timeline of Remuneration

The following outlines the timeline of payment of each remuneration element that has been earned in 2015:

- The annual base salary is paid during 2015
- The cash portion of the Short-Term Incentive is paid in March 2016, shortly after the Annual General Meeting
- The share portion of the Short-Term Incentive is allocated in April 2016 and will be unblocked in April 2019
- The PSUs granted under the Long-Term Incentive in 2015 will be earned over the performance period from 2015 to 2017 and will vest on 31 December 2017. Until that date, there is no vesting under the Long-Term Incentive plan.

TIMELINE (PERFORMANCE PERIOD, TIME OF PAYMENT)



PERFORMANCE OBJECTIVES

- Relative organic revenue growth (20%)
- Relative NPAT improvement (20%)
- Relative TSR (40%)
- Absolute free cash flow (20%)
- Group revenue (25%)
- Group NPAT (25%)
- Role specific P&L (50%)
- Multiplied by leadership multiplier
- Fixed remuneration

4. REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

In 2015, the annual Board membership fee was CHF 150 thousand for all Board members, unchanged from the prior year. Members of the Board of Directors serving on a committee were entitled to an additional fee of CHF 30 thousand per committee, unchanged from last year. The annual fee payable to the Chairman was CHF 300 thousand, unchanged from the prior year. The remuneration is disclosed on a fiscal year basis and the actual amounts paid correspond to pre-approved amounts at the last Annual General Meeting.

The following chart details the fees and other cash benefits granted to each of the Directors for their tenure in 2015:

<i>(CHF thousand)</i>	BOARD FEE	COMMITTEE FEE	OTHER BENEFITS	TOTAL CASH COMPENSATION 2015	TOTAL 2015 COMPENSATION
S. Marchionne	300	60	56	416	416
P. Desmarais	150	-	13	163	163
A. von Finck	150	30	14	194	194
A.F. von Finck	150	30	16	196	196
I. Gallienne	150	30	16	196	196
C. Grupp	150	23	13	186	186
P. Kalantzis	150	30	14	194	194
G. Lamarche	150	30	16	196	196
S.R. du Pasquier	150	60	18	228	228
C. Kirk	113	-	9	122	122
TOTAL	1 613	293	185	2 091	2 091

The following chart details the fees, other cash benefits and share options granted to each of the Directors for their tenure in 2014:

<i>(CHF thousand)</i>	BOARD FEE	COMMITTEE FEE	OTHER BENEFITS	TOTAL CASH COMPENSATION 2014	TOTAL 2014 COMPENSATION
S. Marchionne	300	68	54	422	422
P. Desmarais	150	-	13	163	163
A. von Finck	150	30	14	194	194
A.F. von Finck	150	30	16	196	196
I. Gallienne	150	30	16	196	196
C. Grupp	150	-	11	161	161
P. Kalantzis	150	30	14	194	194
G. Lamarche	150	30	16	196	196
S.R. du Pasquier	150	53	18	221	221
TOTAL	1 500	271	172	1 943	1 943

The overall compensation paid to the Board of Directors in 2015 increased compared to 2014 because of the appointment of a new member, the former CEO Chris Kirk, on 13 March 2015.

The following table shows the details of the options¹ granted to the Chairman of the Board under the discontinued Annual Share Option Plans and Long-Term Incentive plans. Note: options have no longer been granted to the Chairman since 2014 year-end.

TYPE OF OPTIONS (YEAR OF ISSUE)	STRIKE PRICE ² (CHF)	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (CHF THOUSAND)	NUMBER VESTED ON 31 DECEMBER 2015	NUMBER VESTED ON 31 DECEMBER 2014
SGSMF (2011)	1 617	50 000	142	50 000	50 000
SGSKF (2012)	1 497	50 000	133	50 000	33 333
SGSWS (2013)	2 013	40 000	89	26 667	26 667
SGSPF (2014)	2 059	75 000	189	50 000	25 000
SGSMF-2011 LTI (2011)	1 617	200 000	570	100 000	-

1. One hundred options give the right to acquire one share.

2. Before adjustment for capital reductions and special dividends.

5. REMUNERATION AWARDED TO THE CEO, SENIOR MANAGEMENT AND OTHER MEMBERS OF THE OPERATIONS COUNCIL

This section sets out the remuneration which was paid to the Operations Council as a whole, to the three Operations Council members who make up Senior Management and to the Chief Executive Officer for 2015. All amounts disclosed in this section include the Short-Term Incentive cash amount and restricted shares that will be granted in April 2016 with respect to performance in 2015 (disclosure according to the accrual principle).

5.1. PERFORMANCE IN 2015

The table below summarises the financial performance of SGS Group and its businesses in 2015 on the financial objectives (revenue, profitability, capital efficiency):

	PERFORMANCE ASSESSMENT
GROUP REVENUE	achieved
GROUP NPAT	achieved
GROUP ROIC	outperformed
REGION AND BUSINESS LINE PROFIT	achieved
REGIONAL CERTIVVA	outperformed

5.2. CASH COMPENSATION

<i>(CHF thousand)</i>	2015	2014
To the Operations Council (including Senior Management)	13 305	11 607
To Senior Management (including Chief Executive Officer)	3 143	2 559
To the Chief Executive Officer	1 943	1 649
<i>Former Incumbent (pro rata)</i>	<i>852</i>	<i>1 649</i>
<i>Current Incumbent (pro rata)</i>	<i>1 091</i>	-

The total cash compensation paid to the Operations Council includes the annual base salaries, the cash portion of the Short-Term Incentive, and any other cash allowances, including allowances paid to individual members in respect of vehicle, housing and schooling. Post-employment benefits of CHF 1 081 thousand are not included (2014: CHF 1 046 thousand). Employer's contributions to social benefits are excluded as well. The overall higher cash compensation is explained by the overlap of incumbents on the CEO position and one EVP position.

The achievement of financial targets at Group level, in the businesses and in the regions ranges from 79.3% to 138.2% (2014: 77.2% to 107.7%). The overall Short-Term Incentive payout amounts to 107.1% for the CEO (2014: 123.6%) and ranges from 53.9% to 158.9% for the members of the Operations Council (2014: 42.6% to 148%). For the purpose of the Short-Term Incentive, targets and performance achievement are measured at constant currency exchange rates.

5.3. SHARE-BASED COMPENSATION

5.3.1. Restricted Shares

In settlement of 2015 Short-Term Incentive, SGS restricted shares will be allocated to the Operations Council (including Senior Management) in April 2016 (2014: 1 319 249 SGSPF share options were granted in February 2015). The shares are allocated at their fair market value, being defined as the average closing price of the share during a 20-day period following the payment of the dividends after the Annual General Meeting, and are restricted for a period of three-years.

5.3.2. Long-Term Incentive Plan

Under the 2015 LTI Plan, a total of 14 570 PSUs were granted to the Operations Council members (including Senior Management) in 2015. The Senior Management was awarded a total of 3 772 PSUs, which includes 2 346 PSUs awarded to the Chief Executive Officer. The vesting date of such PSU is 31 December 2017. The vesting is conditional upon the Group achieving or exceeding its financial targets over the three-year performance period (2015-2017) of relative organic revenue growth, relative NPAT improvement, relative TSR and absolute free cash flow.

The value of the PSUs granted in 2015 measured at the grant date fair value does not exceed the maximum amount of CHF 30 million approved at the Annual General Meeting 2015.

5.3.3. Discontinued Share Option Plans

The following table presents details of the share options awarded to members of the Operations Council, Senior Management and the CEO, active at 31 December 2015, and shows those options which have been granted, vested and/or became exercisable in 2015.

TYPE OF OPTIONS ¹ (YEAR OF ISSUE)	STRIKE PRICE (CHF) ²	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (CHF THOUSAND)	NUMBER VESTED ON 31 DECEMBER 2015	NUMBER VESTED ON 31 DECEMBER 2014
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT AND CHIEF EXECUTIVE OFFICER)					
SGSMF (2011)	1 617	573 909	1 636	572 241	572 241
SGSKF (2012)	1 497	651 925	1 734	651 925	434 617
SGSWS (2013)	2 013	807 068	1 800	538 045	538 045
SGSPF (2014)	2 059	612 341	1 543	408 227	204 114
SGSMF-2011 LTI	1 617	2 840 000	8 094	1 405 000	-
SGSBB (2015)	1 798	921 319	2 045	307 106	-
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)					
SGSMF (2011)	1 617	80 149	228	80 149	80 149
SGSKF (2012)	1 497	102 676	273	102 676	68 451
SGSWS (2013)	2 013	89 895	200	59 930	59 930
SGSPF (2014)	2 059	89 928	227	59 952	29 976
SGSMF-2011 LTI	1 617	320 000	912	160 000	-
SGSBB (2015)	1 798	145 545	323	48 515	-
CHIEF EXECUTIVE OFFICER					
SGSMF (2011)	1 617	46 227	132	46 227	46 227
SGSKF (2012)	1 497	61 621	164	61 621	41 081
SGSWS (2013)	2 013	46 632	104	31 088	31 088
SGSPF (2014)	2 059	23 464	59	15 643	7 821
SGSMF-2011 LTI	1 617	200 000	570	100 000	-
SGSBB (2015)	1 798	82 727	184	27 576	-

1. One hundred options give the right to acquire one share.

2. Before adjustment for capital reductions and special dividends.

5.4. TOTAL COMPENSATION TO THE OPERATIONS COUNCIL, SENIOR MANAGEMENT AND CHIEF EXECUTIVE OFFICER

The tables below present all components of the remuneration earned in 2014 and 2015 by the Operations Council, by the Senior Management and by the Chief Executive Officer.

Total compensation for 2015:

(CHF thousand)	BASE SALARY	CONTRIBUTION TO PENSION BENEFITS	OTHER EMPLOYMENT BENEFITS	ANNUAL CASH BONUS	ANNUAL GRANT OF RESTRICTED SHARES ¹	LONG-TERM INCENTIVE PSUs GRANT ²	TOTAL 2015 COMPENSATION (INCLUDING RESTRICTED SHARES AND PSU)
To the Operations Council (including Senior Management) ³	8 205	1 081	3 508	2 944	2 680	13 468	31 886
To Senior Management (including Chief Executive Officer) ⁴	1 950	260	841	731	731	3 487	8 000
To the Chief Executive Officer	1 140	148	614	438	438	2 169	4 947
Former Incumbent (pro rata)	496	50	404	93	93	-	1 136
Current Incumbent (pro rata)	644	98	210	345	345	2 169	3 811

1. Restricted Shares that will be granted in April 2016.

2. Valuation of the Performance Share Units (PSUs) granted under the 2015-2017 Long-Term Incentive plan (LTI) according to IFRS2. PSUs vesting is subject to company performance conditions. As per Swiss law requirements, the total valuation of the 3-year period has to be disclosed when PSUs are granted contrary to IFRS (valuation disclosed over the LTI 3-year period).

3. 24 FTE (Full Time Equivalent).

4. 3 FTE.

7. SGS REMUNERATION REPORT

Total compensation for 2014:

<i>(CHF thousand)</i>	BASE SALARY	CONTRIBUTION TO PENSION BENEFITS	OTHER EMPLOYMENT BENEFITS	ANNUAL CASH BONUS	ANNUAL GRANT OF SHARE OPTIONS	DISCRETIONARY CASH BONUS	TOTAL 2014 COMPENSATION (INCLUDING OPTIONS)
To the Operations Council (including Senior Management) ¹	7 680	1 046	2 198	2 603	2 929	75	16 531
To Senior Management (including Chief Executive Officer) ²	1 576	271	344	814	828	75	3 908
To the Chief Executive Officer	1 000	172	216	577	689	-	2 654

1. 24 FTE (Full Time Equivalent).

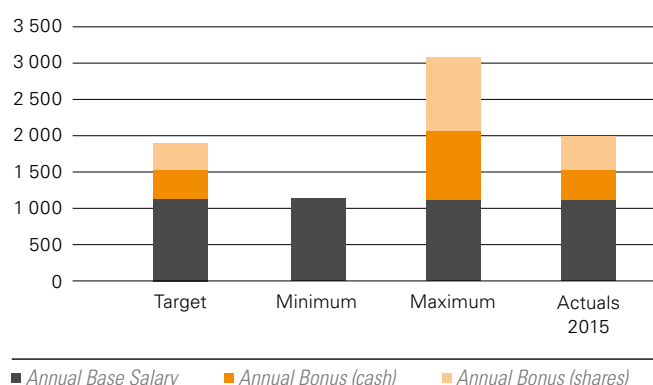
2. 3 FTE.

In the year under review, the highest compensation paid by the Group was awarded to the Chief Executive Officer.

The following charts illustrate the ratio between fixed and variable remuneration for the CEO and for the other members of the Operations Council on average (without CEO). The ratio depends on the extent to which pre-defined objectives have been achieved and is being shown at target (assuming performance at the required level), at minimum (no payout under the Short-Term Incentive due to underperformance), at maximum (maximum payout under the Short-Term Incentive plan) and at actual levels achieved in 2015. The charts exclude Long-Term Incentive grants.

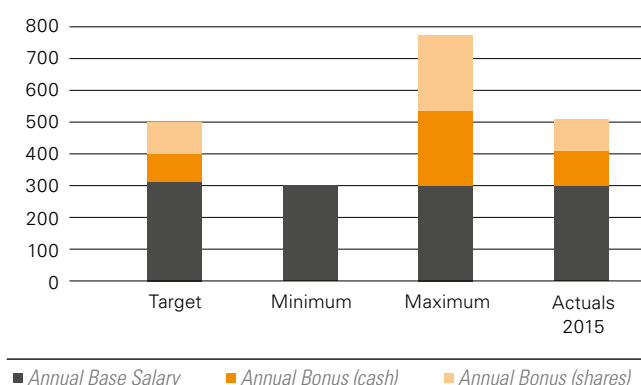
CEO REMUNERATION MIX

(CHF thousand)



OPERATION COUNCIL (EXCLUDING CEO) REMUNERATION MIX (ON AVERAGE)

(CHF thousand)



In 2015, the variable actual remuneration of the Chief Executive Officer represented 44% of the total actual compensation (2014: 56%), split in cash (22%) and restricted shares (22%). For the Operations Council, including Senior Management, the variable remuneration amounted to 41% of the total compensation on average (2014: 42%), split in cash (21%) and options (20%). Total compensation includes the fixed remuneration (base salary) and the variable remuneration paid out for 2015 (Short-Term Incentive in cash and restricted shares). It excludes fringe and social benefits.

5.5. OTHER COMPENSATION

5.5.1. Severance Payments

All employment contracts for current Operations Council members have been amended in 2015, aligning with the timing and requirements under the Minder Ordinance. There was an exception for one member of the Operations Council, who stepped down on 30 September 2015 according to the terms of his pre-existing contractual arrangements. His compensation reflected in the separation agreement for the financial year amounts to CHF 350 000 (2014: CHF 0).

5.5.2. Loans to Members of Governing Bodies

As at 31 December 2015, no loan, credit or outstanding advance was due to the Group from members of its governing bodies (unchanged from prior year).

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of
SGS SA, GENEVA

REPORT OF THE STATUTORY AUDITOR IN RELATION TO SECTIONS 4 AND 5 OF THE REMUNERATION REPORT IN ACCORDANCE WITH THE ORDINANCE AGAINST EXCESSIVE COMPENSATION IN STOCK EXCHANGE LISTED COMPANIES (ORDINANCE)

We have audited sections 4 and 5 of the Remuneration Report of SGS SA for the year ended 31 December 2015, presented on pages 127 to 130.

Board of Directors' Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Remuneration Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether sections 4 and 5 of the Remuneration Report comply with Swiss law and articles 14 – 16 of the Ordinance.

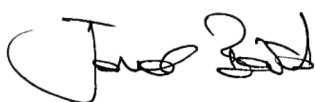
An audit involves performing procedures to obtain audit evidence on the disclosures made in the Remuneration Report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of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

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

Opinion

In our opinion, sections 4 and 5 of the Remuneration Report of SGS SA for the year ended 31 December 2015 comply with Swiss law and articles 14 – 16 of the Ordinance.

DELOITTE SA



James Baird

*Licensed Audit Expert
Auditor in Charge*



Fabien Bryois

Licensed Audit Expert

Geneva, 8 February 2016

8. SGS GROUP RESULTS



changes in demographic assumptions
changes in financial assumptions
at 31 DECEMBER

of the defined benefit obligation



207	103	69
30	10	2
	1	10
5	13	6
	1	
167	(14)	(7)
(7)	(1)	
		4
	22	1
145	235	65

of CHEXX millio

UK

16

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	NOTES	2015	2014
REVENUE		5 712	5 883
Salaries and wages		(2 849)	(2 891)
Subcontractors' expenses		(345)	(361)
Depreciation, amortisation and impairment	10 and 12	(322)	(304)
Other operating expenses	5	(1 374)	(1 386)
OPERATING INCOME (EBIT)		822	941
Analysis of operating income			
Adjusted operating income		917	947
Restructuring costs		(64)	(11)
Amortisation of acquisition intangibles		(21)	(20)
Transaction and integration-related costs		(10)	(7)
Other non-recurring items		-	32
Operating income		822	941
Financial income	6	13	17
Financial expenses	7	(56)	(58)
PROFIT BEFORE TAXES		779	900
Taxes	8	(195)	(234)
PROFIT FOR THE YEAR		584	666
<i>Profit attributable to:</i>			
Equity holders of SGS SA		549	629
Non-controlling interests		35	37
BASIC EARNINGS PER SHARE (IN CHF)	9	71.99	81.99
DILUTED EARNINGS PER SHARE (IN CHF)	9	71.95	81.65
DIVIDEND PER SHARE (IN CHF)		68.00¹	68.00

1. As proposed by the Board of Directors.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	2015	2014
Actuarial (losses)/gains on defined benefits plans	(40)	(100)
Income tax on actuarial (losses)/gains taken directly to equity	9	26
Items that will not be subsequently reclassified to income statement	(31)	(74)
Exchange differences and other ¹	(254)	82
Items that may be subsequently reclassified to income statement	(254)	82
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(285)	8
Profit for the year	584	666
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	299	674
<i>Attributable to:</i>		
Equity holders of SGS SA	266	643
Non-controlling interests	33	31

1. In 2015, exchange differences included net exchange gain of CHF 40 million on long-term loans treated as net investment in a foreign entity according to International Accounting Standard (IAS) 21 (2014: gain of CHF 14 million).

In 2015, this amount included less than CHF 1 million of adjustments due to the marketable securities recognised as financial instrument available for sale (2014: nil).

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER (BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS)

<i>(CHF million)</i>	NOTES	2015	2014
ASSETS			
NON-CURRENT ASSETS			
Land, buildings and equipment	10	964	1 043
Goodwill	11	1 088	1 105
Other intangible assets	12	218	232
Investments in associated and other companies		32	24
Deferred tax assets	8	173	195
Other non-current assets	13 and 24	142	49
TOTAL NON-CURRENT ASSETS		2 617	2 648
CURRENT ASSETS			
Unbilled revenues and inventories	14	288	330
Trade accounts and notes receivable	15	917	1 068
Other receivables and prepayments	16	338	371
Marketable securities	17	244	9
Cash and cash equivalents	18	1 490	1 341
TOTAL CURRENT ASSETS		3 277	3 119
TOTAL ASSETS		5 894	5 767
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	22	8	8
Reserves		2 222	2 473
Treasury shares	22	(324)	(154)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA		1 906	2 327
Non-controlling interests		75	76
TOTAL EQUITY		1 981	2 403
NON-CURRENT LIABILITIES			
Loans and obligations under finance leases	23	2 214	1 672
Deferred tax liabilities	8	60	74
Retirement benefit obligations	24	181	176
Provisions	25	97	97
TOTAL NON-CURRENT LIABILITIES		2 552	2 019
CURRENT LIABILITIES			
Loans and obligations under finance leases	23	3	18
Trade and other payables	26	526	511
Provisions	25	19	19
Current tax liabilities		159	175
Other creditors and accruals	27	654	622
TOTAL CURRENT LIABILITIES		1 361	1 345
TOTAL LIABILITIES		3 913	3 364
TOTAL EQUITY AND LIABILITIES		5 894	5 767

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	NOTES	2015	2014
Profit for the year		584	666
Other non-cash items	19	541	559
Decrease/(Increase) in working capital	19	160	(109)
Taxes paid		(223)	(204)
<i>Core operating cash flow</i>		<i>1 062</i>	<i>912</i>
Pension funds special contribution ¹		(103)	-
CASH FLOW FROM OPERATING ACTIVITIES		959	912
Purchase of land, buildings, equipment and other intangible assets	10 and 12	(301)	(305)
Net (acquisition) of businesses	3 and 19	(104)	(114)
(Increase)/decrease in other non-current assets		-	(4)
(Increase)/decrease in marketable securities and other		(248)	1
Interest and dividends received		13	9
Sales of land, buildings and equipment		15	13
CASH FLOW FROM INVESTING ACTIVITIES		(625)	(400)
Dividends paid to equity holders of SGS SA		(522)	(499)
Dividends paid to non-controlling interests		(34)	(24)
Transaction with non-controlling interests		(2)	1
Cash received on treasury shares		81	31
Cash (paid) on treasury shares		(228)	-
Proceeds of corporate bonds		549	362
Interest paid		(55)	(43)
Net flows related to Interest Rate Swaps		16	2
(Decrease)/Increase in borrowings		(15)	2
CASH FLOW FROM FINANCING ACTIVITIES		(210)	(168)
Currency translations		25	33
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		149	377
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1 341	964
Increase/(decrease) in cash and cash equivalents		149	377
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	1 490	1 341

1. See note 24.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(CHF million)	ATTRIBUTABLE TO								
	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVE	CUMULATIVE TRANSLATION ADJUSTMENTS	CUMULATIVE GAINS/(LOSSES) ON DEFINED BENEFIT PLANS ¹	RETAINED EARNINGS AND GROUP RESERVES	EQUITY HOLDERS OF SGS SA	NON-CONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AT 1 JANUARY 2014	8	(179)	111	(758)	(133)	3 094	2 143	69	2 212
Profit for the year	-	-	-	-	-	629	629	37	666
Other comprehensive income for the year	-	-	-	88	(74)	-	14	(6)	8
<i>Total comprehensive income for the year</i>	-	-	-	88	(74)	629	643	31	674
Dividends paid	-	-	-	-	-	(499) ²	(499)	(24)	(523)
Share-based payments	-	-	10	-	-	-	10	-	10
Movement in non-controlling interests	-	-	-	-	-	(1)	(1)	-	(1)
Movement on treasury shares	-	25	-	-	-	6	31	-	31
BALANCE AT 31 DECEMBER 2014	8	(154)	121	(670)	(207)	3 229	2 327	76	2 403
BALANCE AT 1 JANUARY 2015	8	(154)	121	(670)	(207)	3 229	2 327	76	2 403
Profit for the year	-	-	-	-	-	549	549	35	584
Other comprehensive income for the year	-	-	-	(252)	(31)	-	(283)	(2)	(285)
<i>Total comprehensive income for the year</i>	-	-	-	(252)	(31)	549	266	33	299
Dividends paid	-	-	-	-	-	(522) ²	(522)	(34)	(556)
Share-based payments	-	-	9	-	-	-	9	-	9
Movement in non-controlling interests	-	-	-	-	-	(1)	(1)	-	(1)
Deferred tax on pension funds special contribution	-	-	-	-	-	(24)	(24)	-	(24)
Movement on treasury shares	-	(170)	-	-	-	21	149	-	(149)
BALANCE AT 31 DECEMBER 2015	8	(324)	130	(922)	(238)	3 252	1 906	75	1 981

1. Net of tax.

2. The amounts available for dividends are based on SGS SA's statutory standalone shareholders' equity, determined in accordance with the legal provisions of the Swiss Code of Obligations.

NOTES

1. ACTIVITIES OF THE GROUP

SGS SA and its subsidiaries (the "Group") operate around the world under the name SGS. The head office of the Group is located in Geneva, Switzerland.

SGS is the global leader and innovator in inspection, verification, testing and certification services supporting international trade in agriculture, minerals, petroleum and consumer products. It also provides these services to governments, international institutions and to customers engaged in the industrial, environmental and life science sectors.

2. SIGNIFICANT ACCOUNTING POLICIES AND EXCHANGE RATES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group are stated in millions of Swiss Francs. They are prepared from the financial statements of the individual companies within the Group with all significant companies having a year-end of 31 December 2015. The consolidated financial statements comply with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accounting conventions and accounting policies are the same as those applied in the 2014 consolidated financial statements, except for the Group's adoption of new IFRS effective 1 January 2015.

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

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted the following Amendments, Improvements and Interpretations:

Current year adoption

- Amendments to IAS 19: Defined Benefit Plans - Employee Contributions
- Annual Improvements to IFRSs

Issued but not yet effective

- IFRS 9 Financial Instruments (as revised in 2014)
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Annual Improvements to IFRSs
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The directors are assessing the future impacts resulting of the adoption of these new Standards, Improvements, Amendments and Interpretations on the consolidated financial statements.

BASIS OF CONSOLIDATION

Subsidiaries

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

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

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

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

The principal operating companies of the Group are listed on pages 200 to 203.

Associates

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

Joint Ventures

A joint venture is a jointly controlled entity or operation where the parties have joint rights to the net assets. The consolidated financial statements include the Group's share of the earnings and net assets on an equity accounting basis of joint ventures that it does not control, effective from the date that joint control commences until the date that joint control ceases.

Joint Operations

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

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

Investments in Companies not Accounted for as Subsidiaries, Associates or Jointly Controlled Entities

Investments in companies not accounted for as subsidiaries, associates or jointly controlled entities (normally below 20% shareholding levels) are stated at cost less any provision for impairment. The fair value of these investments cannot be reliably measured. Dividends received from these investments are included in financial income.

Transactions Eliminated on Consolidation

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

Foreign Currency Transactions

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

Consolidation of Foreign Companies

All assets and liabilities of foreign companies that are consolidated are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the year. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment.

Average exchange rates are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenues represent fees for services rendered to third parties after the deduction of discounts and are

recognised when the service has been completed. In certain circumstances, revenue is recognised in proportion to the stage of completion, normally determined by reference to costs incurred to date in comparison with the total estimated costs of the transaction at the balance sheet date. No margin is recognised on work-in-progress. Completed, but unbilled, services are recorded at net selling prices.

SEGMENT INFORMATION

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

The Group operates in ten business segments. The Chief Operating Decision Maker evaluates segment performance and allocates resources based on several factors, of which revenue, adjusted operating income and return on capital are the main criteria.

For the Group, the Chief Operating Decision Maker is the Senior Management composed of: the Chief Executive Officer, the Chief Financial Officer and the General Counsel.

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

Segment assets and liabilities comprise all assets and all liabilities held by the Group's operating affiliates after elimination of inter-company balances.

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

Depreciation and amortisation of segment assets include depreciation of buildings and equipment as well as other intangible assets. Impairment of segment assets includes impairment related to land, buildings and equipment, goodwill and other intangible assets when incurred.

LAND, BUILDINGS AND EQUIPMENT

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

- Buildings 12 – 40 years
- Machinery and equipment 3 – 10 years
- Other tangible assets 3 – 10 years

LEASES

Assets acquired under finance lease agreements, which provide the Group with substantially all the risks and rewards of ownership, are capitalised at fair value or, if lower, at amounts equivalent to the estimated present value of the underlying minimum lease payments. The corresponding liabilities are included in long and short-term loans. These leased assets are depreciated over the lease period or their estimated useful lives, whichever is shorter.

Leases where the lessor retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease expenditures are expensed on a straight-line basis over the lease terms.

GOODWILL

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

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

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

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

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

Goodwill and other intangible assets with indefinite useful lives acquired as part of business combinations are tested for possible impairment annually and whenever events or changes in circumstances indicate their value may not be fully recoverable.

For the purpose of impairment testing, the Group has adopted a uniform method for assessing goodwill and other intangibles recognised under the acquisition method of accounting. These assets are allocated to the Cash Generating Unit (CGU) or group of CGUs that are expected to benefit from the business combination. The recoverable amount of a CGU is determined through a value-in-use calculation. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates, operating margins and expected changes to selling prices or direct costs during the period. Pre-tax discount rates used are based on the Group's weighted average cost of capital, adjusted for specific risks associated with the CGU's cash flow projections. The growth rates are based on industry growth forecasts.

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

For all CGUs, a value-in-use calculation is performed using cash flow projections covering the next 10 years. The cash flows for the first five years take into account the most recent financial results and outlook approved by management, while the subsequent five years are extrapolated based on the estimated long-term growth rate for the relevant activity.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

OTHER INTANGIBLE ASSETS

Intangible assets, including software, licences, trademarks and customer relationships are capitalised and amortised on a straight-line basis over their estimated useful lives, normally not exceeding 20 years. Indefinite life intangible assets are not amortised but are subject to an annual impairment test. The following useful lives are used in the calculation of amortisation:

- Trademarks 5 – 20 years
- Customer relationships 5 – 20 years
- Computer software 1 – 4 years

Other intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if their fair value can be measured reliably. Internally generated intangible assets are recognised if the asset created can be identified, it is probable that future economic benefits will be generated from it, the related development costs can be measured reliably and sufficient financial resources are available to

complete the development. These assets are amortised on a straight-line basis over their useful lives, which usually do not exceed four years. All other development costs are expensed as incurred.

IMPAIRMENT OF ASSETS EXCLUDING GOODWILL

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

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

REVERSAL OF IMPAIRMENT LOSSES

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

UNBILLED REVENUES AND INVENTORIES

Completed but unbilled services are recorded at net selling prices.

Work-in-progress is measured at the lower of the costs incurred in providing the service and its ultimate invoice price less costs to complete.

RECEIVABLES

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

MARKETABLE SECURITIES

Marketable securities are recorded in the balance sheet at fair value. Movements in the fair value of marketable securities are reported in the income statement as financial income/ expenses. For marketable securities designated as being available for sale, the movements in fair value are recorded as a component of shareholders' equity and recognised in the income statement at the time of disposal. Marketable securities designated as available for sale are those that are not classified as at fair value through profit and loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, deposits held with banks and investments in money market instruments with an original maturity of three months or less. Bank overdrafts are included within current loans.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

Derivative financial instruments are initially recognised at fair value and subsequently re-measured at fair value at each balance sheet date. The gains and losses resulting from the fair value re-measurement are recognised in the income statement.

The fair value of forward exchange contracts is determined with reference to market prices at the balance sheet date.

The Group designates and documents certain derivatives as hedging instruments against changes in fair value of recognised assets and liabilities. The effectiveness of such hedges is assessed at inception and verified at regular intervals, at least each semester, using prospective and retrospective testing.

CORPORATE BONDS

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

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

The Group uses fair value hedges to mitigate interest rate risks relating to its corporate bonds. The changes in fair value of hedging instruments are recognised in the income statement. Hedge accounting was discontinued in 2015 with the termination of Interest Rate Swap.

EMPLOYEE BENEFITS

Pension Plans

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

In such cases, the liability is recorded in the Group's consolidated balance sheet.

8. SGS GROUP RESULTS

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

Past service costs are immediately recognised as an expense. Net interest expense is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Payments to defined contribution plans are recognised as an expense in the income statement as incurred.

Post-employment Plans Other than Pensions

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

Equity Compensation Plans

The Group provides additional benefits to certain senior executives and employees through equity compensation plans (see note 31). An expense is recognised in the income statement for shares and equity-linked instruments granted to senior executives and employees under these plans.

TRADE PAYABLES

Trade payables are recognised at nominal value that approximates the fair value.

PROVISIONS

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

In the case of litigation and claims relating to services rendered, the amount that is ultimately recorded is the result of a complex process of assessment of a number of variables, and relies on management's informed judgement about the circumstances surrounding the past provision of services. It also relies on expert legal advice and actuarial assessments. Changes in estimates are reflected in the income statement in the period in which the change occurs.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

RESTRUCTURING COSTS

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

CAPITAL MANAGEMENT

Capital comprises equity attributable to equity holders, loans and obligations under finance leases and cash and cash equivalents.

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of the business. The Board also recommends the level of dividends to be distributed to ordinary shareholders on an annual basis.

The Group maintains sufficient liquidity at the Group and subsidiary level to meet its working capital requirements, fund capital purchases and small and medium-sized acquisitions.

Cash and cash equivalents as well as loans and obligations under finance leases are disclosed in notes 18 and 23.

In 2015, the Board of Directors of SGS SA authorised a new share buyback program of up to CHF 750 million. Up to CHF 500 million is designated for capital reduction through cancellation of the repurchased shares and up to CHF 250 million for employee equity participation plans and/or utilisable as underlying securities for potential issuances of convertible bonds. The program started on 29 January 2015 and will close on 30 December 2016 at the latest.

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

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

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

TAXES

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

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

Current income tax assets and liabilities are offset when the income taxes are levied by the same taxing authority and where there is a legally enforceable right of offset. Deferred tax assets and liabilities are determined based on enacted or substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

EARNINGS PER SHARE

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

DIVIDENDS

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

TREASURY SHARES

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

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the entity's accounting policies described above, management has made the following judgements that have a significant effect on the amounts recognised in the financial statements.

Legal and Warranty Claims on Services Rendered

The Group is subject to litigation and other claims as described in note 25.

Management bases its judgements on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedent and evaluation of applicable insurance cover where appropriate.

The Group's legal and warranty claims are reviewed, at a minimum, on a quarterly basis by a cross-functional representation of management.

Use of Estimates

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

Recoverability of Trade Accounts and Notes Receivable

Trade accounts and notes receivable are reflected net of an estimated allowance for doubtful accounts (see note 15). These allowances for potential uncollectible amounts are estimated based primarily on the Group's ageing policy guidelines, individual client analysis and an analysis of the underlying risk profile of each major revenue stream by business and geography.

Impairment of Goodwill

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

Estimations of Employee Post-employment Benefits Obligations

The Group maintains several defined benefit pension plans in accordance with local conditions and practices in the countries in which it operates. The related obligations recognised in the balance sheet represent the present value of the defined benefit obligations calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates, salary progression rates and mortality rates. These actuarial assumptions vary according to the local prevailing economic and social conditions. Details of the assumptions used are provided in note 24.

8. SGS GROUP RESULTS

Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and

calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due, including estimated interest and penalties where appropriate. Where the

final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

EXCHANGE RATES

The most significant currencies for the Group were translated at the following exchange rates into Swiss Francs:

	YEAR-END RATES			ANNUAL AVERAGE RATES		
		2015	2014	2015	2014	
Australia	AUD	100	72.24	80.59	72.44	82.49
Brazil	BRL	100	25.64	36.54	29.37	38.96
Canada	CAD	100	71.54	84.92	75.45	82.86
Chile	CLP	100	0.14	0.16	0.15	0.16
China	CNY	100	15.28	15.92	15.32	14.85
Eurozone	EUR	100	108.42	120.22	106.91	121.47
United Kingdom	GBP	100	146.91	153.47	147.19	150.69
Korea	KRW	100	0.08	0.09	0.09	0.09
India	INR	100	1.49	1.55	1.50	1.50
Taiwan	TWD	100	3.01	3.11	3.03	3.02
USA	USD	100	99.15	98.76	96.26	91.48

3. BUSINESS COMBINATIONS

The following business combinations and occurred during 2015 and 2014:

ACQUISITIONS 2015

In 2015, the Group completed 10 acquisitions for a total purchase price of CHF 128 million (note 20).

SVA Ltd.

Effective 15 May 2015, SGS acquired for a purchase price of CHF 39 million, 100% of SVA Ltd., an independent provider of advisory, testing and regulatory services for the food and consumer products industry, based in United Kingdom.

SIGA

Effective 1 October 2015, SGS acquired for a purchase price of CHF 43 million, 70% of SIGA Ingeniera Consultoria SA, a leading project management, technical inspection and engineering consulting company in Chile.

Other

In 2015, other acquisitions included:

- 100% of AirServices Estudos e Avaliações Ambientais Ltda., performing air emission monitoring and testing, as well as environmental studies, based in Sao Paulo, Brazil (effective 1 February 2015);
- 100% of Cronolab Referência em Análises Químicas e Ambientais Ltda., providing water, soil and air testing, with a special focus on dioxins and furans, based in Rio de Janeiro, Brazil (effective 1 February 2015);

- 100% of Radiation Safety Services Pty Ltd. (RSS), providing transport and disposal of radioactive sources, compliance, calibration, audit and survey, radiation officer training and other training and consulting services related to radiation, headquartered in Mackay, Australia (effective 1 March 2015);
- 100% of Western Radiation Services Pty Ltd. (WRS), specialising in the analysis of water, soils, sediment and food for radioactive materials operating out of Perth, Australia (effective 1 March 2015);
- 100% of Testing Services Group LLC (TSG), a provider of fuel systems testing for global customers in the automotive, small engine, marine, portable fuel container and US government markets, based in Michigan, USA (effective 1 May 2015);

- 100% of DLH, a provider of vehicle inspections services, headquartered in Lyon, France (effective 1 June 2015);
- 100% of Le Brigand NDT, a provider of non-destructive testing services on composite and metallic structures for the aviation industry, based in Nantes, France (effective 2 October 2015);
- 100% of Quality Compliance Laboratories Inc (QCL), a GMP compliant laboratory providing analytical testing to the pharmaceutical, nutraceutical and cosmeceutical industries, based in Toronto, Canada (effective 8 December 2015).

These companies were acquired for an equivalent of CHF 46 million and the total goodwill generated on these transactions amounted to CHF 35 million (note 20).

Total

All the above transactions contributed in total CHF 45 million in revenues and CHF 9 million in operating income. Had all acquisitions been effective 1 January 2015, the revenues for the period would have increased by CHF 110 million and the Group operating income for the period would have been increased by CHF 16 million. None of the goodwill arising on these acquisitions is expected to be tax deductible.

DIVESTMENTS 2015

There were no significant disposals in 2015.

ACQUISITIONS 2014

In 2014, the Group completed 10 acquisitions for a total purchase price of CHF 119 million.

Search Group

Effective 1 July 2014, SGS acquired for a purchase price of CHF 45 million, 100% of Search Group, a leading engineering and sustainability advisory group, laboratory and training institute, based in the Netherlands.

Other

In 2014, other acquisitions included:

- 100% of Nemko Oy, the company provides testing, calibration and expert services to the domestic and international communication, electronical and electronics industry, based in Finland (effective 1 January 2014);
- 100% of RF Technologies Ltd., a certification body authorised by the Ministry of Internal Affairs and Communications (MIC) of Japan, based in Yokohama, Japan (effective 1 February 2014);
- 100% of Advanced Testing and Engineering Inc., a company specialised in fatigue durability testing laboratory, based in Michigan, USA (effective 1 June 2014);
- 100% of Commercial Aging Services LLC, a company specialised in catalyst aging testing, based in Michigan, USA (effective 1 June 2014);
- 100% of Courtray Consulting SARL, a leading provider of performance testing, validation and expertise services in the global hygiene disposable industry, based in France (effective 1 July 2014);
- 100% of Galson Laboratories Inc., a global leader in industrial hygiene analysis and monitoring solutions, based in Syracuse, USA (effective 1 August 2014);
- 100% of Röntgen Technische Dienst NV, a global leader in non-destructive testing services based in Belgium (effective 1 October 2014);
- 100% of Gonzalo de Miguel Redondo S.L.U (GMR), specialised in technical support services to the automotive industry for homologation and approval of new vehicles and automotive part, based in Spain (effective 1 November 2014);
- 100% of Labtox, a leader in asbestos, polychlorobiphenyl and formaldehyde testing services, based in Switzerland (effective 11 December 2014).

These companies were acquired for an equivalent of CHF 74 million and the total goodwill generated on these transactions amounted to CHF 48 million.

Total

All the above transactions contributed in total CHF 36 million in revenues and CHF 7 million in operating income. Had all acquisitions been effective 1 January 2014, the revenues for the period would have increased by CHF 43 million and the Group operating income for the period would have been increased by CHF 8 million. None of the goodwill arising on these acquisitions is expected to be tax deductible.

DIVESTMENTS 2014

There were no significant disposals in 2014.

4. INFORMATION BY BUSINESS AND GEOGRAPHICAL SEGMENT

<i>(CHF million)</i>	REVENUE	ADJUSTED OPERATING INCOME	AMORTISATION OF ACQUISITION INTANGIBLES	RESTRUCTURING COSTS	OTHER NON- RECURRING ITEMS	OPERATING INCOME BY BUSINESS
2015						
Agricultural Services	368	64	-	(5)	-	59
Minerals Services	633	89	(1)	(24)	-	64
Oil, Gas and Chemicals Services	1 119	129	(3)	(8)	-	118
Life Science Services	211	23	(2)	(1)	-	20
Consumer Testing Services	1 133	270	(2)	(7)	-	261
Systems and Services Certification	419	71	-	(6)	-	65
Industrial Services	884	100	(5)	(9)	-	86
Environmental Services	367	47	(2)	(1)	-	44
Automotive Services	318	62	(6)	(2)	-	54
Governments and Institutions Services	260	62	-	(1)	-	61
TOTAL	5 712	917	(21)	(64)	-	832
						Unallocated costs (10)
						GROUP OPERATING INCOME 822

<i>(CHF million)</i>	REVENUE	ADJUSTED OPERATING INCOME	AMORTISATION OF ACQUISITION INTANGIBLES	RESTRUCTURING COSTS	OTHER NON- RECURRING ITEMS ¹	OPERATING INCOME BY BUSINESS
2014						
Agricultural Services	387	64	-	-	-	64
Minerals Services	703	99	(1)	(10)	-	88
Oil, Gas and Chemicals Services	1 201	144	(3)	-	-	141
Life Science Services	213	20	(2)	-	-	18
Consumer Testing Services	1 093	270	(1)	-	-	269
Systems and Services Certification	414	74	-	-	-	74
Industrial Services	977	122	(5)	-	-	117
Environmental Services	342	34	(2)	(1)	-	31
Automotive Services	303	62	(6)	-	-	56
Governments and Institutions Services	250	58	-	-	32	90
TOTAL	5 883	947	(20)	(11)	32	948
						Unallocated costs (7)
						GROUP OPERATING INCOME 941

1. This amount represents the amicable settlement between SGS and the Republic of Paraguay of a long standing dispute associated with unpaid inspection services.

The revenues reported represent revenue generated from external customers.

UNALLOCATED COSTS 2015

In 2015, the Group incurred CHF 10 million of integration-related costs and transaction-related costs that have been expensed in accordance with IFRS 3 (revised).

RESTRUCTURING COSTS 2015

At the same time, the Group incurred a pre-tax restructuring charge of CHF 64 million, largely as a result of personnel reorganisation due to the decline in market conditions in certain businesses and geographies (CHF 30 million) as well as fixed asset impairment and other charges (CHF 34 million).

UNALLOCATED COSTS 2014

In 2014, the Group incurred CHF 7 million of integration-related costs and transaction-related costs that were expensed in accordance with IFRS 3 (revised).

RESTRUCTURING COSTS 2014

At the same time, the Group incurred a pre-tax restructuring charge of CHF 11 million, largely as a result of personnel reorganisation due to the decline in market conditions in certain businesses and geographies (CHF 3 million) as well as fixed asset impairment and other charges (CHF 8 million).

<i>(CHF million)</i>	2015	%	2014	%
REVENUE FROM EXTERNAL CUSTOMERS BY GEOGRAPHICAL SEGMENT				
Europe/Africa/Middle East	2 553	44.7	2 709	46.0
Americas	1 432	25.1	1 433	24.4
Asia Pacific	1 727	30.2	1 741	29.6
TOTAL	5 712	100.0	5 883	100.0

Revenue in Switzerland from external customers for 2015 amounted to CHF 227 million (2014: CHF 232 million). No country represented more than 15% of revenues from external customers in 2015 or 2014.

MAJOR CUSTOMER INFORMATION

In 2015 and in 2014, no external customer represented 10% or more of the Group's total revenue.

<i>(CHF million)</i>	2015	%	2014	%
OPERATING ASSETS BY BUSINESS SEGMENT				
Agricultural Services	246	5.4	242	5.0
Minerals Services	549	11.9	626	13.1
Oil, Gas and Chemicals Services	912	19.8	951	19.8
Life Science Services	239	5.2	264	5.5
Consumer Testing Services	735	16.0	714	14.9
Systems and Services Certification	243	5.3	199	4.1
Industrial Services	699	15.2	805	16.8
Environmental Services	350	7.6	356	7.4
Automotive Services	415	9.0	422	8.8
Governments and Institutions Services	209	4.6	219	4.6
TOTAL	4 597	100.0	4 798	100.0

8. SGS GROUP RESULTS

<i>(CHF million)</i>	2015	2014
RECONCILIATION OF OPERATING ASSETS BY BUSINESS SEGMENT TO THE BALANCE SHEET		
Assets by business segment as above	4 597	4 798
Non-operating assets	1 297	969
TOTAL ASSETS PER BALANCE SHEET	5 894	5 767

Assets by business segment comprise all assets held by the Group's operating affiliates after elimination of inter-company balances.

SPECIFIC NON-CURRENT ASSETS BY MATERIAL COUNTRIES

Specific non-current assets by material countries:

<i>(CHF million)</i>	2015	%	2014	%
Switzerland	206	8.5	114	4.6
Other countries	2 230	91.5	2 337	95.4
TOTAL SPECIFIC NON-CURRENT ASSETS	2 436	100.0	2 451	100.0

No country represented more than 15% of the specific non-current assets in 2015 or 2014.

<i>(CHF million)</i>	2015	2014
RECONCILIATION WITH TOTAL NON-CURRENT ASSETS		
Specific non-current assets as above	2 436	2 451
Deferred tax assets	173	195
Non-current loans to third parties	8	2
TOTAL	2 617	2 648

<i>(CHF million)</i>	2015	%	2014	%
OPERATING LIABILITIES BY BUSINESS SEGMENT				
Agricultural Services	129	6.4	134	6.6
Minerals Services	221	11.1	243	12.0
Oil, Gas and Chemicals Services	392	19.6	415	20.4
Life Science Services	74	3.7	74	3.6
Consumer Testing Services	396	19.8	378	18.6
Systems and Services Certification	147	7.3	143	7.0
Industrial Services	309	15.5	338	16.6
Environmental Services	128	6.4	118	5.8
Automotive Services	111	5.6	105	5.2
Governments and Institutions Services	91	4.6	86	4.2
TOTAL	1 998	100.0	2 034	100.0

<i>(CHF million)</i>	2015	2014
RECONCILIATION OF OPERATING LIABILITIES BY BUSINESS SEGMENT TO THE BALANCE SHEET		
Liabilities by business segment as above	1 998	2 034
Non-operating liabilities	1 915	1 330
TOTAL LIABILITIES PER BALANCE SHEET	3 913	3 364

<i>(CHF million)</i>	2015	%	2014	%
CAPITAL ADDITIONS BY BUSINESS SEGMENT				
Agricultural Services	15	4.9	17	5.5
Minerals Services	29	9.4	32	10.3
Oil, Gas and Chemicals Services	64	20.8	75	24.0
Life Science Services	15	4.9	16	5.1
Consumer Testing Services	93	30.3	91	29.2
Systems and Services Certification	5	1.6	5	1.6
Industrial Services	30	9.8	30	9.6
Environmental Services	22	7.2	19	6.1
Automotive Services	18	5.9	16	5.1
Governments and Institutions Services	16	5.2	11	3.5
TOTAL	307	100.0	312	100.0

<i>(CHF million)</i>	2015	%	2014	%
DEPRECIATION AND AMORTISATION BY BUSINESS SEGMENT				
Agricultural Services	12	4.0	13	4.4
Minerals Services	37	12.5	43	14.4
Oil, Gas and Chemicals Services	57	19.2	56	18.8
Life Science Services	14	4.7	14	4.7
Consumer Testing Services	80	26.9	74	24.8
Systems and Services Certification	5	1.7	5	1.7
Industrial Services	34	11.4	36	12.1
Environmental Services	22	7.8	22	7.4
Automotive Services	21	7.1	22	7.4
Governments and Institutions Services	13	4.7	13	4.3
TOTAL	295	100.0	298	100.0

<i>(CHF million)</i>	2015	%	2014	%
IMPAIRMENT BY BUSINESS SEGMENT				
Agricultural Services	3	11.1	-	0.0
Minerals Services	16	59.3	5	83.3
Oil, Gas and Chemicals Services	-	-	-	0.0
Life Science Services	-	-	-	0.0
Consumer Testing Services	1	3.7	1	16.7
Systems and Services Certification	5	18.5	-	0.0
Industrial Services	2	7.4	-	0.0
Environmental Services	-	-	-	0.0
Automotive Services	-	-	-	0.0
Governments and Institutions Services	-	-	-	0.0
TOTAL	27	100.0	6	100.0

8. SGS GROUP RESULTS

	2015	2014
AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHICAL SEGMENT		
Europe/Africa/Middle East	34 721	33 542
Americas	19 873	19 191
Asia Pacific	31 309	30 782
TOTAL	85 903	83 515
Number of employees at year-end	87 962	84 246

5. OTHER OPERATING EXPENSES

<i>(CHF million)</i>	2015	2014
Rental expense, insurance, utilities and sundry supplies	279	287
Consumables, repairs and maintenance	375	400
Communication costs	98	103
Travel costs	357	377
Miscellaneous operating income and expenses	265	219
TOTAL	1 374	1 386

6. FINANCIAL INCOME

<i>(CHF million)</i>	2015	2014
Interest income	11	16
Foreign exchange gains	1	0
Other financial income	1	1
TOTAL	13	17

7. FINANCIAL EXPENSES

<i>(CHF million)</i>	2015	2014
Interest expense	36	40
Loss on derivatives at fair value	13	14
Loss/(gain) arising on an Interest Rate Swap ¹	15	(20)
(Gain)/loss arising on adjustment for hedged item ¹	(15)	20
Other financial expenses	5	2
Net financial expenses on defined benefit plans	2	2
TOTAL	56	58

1. In a designated fair value hedge accounting relationship.

8. TAXES

<i>(CHF million)</i>	2015	2014
MAJOR COMPONENTS OF TAX EXPENSE		
Current taxes	214	223
Deferred tax (credit)/expense relating to the origination and reversal of temporary differences	(19)	11
TOTAL	195	234

The Group has operations in various countries that have differing tax laws and rates. Consequently, the effective tax rate on consolidated income varies from year to year. A reconciliation between the reported income tax expense and the amount that would arise using the weighted average statutory tax rate of the Group is as follows:

<i>(CHF million)</i>	2015	2014
RECONCILIATION OF TAX EXPENSE		
Profit before taxes	779	900
Tax at the domestic rates applicable to the profits earned in the country concerned	140	173
Tax effect of non-deductible or non-taxable items	10	8
Tax charge from/(usage of) unrecognised tax losses	1	2
Non-creditable foreign withholding taxes	34	31
Other	10	20
TAX CHARGE	195	234

<i>(CHF million)</i>	2015		2014	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
COMPONENTS OF DEFERRED INCOME TAX BALANCES				
Fixed assets	33	9	30	12
Inventories and receivables	8	18	17	27
Retirement benefit obligations	21	-	36	-
Provisions and other	36	17	66	17
Intangible assets	8	16	8	18
Tax losses carried forward	67	-	38	-
DEFERRED INCOME TAXES	173	60	195	74

8. SGS GROUP RESULTS

Net change in deferred tax assets/(liabilities):

(CHF million)	TOTAL
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 1 JANUARY 2014	107
(Charged)/credited to the income statement	(11)
Credited/(charged) to the shareholders' equity ¹	26
Exchange differences and other	(1)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2014	121
Credited/(charged) to the income statement	19
(Charged)/credited to the shareholders' equity ¹	(15)
Exchange differences and other	(12)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2015	113

1. Relate to remeasurement gains and losses on pensions. (2015: CHF 9 million, 2014: CHF 26 million) and pension funds special contribution [2015: CHF (24) million, 2014: CHF 0 million].

(CHF million)	2015	2014
REFLECTED IN THE BALANCE SHEET AS FOLLOWS:		
Deferred tax assets	173	195
Deferred tax liabilities	(60)	(74)
TOTAL	113	121

The Group has unrecognised tax losses carried forward amounting to CHF 46 million (2014: CHF 49 million) of which none will expire within the next five years. No tax losses carried forward expired in 2015.

At 31 December 2015, the retained earnings of subsidiaries and foreign incorporated joint ventures consolidated by the Group include approximately CHF 4 125 million (2014: CHF 3 912 million) of undistributed earnings that may be subject to tax if remitted to the parent company. As a Group policy, no deferred tax is recognised in respect of these amounts until the point at which the distributable earnings are determined and foreign statutory requirements, allowing the distribution, are fulfilled. Until that time, the Group is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

9. EARNINGS PER SHARE

Basic earnings per share are calculated as follows:

	2015	2014
Profit attributable to equity holders of SGS SA (CHF million)	549	629
Weighted average number of shares	7 626 002	7 670 752
BASIC EARNINGS PER SHARE (CHF)	71.99	81.99

Diluted earnings per share are calculated as basic earnings per share except that the weighted average number of shares includes the dilutive effect of the Group's share option plans (see note 31):

	2015	2014
Profit attributable to equity holders of SGS SA (CHF million)	549	629
Diluted weighted average number of shares	7 630 172	7 702 444
DILUTED EARNINGS PER SHARE (CHF)	71.95	81.65

Adjusted earnings per share are calculated as follows:

	2015	2014
Profit attributable to equity holders of SGS SA (CHF million)	549	629
Amortisation of acquisition intangibles (CHF million)	21	20
Restructuring costs net of tax (CHF million)	47	8
Transaction and integration-related costs net of tax (CHF million)	8	5
Other non-recurring items net of tax (CHF million)	-	(28)
Adjusted profit attributable to equity holders of SGS SA (CHF million)	625	634
ADJUSTED BASIC EARNINGS PER SHARE (CHF)	81.95	82.69
ADJUSTED DILUTED EARNINGS PER SHARE (CHF)	81.91	82.35

10. LAND, BUILDINGS AND EQUIPMENT

<i>(CHF million)</i>	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2015				
COST				
At 1 January	477	1 750	660	2 887
Additions	8	165	102	275
Acquisition of subsidiaries	-	10	4	14
Disposals	(12)	(40)	(41)	(93)
Exchange differences/other	(29)	(122)	(82)	(233)
At 31 December	444	1 763	643	2 850
ACCUMULATED DEPRECIATION AND IMPAIRMENTS				
At 1 January	229	1 195	420	1 844
Depreciation	16	173	56	245
Impairment	13	4	3	20
Acquisition of subsidiaries	-	6	2	8
Disposals	(8)	(37)	(38)	(83)
Exchange differences/other	(20)	(98)	(30)	(148)
At 31 December	230	1 243	413	1 886
NET BOOK VALUE AT 31 DECEMBER 2015	214	520	230	964
INCLUDED IN LAND, BUILDINGS AND EQUIPMENT ARE LEASED ASSETS AS FOLLOWS				
Purchase cost of leased tangible assets	-	2	-	2
Accumulated depreciation	-	2	-	2
NET BOOK VALUE AT 31 DECEMBER 2015	-	-	-	-

8. SGS GROUP RESULTS

<i>(CHF million)</i>	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2014				
COST				
At 1 January	453	1 545	643	2 641
Additions	10	154	109	273
Acquisition of subsidiaries	(2)	12	4	14
Disposals	(2)	(47)	(25)	(74)
Exchange differences/other	18	86	(71)	33
At 31 December	477	1 750	660	2 887
ACCUMULATED DEPRECIATION AND IMPAIRMENTS				
At 1 January	214	1 026	372	1 612
Depreciation	17	170	60	247
Impairment	2	2	2	6
Acquisition of subsidiaries	-	9	3	12
Disposals	(2)	(39)	(22)	(63)
Exchange differences/other	(2)	27	5	30
At 31 December	229	1 195	420	1 844
NET BOOK VALUE AT 31 DECEMBER 2014	248	555	240	1 043
INCLUDED IN LAND, BUILDINGS AND EQUIPMENT ARE LEASED ASSETS AS FOLLOWS				
Purchase cost of leased tangible assets	-	4	1	5
Accumulated depreciation	-	3	-	3
NET BOOK VALUE AT 31 DECEMBER 2014	-	1	1	2

At 31 December 2015, the Group had commitments of CHF 4 million (2014: CHF 9 million) for the acquisition of land, buildings and equipment.

Included in the other tangible assets are construction-in-progress assets amounting to CHF 24 million (2014: CHF 12 million).

11. GOODWILL

<i>(CHF million)</i>	2015	2014
COST		
At 1 January	1 105	1 009
Additions	85	84
Exchange differences	(102)	12
AT 31 DECEMBER	1 088	1 105

Goodwill impairment reviews have been conducted for goodwill balances allocated to more than 60 cash generating units (CGU). The goodwill balances tested account for 99.4% of the total goodwill net book value reported as at 31 December 2015.

No goodwill impairment was identified and therefore no impairment charge was recorded (2014: nil).

Detailed results of the impairment tests are presented below for larger goodwill balances (representing 42.4% of all goodwill items tested). These tests have all been performed in accordance with the Group's uniform method described on page 140.

AUTOMOTIVE SPAIN AND ARGENTINA

Goodwill recognised on the acquisition of the vehicle inspection businesses of General de Servicios ITV (Inspección Técnica de Vehículos) SA in Spain and Argentina (2010) has been allocated to the Automotive Services Spain and Argentina CGU for impairment testing purposes. The carrying amount of the goodwill allocated to the CGU is expressed in EUR for an equivalent of CHF 128 million as at 31 December 2015 (2014: CHF 142 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 8.9%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the vehicle inspection business served in Europe and South America.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 2.0% would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.

LIFE SCIENCE SERVICES, EUROPE

Goodwill recognised on the following main acquisitions has been allocated to the Life Science Services, Europe CGU for impairment testing purposes: Medisearch International (2003), Cibest (2004), Aster Cephac (2006), M-Scan Group (2010), Exprimio (2011) and Vitrology (2012). The carrying amounts of the goodwill items allocated to this CGU are expressed in EUR for an equivalent of CHF 95 million as at 31 December 2015 (2014: CHF 104 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 6.0%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Life Science Services business in Europe.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 2.0% would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.

INDUSTRIAL SERVICES, NORTH AMERICA

Goodwill mainly recognised on the following main acquisition of Pfinde (2011), FTS US (2007) and MSI (2013) has been allocated to the Industrial Services North America CGU for impairment testing purposes.

The carrying amount of the goodwill allocated to this CGU is expressed in USD and CAD for an equivalent of CHF 71 million as at 31 December 2015 (2014: CHF 73 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 6.7%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Industrial Services business in North America.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 2.0% would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.

MINERALS SERVICES, NORTH AMERICA

Goodwill recognised on the following main acquisitions has been allocated to the Minerals Services North America CGU for impairment testing purposes: Lakefield group (2002) and Minnovex group (2005), SMPN-CEMI (2008) and E&S Engineering (2012). The carrying amounts of the goodwill items allocated to this CGU are expressed in various currencies for an equivalent of CHF 56 million as at 31 December 2015 (2014: CHF 65 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 7.3%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a long-term growth rate of 1.0% and stable operating margins.

The overall assumptions used in the calculation are consistent with the expected average growth rate of the Minerals Services business in North America.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 2.0% would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.

8. SGS GROUP RESULTS

MULTIBUSINESS SERVICES, GERMANY

Goodwill mainly recognised on the following main acquisition of Institut Fresenius AG (2004) and Merlot Nokia Siemens network (2008), has been allocated to a specific cross-business CGU for impairment testing purposes. The carrying amount of the goodwill allocated to this CGU is expressed in EUR for an equivalent of CHF 57 million as at 31 December 2015 (2014: CHF 64 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 6.0%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate in Multibusiness Services in Germany.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 2.0% would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.

OIL, GAS AND CHEMICALS SERVICES, NETHERLANDS AND MALAYSIA

Goodwill recognised on the following main acquisitions of Horizon Energy Partners (2008) and AKZO (2008) has been allocated to the Oil, Gas and Chemicals Services, Netherlands and Malaysia CGU for impairment testing purposes. The carrying amount of the goodwill allocated to the CGU is expressed in EUR for an equivalent of CHF 52 million as at 31 December 2015 (2014: CHF 57 million).

The recoverable amount of the CGU, determined based upon a value-in-use calculation, is higher than its carrying amount. Cash flow projections were used in this calculation, discounted at a pre-tax rate of 7.5%. The cash flows for the first five years were based upon financial plans approved by Group Management while the subsequent years assume a long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculation are consistent with the expected average growth rate of the Oil, Gas and Chemicals Services, Netherlands and Malaysia segment served by the Group.

The key sensitivity for the impairment test is the growth in sales and operating margin. Reducing the expected annual revenue growth rates for the first five years by 2.0% would not result in the carrying amount exceeding the recoverable amount. Reducing the operating margin by 0.25% would not result in the carrying amount exceeding the recoverable amount.

An increase of 1.0% in the discount rate assumption would not change the conclusions of the impairment test.

12. OTHER INTANGIBLE ASSETS

(CHF million)	COMPUTER SOFTWARE AND OTHER ASSETS				
	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	INTERNALLY GENERATED	PURCHASED	TOTAL
2015					
COST					
At 1 January	81	176	85	283	625
Additions	-	-	8	24	32
Acquisition of subsidiaries	3	27	-	-	30
Disposals	-	-	-	(5)	(5)
Exchange differences/other	(8)	(15)	3	(19)	(39)
At 31 December	76	188	96	283	643
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January	44	63	72	214	393
Amortisation	7	15	6	22	50
Impairment	-	1	1	5	7
Acquisition of subsidiaries	-	-	-	-	-
Disposals	-	-	-	(6)	(6)
Exchange differences/other	(4)	(5)	-	(10)	(19)
At 31 December	47	74	79	225	425
NET BOOK VALUE AT 31 DECEMBER 2015	29	114	17	58	218

<i>(CHF million)</i>	COMPUTER SOFTWARE AND OTHER ASSETS				
	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	INTERNALLY GENERATED	PURCHASED	TOTAL
2014					
COST					
At 1 January	82	153	78	240	553
Additions	-	-	7	32	39
Acquisition of subsidiaries	-	20	-	1	21
Disposals	-	-	-	(8)	(8)
Exchange differences/other	(1)	3	-	18	20
At 31 December	81	176	85	283	625
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January	37	49	67	193	346
Amortisation	7	13	5	26	51
Acquisition of subsidiaries	-	-	-	1	1
Disposals	-	-	-	(8)	(8)
Exchange differences/other	-	1	-	2	3
At 31 December	44	63	72	214	393
NET BOOK VALUE AT 31 DECEMBER 2014	37	113	13	69	232

SIGNIFICANT INTANGIBLE ASSETS

The Group is improving global management information systems focusing on contract management, finance and sales order processing. In particular, additions relating to the Group's ERP system amount to CHF 6 million (2014: CHF 5 million) and are being amortised over a period of four years.

Incremental costs relating to internally generated assets are capitalised when incurred and amortised over a period of four years from the time of occurrence. Purchased intangible assets mainly consist of purchased computer software and consultancy services required for implementations.

13. OTHER NON-CURRENT ASSETS

<i>(CHF million)</i>	2015	2014
Non-current loans or amounts receivable from third parties	8	1
Retirement benefit assets	87	-
Other non-current assets	47	48
TOTAL	142	49

Depending on the nature of the balances, currency and date of maturity, interest rates on long-term balances or loans to third parties range between 0% and 16.8%.

In 2015, other non-current assets includes deposits for guarantees and include CHF 28 million (2014: CHF 27 million) of restricted cash. Typical examples of restricted cash are cash deposits for performance bonds, rentals and other operating obligations.

At 31 December 2015 and 2014, the fair value of the Group's other non-current assets approximates the carrying value.

14. UNBILLED REVENUES AND INVENTORIES

<i>(CHF million)</i>	2015	2014
Work-in-progress	61	60
Unbilled revenues	187	212
Inventories	40	58
TOTAL	288	330

15. TRADE ACCOUNTS AND NOTES RECEIVABLE

<i>(CHF million)</i>	2015	2014
Trade accounts and notes receivable	1 015	1 178
Allowance for doubtful accounts	(98)	(110)
TOTAL	917	1 068
Ageing of trade accounts and notes receivables:		
Not overdue	361	446
Past due not more than two months	372	401
Past due more than two months but not more than four months	79	102
Past due more than four months but not more than six months	40	49
Past due more than six months but not more than one year	65	70
Past due more than one year	0	0
TOTAL	917	1 068

The nominal value, less impairment provisions, of trade accounts and notes receivable is considered to approximate their fair value.

The movement of allowance for doubtful accounts is analysed as follows:

<i>(CHF million)</i>	2015	2014
Balance at beginning of the year	(110)	(159)
Acquisition of subsidiaries	(1)	(1)
Increase in allowance recognised in the income statement	(18)	(15)
Utilisations	22	66
Exchange differences	9	(1)
TOTAL	(98)	(110)

Receivables aged less than 360 days are provided when the creditworthiness review indicates that the amounts may become unrecoverable.

The Group provides fully for all trade accounts and notes receivable over 360 days as historical experience shows that receivables aged more than 360 days are generally not recoverable.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Credit risks arise mainly from the possibility that customers may not be able to settle their obligations as agreed. The Group periodically assesses the creditworthiness of customers.

The Group's credit risk is diversified due to the large number of entities that make up the Group's customer base and the diversification across many different industries and geographic regions.

The maximum credit risk to which the Group is theoretically exposed at 31 December 2015 is represented by the carrying amounts of receivables in the balance sheet.

No customer accounts for 5% or more of the Group's total receivables at balance sheet date.

16. OTHER RECEIVABLES AND PREPAYMENTS

<i>(CHF million)</i>	2015	2014
Prepayments	69	76
Derivative assets	22	22
Interest Rate Swap designated in a fair value hedge accounting relationship	-	15
Other receivables	247	258
TOTAL	338	371

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties.

Other receivables consist mainly of sales and other taxes recoverable as well as advances to suppliers and prepaid income tax.

17. MARKETABLE SECURITIES

<i>(CHF million)</i>	2015	2014
Available for sale	244	9
TOTAL	244	9

This amount of CHF 244 million includes CHF 235 million of various investments in Exchange Traded Funds (ETF), denominated in USD.

Unrealised gains or losses on marketable securities designated as available for sale and which are recorded in equity amounted to less than CHF 1 million for 2015 (2014: nil).

18. CASH AND CASH EQUIVALENTS

<i>(CHF million)</i>	2015	2014
Cash and short-term deposits	955	803
Deposits on demand	535	537
Short-term loans	-	1
TOTAL	1 490	1 341

Cash and cash equivalents do not include restricted cash, which is reported within other non-current assets (note 13).

19. CASH FLOW STATEMENT

19.1. OTHER NON-CASH ITEMS

<i>(CHF million)</i>	NOTES	2015	2014
Depreciation of buildings and equipment	10	245	247
Impairment of land, buildings and equipment and other intangible assets	10 and 12	27	6
Amortisation of intangible assets	12	50	51
Net financial expenses		43	41
(Decrease)/increase in provisions and employee benefits		(22)	(28)
Share-based payment expenses		9	10
(Gain)/loss on disposals of land, buildings and equipment		(5)	-
Share of results from associates and other entities		(1)	(2)
Taxes		195	234
OTHER NON-CASH ITEMS		541	559

19.2 INCREASE IN WORKING CAPITAL

<i>(CHF million)</i>	2015	2014
Decrease/(increase) in unbilled revenues and inventories	10	(2)
Decrease/(increase) in trade accounts and notes receivable	64	(90)
(Increase)/decrease in other receivables and prepayments	(12)	(25)
Increase/(decrease) in trade and other payables	36	(4)
Increase/(decrease) in other creditors and accruals	50	29
Increase/(decrease) in other provisions	12	(17)
DECREASE/(INCREASE) IN WORKING CAPITAL	160	(109)

19.3. CASH FLOWS ARISING FROM ACQUISITIONS OF BUSINESSES

<i>(CHF million)</i>	2015 ACQUISITIONS	2014 ACQUISITIONS
Tangible and other long-term assets	(8)	(6)
Intangible assets	(30)	(20)
Current assets excluding cash and cash equivalents	(38)	(21)
Cash and cash equivalents	(6)	(6)
Current liabilities	21	11
Non-current liabilities	12	7
Non-controlling interests	6	-
NET IDENTIFIABLE ASSETS ACQUIRED OR DIVESTED	(43)	(35)
Acquired/(divested) cash and cash equivalents	6	6
SUBTOTAL	(37)	(29)
Goodwill	(85)	(84)
Consideration payable	22	5
Payments on prior year acquisitions	(1)	(6)
Prepayment on acquisitions	(3)	-
NET CASH FLOWS	(104)	(114)

Note 3 provides further information regarding acquisitions of businesses. All acquisitions were settled in cash.

20. ACQUISITIONS

ASSETS AND LIABILITIES ARISING FROM THE 2015 ACQUISITIONS

<i>(CHF million)</i>	SVA FAIR VALUE ON ACQUISITION	SIGA FAIR VALUE ON ACQUISITION	OTHER FAIR VALUE ON ACQUISITION	TOTAL FAIR VALUE ON ACQUISITION
Tangible and other long-term assets	3	2	3	8
Intangible assets	11	14	5	30
Trade accounts and notes receivable	3	21	14	38
Cash and cash equivalents	3	2	1	6
Current liabilities	(3)	(9)	(9)	(21)
Non-current liabilities	(2)	(7)	(3)	(12)
Non-controlling interests	-	(6)	-	(6)
NET ASSETS ACQUIRED	15	17	11	43
Goodwill	24	26	35	85
TOTAL PURCHASE PRICE	39	43	46	128
Acquired cash and cash equivalents	(3)	(2)	(1)	(6)
Consideration payable	(9)	(7)	(6)	(22)
Prepayment on acquisitions	-	-	3	3
NET CASH OUTFLOW ON ACQUISITIONS	27	34	42	103

The goodwill arising on these acquisitions relates mainly to the value of expected synergies and the value of the qualified workforce that do not meet the criteria for recognition as separable intangible assets.

Consideration payable relates mainly to environmental and commercial warranty clauses and future earn-out payments.

The Group incurred transaction-related costs of CHF 4 million (2014: CHF 5 million) related to external legal fees, due diligence expenses as well as the costs of maintaining an internal acquisition department. These expenses are reported within Other Operating Expenses in the consolidated income statement.

21. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's activities expose it primarily to market, credit and liquidity risk. Market risk includes foreign exchange, interest rate and equity price risks.

The risk management policies and objectives are governed by the Group's policies approved by the Board of Directors.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risk and limits continually by means of reliable and up-to-date administrative and information systems.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies.

The Audit Committee is assisted in its oversight role by Internal Audit.

RISK MANAGEMENT ACTIVITIES

The Group uses foreign exchange contracts to manage the Group's exposure to fluctuations in foreign currency exchange rates. These activities are carried out in accordance with the Group's risk management policies and objectives in areas such as counter-party exposure and hedging practices. Counter parties to these agreements are major international financial institutions with high credit ratings and positions are monitored using market value and sensitivity analyses. The associated credit risk is therefore limited. These agreements generally include the exchange of one currency for a second currency at a future date.

The following table summarises foreign exchange contracts outstanding at year-end. The notional amount of derivatives summarised below represents the gross amount of the contracts and includes transactions which have not yet matured. Therefore the figures do not reflect the Group's net exposure at year-end. The market value approximates the costs to settle the outstanding contracts. These market values should not be viewed in isolation but in relation to the market values of the underlying hedged transactions and the overall reduction in the Group's exposure to adverse fluctuations in foreign exchange rates.

Currently, the Group has certain exposure to interest and credit risks and no exposure to equity price risk.

	NOTIONAL AMOUNT		BOOK VALUE		MARKET VALUE	
	2015	2014	2015	2014	2015	2014
<i>(CHF million)</i>						
FOREIGN EXCHANGE FORWARD CONTRACTS						
Currency:						
Australian Dollar (AUD)	(54)	(45)	(1)	(1)	(1)	(1)
Brazilian Real (BRL)	(27)	(40)	1	(1)	1	(1)
Canadian Dollar (CAD)	(19)	(14)	1	-	1	-
Chilean Peso (CLP)	(23)	(26)	(1)	1	(1)	1
Chinese Renminbi (CNY)	19	20	1	-	1	-
Colombian Peso (COP)	(10)	(10)	-	(1)	-	(1)
Czech Koruna (CZK)	-	(2)	-	-	-	-
Euro (EUR)	(318)	(409)	-	6	-	6
British Pound Sterling (GBP)	72	31	(2)	-	(2)	-
Hong Kong Dollar (HKD)	15	267	-	-	-	-
Indian Rupee (INR)	(4)	-	-	-	-	-
Japanese Yen (JPY)	(7)	(4)	-	-	-	-
Kenyan Shilling (KES)	(2)	-	-	-	-	-
Korean Won (KRW)	4	3	-	-	-	-
New Zealand Dollar (NZD)	(4)	-	-	-	-	-
Philippines Peso (PHP)	(7)	(8)	-	-	-	-
Polish Zloty (PLN)	(5)	(6)	-	-	-	-
Russian Rubble (RUB)	3	(3)	-	1	-	1
Turkish New Lira (TRY)	(14)	(16)	-	-	-	-
US Dollar (USD)	(417)	(117)	4	(1)	4	(1)
South African Rand (ZAR)	(23)	(37)	2	-	2	-
Other	(2)	(2)	(1)	-	(1)	-
TOTAL	(823)	(418)	5	4	5	4

FAIR VALUE MEASUREMENT RECOGNISED IN THE BALANCE SHEET

Marketable securities and derivative assets and liabilities are the only financial instruments measured at fair value subsequent to their initial recognition.

Of marketable securities, CHF 244 million (2014: CHF 9 million) qualify as Level 1, fair value measurement category.

Derivative assets (2015: CHF 22 million; 2014: CHF 37 million) and liabilities (2015: CHF 20 million; 2014: CHF 8 million) qualify as Level 2 fair value measurement category in accordance with the fair value hierarchy.

Level 1 fair value measurements are those derived from the quoted price in active markets. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Derivative assets and liabilities consist of foreign currency forward contracts that are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract. In addition, the Interest Rate Swap was measured using quoted interest rates and yield curves derived from quoted interest rates matching maturities of the contract. The Interest Rate Swap was terminated during the year.

The fair values of financial assets and financial liabilities included in the level 2 above have been determined in accordance with generally accepted pricing models.

CREDIT RISK MANAGEMENT

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. It arises principally from the Group's commercial activities. The Group has dedicated standards, policies and procedures to control and monitor such risks.

As part of financial management activities the Group enters into various types of transactions with international banks, usually with a credit rating of at least A. Exposure to these risks is closely monitored and kept within predetermined parameters. The Group does not expect any non-performance by these counter parties.

The maximum credit risk to which the Group is theoretically exposed at 31 December 2015 is the carrying amount of financial assets including derivatives.

Analysis of financial assets by class and category at 31 December 2015:

	AMORTISED COST LOANS AND RECEIVABLES		FAIR VALUE				TOTAL	
	CARRYING AMOUNT	FAIR VALUE	AVAILABLE FOR SALE		AT FAIR VALUE THROUGH P&L		CARRYING AMOUNT	FAIR VALUE
(CHF million)			CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE		
Cash and cash equivalents	1 490	1 490	-	-	-	-	1 490	1 490
Trade receivables	917	917	-	-	-	-	917	917
Other receivables ¹	140	140	-	-	-	-	140	140
Unbilled revenues	187	187	-	-	-	-	187	187
Receivables from 3 rd parties - non-current	8	8	-	-	-	-	8	8
Marketable securities	-	-	244	244	-	-	244	244
Derivatives	-	-	-	-	22	22	22	22
TOTAL FINANCIAL ASSETS	2 742	2 742	244	244	22	22	3 008	3 008

1. Excluding VAT and other tax related items.

In the fair value hierarchy, marketable securities qualify as level 1 and the remaining financial assets qualify as level 2.

8. SGS GROUP RESULTS

Analysis of financial assets by class and category at 31 December 2014:

(CHF million)	AMORTISED COST LOANS AND RECEIVABLES		FAIR VALUE				TOTAL	
	CARRYING AMOUNT	FAIR VALUE	AVAILABLE FOR SALE		AT FAIR VALUE THROUGH P&L		CARRYING AMOUNT	FAIR VALUE
			CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE		
Cash and cash equivalents	1 341	1 341	-	-	-	-	1 341	1 341
Trade receivables	1 068	1 068	-	-	-	-	1 068	1 068
Other receivables ¹	140	140	-	-	-	-	140	140
Unbilled revenues	212	212	-	-	-	-	212	212
Receivables from 3 rd parties - non-current	1	1	-	-	-	-	1	1
Marketable securities	-	-	9	9	-	-	9	9
Derivatives ²	-	-	-	-	37	37	37	37
TOTAL FINANCIAL ASSETS	2 762	2 762	9	9	37	37	2 808	2 808

1. Excluding VAT and other tax related items.

2. Including an Interest Rate Swap designated in a fair value hedge accounting relationship of CHF 15 million.

In the fair value hierarchy, marketable securities qualify as level 1 and the remaining financial assets qualify as level 2.

LIQUIDITY RISK MANAGEMENT

The objective of the Group liquidity and funding management is to ensure that all its foreseeable financial commitments can be met when due. Liquidity and funding is primarily managed by Group Treasury in accordance with practices and limits set in the risk management policies and objectives approved by the Board of Directors.

The nature of the Group's business requires keeping a significant part of the cash reserves in the operating units.

Due to the significant cash position liquidity risk is limited. The Group has various committed and uncommitted bilateral credit facilities with its banks.

Analysis of financial liabilities by class and category at 31 December 2015:

(CHF million)	AMORTISED COST LOANS AND RECEIVABLES		FAIR VALUE		TOTAL	
	CARRYING AMOUNT	FAIR VALUE	AT FAIR VALUE THROUGH P&L		CARRYING AMOUNT	FAIR VALUE
			CARRYING AMOUNT	FAIR VALUE		
Trade payables	226	226	-	-	226	226
Other payables and financial liabilities ¹	162	162	-	-	162	162
Advances from clients	59	59	-	-	59	59
Loans and obligations under finance leases	2 217	2 217	-	-	2 217	2 217
Derivatives	-	-	20	20	20	20
Bank overdrafts	1	1	-	-	1	1
TOTAL FINANCIAL LIABILITIES	2 665	2 665	20	20	2 685	2 685

1. Excluding VAT and other tax related items.

In the fair value hierarchy, all financial liabilities qualify as level 2.

Analysis of financial liabilities by class and category at 31 December 2014:

	AMORTISED COST LOANS AND RECEIVABLES		FAIR VALUE AT FAIR VALUE THROUGH P&L		TOTAL	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<i>(CHF million)</i>						
Trade payables	192	192	-	-	192	192
Other payables and financial liabilities ¹	159	159	-	-	159	159
Advances from clients	41	41	-	-	41	41
Loans and obligations under finance leases	1 686	1 686	-	-	1 686	1 686
Derivatives	-	-	8	8	8	8
Bank overdrafts	4	4	-	-	4	4
TOTAL FINANCIAL LIABILITIES	2 082	2 082	8	8	2 090	2 090

1. Excluding VAT and other tax related items.

In the fair value hierarchy, all financial liabilities qualify as level 2.

Contractual maturities of financial liabilities including interest payments at 31 December 2015:

<i>(CHF million)</i>	BORROWINGS 3 RD PARTY LT AND ST	BANK OVERDRAFTS AND OTHER LIABILITIES	GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS OUTFLOWS	GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS INFLOWS	TRADE PAYABLES AND OTHERS	FINANCE LEASES	TOTAL
On demand or within one year	531	10	1 472	(1 472)	374	-	915
Within the second year	29	6	-	-	1	-	36
Within the third year	30	6	-	-	-	-	36
Within the fourth year	402	-	-	-	1	-	403
Within the fifth year	19	-	-	-	-	-	19
After five years	1 403	-	-	-	-	-	1 403

The Group hedges its foreign exchange exposures on a net basis. The net gross settled derivative financial instruments of less than 1 million (2014: 11 million) represents the net nominal value expressed in CHF of the Group's foreign currency contracts outstanding at 31 December 2015.

Contractual maturities of financial liabilities including interest payments at 31 December 2014:

<i>(CHF million)</i>	BORROWINGS 3 RD PARTY LT AND ST	BANK OVERDRAFTS AND OTHER LIABILITIES	GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS OUTFLOWS	GROSS SETTLED DERIVATIVE FINANCIAL INSTRUMENTS INFLOWS	TRADE PAYABLES AND OTHERS	FINANCE LEASES	TOTAL
On demand or within one year	46	12	1 130	(1 119)	332	1	402
Within the second year	524	4	-	-	-	-	528
Within the third year	26	1	-	-	-	-	27
Within the fourth year	24	-	-	-	-	-	24
Within the fifth year	397	-	-	-	-	-	397
After five years	852	1	-	-	-	-	853

8. SGS GROUP RESULTS

SENSITIVITY ANALYSES

The estimated changes in the value of net foreign currency positions are based on an instantaneous 5% weakening of the Swiss Franc against all other currencies from the level applicable at 31 December 2015 and 2014, with all other variables remaining constant.

Sensitivity analysis at 31 December 2015 and 2014:

<i>(CHF million)</i>	2015		2014	
	INCOME STATEMENT IMPACT INCOME/(EXPENSE)	EQUITY IMPACT INCREASE/(DECREASE)	INCOME STATEMENT IMPACT INCOME/(EXPENSE)	EQUITY IMPACT INCREASE/(DECREASE)
US Dollar (USD)	-	9	(1)	8
Euro (EUR)	(2)	-	(2)	-
CFA Franc BEAC (XAF)	2	-	1	-
New Cedi (GHS)	-	-	(1)	-
Kwanza Angolais (AOA)	1	-	1	-
British Pound Sterling (GBP)	-	-	-	2
Australian Dollar (AUD)	-	2	-	2
Canadian Dollar (CAD)	-	4	-	5
New Metical (MZN)	-	-	-	-
Brazilian Real (BRL)	-	2	-	2
Colombian Peso (COP)	-	-	-	1
Korean Won (KRW)	-	-	-	1
Chilean Peso (CLP)	-	3	-	2

INTEREST RATE RISK MANAGEMENT

The Group is exposed to fair value interest rate risk because the Group borrows funds at fixed interest rates. The risk is managed by the Group by the use of Interest Rate Swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

On 27 May 2011, the Group entered into an Interest Rate Swap agreement, which hedges the 10-year CHF 275 million corporate bond with a coupon of 3.0% issued at the same date. In this case, the Group designated and documented the Interest Rate Swap exchanging fixed rate interest for floating interest as a hedging instrument against changes in fair value of recognised liability (fair value hedge).

On 18 July 2012, the Group received a cash amount of CHF 33 million in relation with the re-setting of the Interest Rate Swap agreement to market rates.

These cash proceeds were recognised against the carrying amount of the corporate bond and will be amortised within interest expense over the remaining life of the corporate bond by adjusting the effective interest rate under the effective interest method.

At the same date, the Group has also re-designated the hedge accounting relationship in compliance with fair value hedge accounting requirements.

In February 2014 the company issued a ten year CHF 250 million straight bond with a coupon of 1.75%. At the same time bond holders of CHF 133 million accepted to exchange their existing 2016 bonds into new bonds with a term of 8 years amounting to CHF 138 million and maturing in 2022 with a coupon of 1.375%. Finally, in 2014 the Company re-opened the bond maturing in 2022 and increased the amount by CHF 112 million to a total of CHF 250 million.

On 12 January 2015, the Group received a cash amount of CHF 15 million in relation with the termination of the Interest Rate Swap agreement to market rates. At the same date, the Group terminated the hedge accounting in compliance with fair value accounting principles.

In May 2015, the Company issued a 15-year CHF 225 million straight bond with a coupon of 0.875% and a 8-year CHF 325 million straight bond with a coupon of 0.25%.

These cash proceeds were recognised against the carrying amount of the corporate bond and will be amortised within interest expense over the remaining life of the corporate bond by adjusting the effective interest rate under the effective interest method.

If interest rates were 50 basis points higher/lower, the profit for the year ended 31 December 2015 would increase/decrease by CHF nil (2014: nil).

22. SHARE CAPITAL AND TREASURY SHARES

	SHARES IN CIRCULATION	TREASURY SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL (CHF million)
BALANCE AT 1 JANUARY 2014	7 650 840	171 596	7 822 436	8
Treasury shares released into circulation	24 666	(24 666)	-	-
Treasury shares purchased	-	-	-	-
BALANCE AT 31 DECEMBER 2014	7 675 506	146 930	7 822 436	8
Treasury shares released into circulation	54 636	(54 636)	-	-
Treasury shares purchased for future equity compensation plans	(45 778)	45 778	-	-
Treasury shares purchased for buyback	(78 904)	78 904	-	-
BALANCE AT 31 DECEMBER 2015	7 605 460	216 976	7 822 436	8

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 822 436 (2014: CHF 7 822 436) fully paid in and divided into 7 822 436 (2014: 7 822 436) registered shares of a par value of CHF 1. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

TREASURY SHARES

On 31 December 2015, SGS SA held 216 976 treasury shares. The shares related to the share buyback are directly held by SGS SA, while the shares to cover the option rights issued in previous periods are held by a subsidiary company.

In 2015, 54 636 treasury shares were sold to cover option rights and 45 778 were purchased for an average price of CHF 1 842. As part of the share buyback programme, 78 904 shares were purchased this year for an average price of CHF 1 842.

In 2015, the Group Initiated a Share Buy-Back programme for a total of up to CHF 750 million. Up to CHF 500 million is designated for cancellation and the remainder for employee equity participation plans and/or for utilisation as underlying securities for potential issuances of convertible bonds. The program started on 20 January 2015 and will close 31 December 2016 at the latest.

AUTHORISED AND CONDITIONAL ISSUE OF SHARE CAPITAL

The Board has the authority to increase the share capital of SGS SA by a maximum of 500 000 registered shares of a par value of CHF 1 each, corresponding to a maximum increase of CHF 500 000 in share capital. The Board is mandated to issue the new shares at the market conditions at the time of issue. In the event that the new shares are issued for an acquisition, the Board is authorised to waive the shareholders' preferential right of subscription or to allocate such subscription right to third parties. The authority delegated by the shareholders to the Board of Directors to increase the share capital is valid until 12 March 2017.

The shareholders have conditionally approved an increase of share capital in the amount of CHF 1 100 000, divided into 1 100 000 registered shares of a par value of CHF 1 each. This conditional share capital increase is intended to procure the necessary shares to satisfy employee equity participation plans and option or conversion rights to be incorporated in convertible bonds or similar equity-linked instruments that the Board is authorised to issue. The right to subscribe to such conditional capital is reserved for beneficiaries of employee equity participation plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorised to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed 10 years from the date of issuance of the equity-linked instruments.

23. LOANS AND OBLIGATIONS UNDER LEASES

<i>(CHF million)</i>	2015	2014
Bank loans	4	16
Bank overdrafts	1	4
Corporate bonds	2 211	1 668
Finance lease obligations	1	2
TOTAL	2 217	1 690
Current	3	18
Non-current	2 214	1 672

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans from third parties range between 0.25% and 15.8% and on short-term loans from third parties range between 0% and 10.9%.

The loans from third parties exposed to fair value interest rate risk amount to CHF 2 215 million (2014: CHF 1 361 million) and the loans from third parties exposed to cash flow interest rate risk amount to CHF 0.5 million (2014: CHF 328 million).

The fair value of the other corporate bonds was CHF 2 312 million (2014: CHF 1 456 million).

SGS SA issued the following corporate bonds listed on the SIX Swiss Exchange:

DATE OF ISSUE	FACE VALUE IN CHF MILLION	COUPON IN %	YEAR OF MATURITY	ISSUE PRICE IN %	REDEMPTION PRICE IN %
19.08.2010	417	1.875	2016	100.346	100.000
08.03.2011	375	2.625	2019	100.832	100.000
27.05.2011	275	3.000	2021	100.480	100.000
27.05.2011 ¹	75	1.875	2016	99.591	100.000
27.02.2014	138	1.375	2022	100.517	100.000
27.02.2014	250	1.750	2024	101.019	100.000
25.04.2014	112	1.375	2022	101.533	100.000
08.05.2015	325	0.25	2023	100.079	100.000
08.05.2015	225	0.875	2030	100.245	100.000

1. Re-opening of the six-year bond issued on 19 August 2010.

In February 2014, the Company issued a 10-year CHF 250 million straight bond with a coupon of 1.75%. At the same time, bond holders of CHF 133 million accepted to exchange their existing 2016 bonds into new bonds with a term of 8 years amounting to CHF 138 million and maturing in 2022 with a coupon of 1.375%.

The Company re-opened the bond maturing in 2022 and increased the amount by CHF 112 million to a total of CHF 250 million.

In May 2015, the Company issued a 15-year CHF 225 million straight bond with a coupon of 0.875% and a 8-year CHF 325 million straight bond with a coupon of 0.25%. The Group has listed all the bonds on the SIX Swiss Exchange.

Loans and finance lease obligations mature as follows:

<i>(CHF million)</i>	BANK LOANS, OVERDRAFTS AND CORPORATE BONDS		LEASE OBLIGATIONS	
	2015	2014	2015	2014
On demand or within one year	494	16	1	2
Within the second year	1	75	-	-
Within the third year	1	2	-	-
Within the fourth year	373	-	-	-
Within the fifth year	-	373	-	-
After five years	1 348	1 222	-	-
TOTAL	2 216	1 688	1	2

The currency composition of loans and finance lease obligations is as follows:

<i>(CHF million)</i>	BANK LOANS, OVERDRAFTS AND CORPORATE BONDS		LEASE OBLIGATIONS	
	2015	2014	2015	2014
Swiss Franc (CHF)	2 212	1 673	-	-
Euro (EUR)	1	-	-	-
US Dollar (USD)	1	1	-	-
Indian Rupee (INR)	-	4	-	-
Colombian Peso (COP)	-	-	-	-
Malagasy Ariary (MGA)	1	2	-	-
Brazilian Real (BRL)	-	7	-	-
Other	1	1	1	2
TOTAL	2 216	1 688	1	2

24. RETIREMENT BENEFIT OBLIGATIONS

The Group mainly operates defined benefit pension plans in Switzerland, the United States of America, the United Kingdom, the Netherlands, Germany, Italy, France, Korea and Taiwan. Contributions to most plans are paid to pension funds that are legally separate entities.

The Group also operates post-employment benefit plans, principally healthcare plans in the United States of America and in Switzerland. They represent a defined benefit obligation at 31 December 2015 of CHF 14 million (2014: CHF 14 million). The method of accounting and the frequency of valuation are similar to those used for defined benefit pension plans. Healthcare cost trend assumptions do not have a significant effect on the amounts recognised in the income statement.

In 2015, following changes in its status, an entity previously recognised as a subsidiary was qualified as a defined benefit plan (employer fund) in Switzerland. Before the change in status, the Group decided to transfer funds in order to improve the structure of the assets in the United States of America and the United Kingdom.

The Group's material defined benefit plans are in Switzerland, the United States of America and the United Kingdom.

SWITZERLAND

The Group jointly operates with the employees a retirement foundation in Switzerland. The assets and liabilities of the retirement foundation are held separately from the Group. The foundation board is equally composed of representatives of the employee and representatives of the employer. This foundation covers all the employees in Switzerland and provides benefits on a defined contribution basis.

Each employee has a retirement account to which the employee and the Group contribute at a rate set out in the foundation rules based on a percentage of salary. Every year, the foundation decides the level of interest, if any, to apply to retirement accounts based on the agreed policy. At retirement, employees can elect to withdraw all or part of their balances of their retirement account, failing which the retirement account is converted into annuities at pre-defined conversion rates.

As the foundation board is expected to eventually pay out all of the foundation's assets as benefits to employees and former employees, no surplus is deemed to be recoverable by the Group. Similarly, unless the assets are insufficient to cover minimum benefits, the Group does not expect to make any deficit contribution to the foundation.

According to IFRS, the foundation has to be classified as a defined benefit plan due to underlying benefit guarantees and has to be accounted for on this basis.

The Group also operates an employer fund. The assets are held separately from the Group. This foundation has unilateral power to provide benefits and consequently has no obligations. Therefore, this foundation has no pension liabilities.

The weighted average duration of the expected benefit payment is approximately 16 years.

The Group expects to contribute CHF 7 million to this plan in 2016.

UNITED STATES OF AMERICA

The Group operates a non-contributory defined benefit plan which is subject to the provisions of the Employee Retirement Income Security Act (ERISA).

The assets of the plan are held separately from the Group by the trustee-custodian, and the plan's third party pension administrator who disburses payments directly to retirees or beneficiaries under the plan. Both the trustee-custodian and the administrator ensure adherence to ERISA rules.

Funding valuations are calculated on an actuarial basis and contributions are made as necessary. The funding target is to provide the plan with sufficient assets to meet future plan obligations.

Effective 16 March 2004, non-exempt participants ceased accruing any additional benefits; only exempt employees of certain SGS business units in the United States of America are eligible for annual benefit accrual. In addition, the pension benefit was changed and is defined as percentage of the current year's pensionable compensation; the cost of additional benefit accrual is evaluated annually. The Group reserves the right to make future changes to the benefit accrual structure of the plan.

Eligible employees become participants in the plan after the completion of one year of service and after reaching the age of 21. Participants become fully vested in the plan after five years of service.

The weighted average of duration of the expected benefit payment is approximately 13 years.

The Group expects to contribute CHF 8 million to this plan in 2016.

UNITED KINGDOM

The Group operates two defined benefit plans through a trust. The assets of the plans are held separately from the Group and have trustees who ensure the plan's rules are strictly adhered to. One plan has been closed to new entrants since 2002. Since then new employees have been offered membership of defined contributions plans which have been operated by the Group. The other plan has no active members. Under the defined benefit plans, each member's pension at retirement is related to their pensionable service and final salary.

Funding valuations of the defined benefit plans are carried out and agreed between the Group and the plan trustees at least once every three years. The funding target is for the plans to hold assets equal in value to the accrued benefits based on projected salaries. As part of the valuation process, if there is a shortfall against this target, then the Group and trustees will agree on deficit contributions to meet this deficit over a specified period.

There is a risk to the Group that adverse experience could lead to a requirement for the Group to make additional contributions to recover any deficit that arises.

The weighted average of duration of the expected benefit payments from the combined plans is approximately 20 years.

The Group expects to contribute CHF 2 million to this plan in 2016.

OTHER COUNTRIES

The Group sponsors defined retirement benefits plans in other countries where the Group operates. No individual countries other than those described above are considered material and need to be separately disclosed.

The Group expects to contribute CHF 29 million to those plans in 2016.

The assets and liabilities recognised in the balance sheet at 31 December for defined benefit obligations and for post-employment benefit plans are as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2015					
Fair value of plan assets	373	241	214	84	912
Present value of funded defined benefit obligation	(390)	(198)	(242)	(109)	(939)
(UNFUNDED)/FUNDED STATUS	(17)	43	(28)	(25)	(27)
Present value of unfunded defined benefit obligation	(10)	-	(8)	(49)	(67)
Limit on pension asset	-	-	-	-	-
NET ASSET/(LIABILITY) AT 31 DECEMBER	(27)	43	(36)	(74)	(94)

The net liability of CHF 94 million includes CHF 87 million of pension fund assets recognised in the item Other Non-Current Assets in Note 13 and CHF 181 million of pension fund liability recognised in the item Retirement Benefit Obligation in the balance sheet.

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2014					
Fair value of plan assets	332	235	235	86	888
Present value of funded defined benefit obligation	(370)	(218)	(284)	(116)	(988)
(UNFUNDED)/FUNDED STATUS	(38)	17	(49)	(30)	(100)
Present value of unfunded defined benefit obligation	(9)	-	(9)	(58)	(76)
Limit on pension asset	-	-	-	-	-
NET ASSET/(LIABILITY) AT 31 DECEMBER	(47)	17	(58)	(88)	(176)

8. SGS GROUP RESULTS

Amounts recognised in the income statement:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2015					
Service cost expense	8	2	(2)	4	12
Net interest/(income) expense on defined benefit plan	-	(1)	1	2	2
Administrative expenses	-	1	1	-	2
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	8	2	-	6	16
<i>Expense charged in:</i>					
Salaries and wages	8	3	(1)	4	14
Financial expense/(income)	-	(1)	1	2	2
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	8	2	-	6	16

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2014					
Service cost expense	5	1	2	-	8
Net interest/(income) expense on defined benefit plan	-	(1)	1	2	2
Administrative expenses	-	1	1	-	2
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	5	1	4	2	12
<i>Expense charged in:</i>					
Salaries and wages	5	2	3	-	10
Financial expense/(income)	-	(1)	1	2	2
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	5	1	4	2	12

Amounts recognised in the statement of other comprehensive income:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2015					
<i>Remeasurement on net defined benefit liability</i>					
Change in demographic assumptions	-	-	15	1	16
Change in financial assumptions	11	(13)	(7)	-	(9)
Experience adjustments	6	-	(4)	-	2
Actual return on plan assets excluding net interest expense	5	9	17	-	31
Change in limit on pension asset	-	-	-	-	-
TOTAL RECOGNISED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	22	(4)	21	1	40

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2014					
<i>Remeasurement on net defined benefit liability</i>					
Change in demographic assumptions	8	-	-	1	9
Change in financial assumptions	54	34	28	20	136
Experience adjustments	7	(7)	1	1	2
Actual return on plan assets excluding net interest expense	(12)	(8)	(1)	(10)	(31)
Change in limit on pension asset	(16)	-	-	-	(16)
TOTAL RECOGNISED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	41	19	28	12	100

Movements in the net asset/(liability) during the period:

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2015					
NET ASSET/(LIABILITY) AT 1 JANUARY	(47)	17	(58)	(88)	(176)
Expense recognised in the income statement	(8)	(2)	-	(6)	(16)
Remeasurements recognised in other comprehensive income	(22)	4	(21)	(1)	(40)
Contributions paid by the Group	7	5	3	11	26
Pension funds special contribution	43	20	40	-	103
Exchange differences	-	(1)	-	10	9
NET ASSET/(LIABILITY) AT 31 DECEMBER	(27)	43	(36)	(74)	(94)

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2014					
NET ASSET/(LIABILITY) AT 1 JANUARY	(7)	28	(33)	(82)	(94)
Expense recognised in the income statement	(5)	(1)	(4)	(2)	(12)
Remeasurements recognised in other comprehensive income	(41)	(19)	(28)	(12)	(100)
Contributions paid by the Group	7	8	13	8	36
Exchange differences	(1)	1	(6)	-	(6)
NET ASSET/(LIABILITY) AT 31 DECEMBER	(47)	17	(58)	(88)	(176)

8. SGS GROUP RESULTS

Change in the defined benefit obligation is as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2015					
Opening present value of the defined benefit obligation	379	218	293	174	1 064
Current service cost	8	2	3	4	17
Interest cost	5	7	11	4	27
Plan participants' contributions	5	1	1	(1)	6
Past service cost	-	-	-	-	-
Settlements	-	-	(47)	(1)	(48)
Net benefit payments	(14)	(8)	(15)	(6)	(43)
(Gains)/losses due to changes in demographic assumptions	-	-	15	1	16
(Gains)/losses due to changes in financial assumptions	11	(13)	(7)	-	(9)
Experience (gains)/losses	6	-	(4)	-	2
Exchange rate (gains)/losses	-	(9)	-	(17)	(26)
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	400	198	250	158	1 006

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2014					
Opening present value of the defined benefit obligation	307	179	236	150	872
Current service cost	5	1	2	4	12
Interest cost	7	8	12	5	32
Plan participants' contributions	5	-	1	-	6
Past service cost	-	-	-	(4)	(4)
Settlements	-	-	-	-	-
Change in scope	-	-	-	4	4
Net benefit payments	(14)	(6)	(14)	(7)	(41)
(Gains)/losses due to changes in demographic assumptions	8	-	-	1	9
(Gains)/losses due to changes in financial assumptions	54	34	28	20	136
Experience (gains)/losses	7	(7)	1	1	2
Exchange rate (gains)/losses	-	9	27	-	36
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	379	218	293	174	1 064

Change in fair value of plan assets is as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2015					
Opening fair value of plan assets	332	235	235	86	888
Interest income on plan assets	5	8	10	2	25
Return on plan assets excluding amounts included in net interest expense	(5)	(9)	(17)	-	(31)
Employer contributions	7	5	3	11	26
Pension funds special contribution	43	20	40	-	103
Plan participants' contributions	5	1	1	(1)	6
Net benefit payments	(14)	(8)	(15)	(6)	(43)
Administrative expenses paid	-	(1)	(1)	-	(2)
Settlements	-	-	(42)	(1)	(43)
Exchange differences	-	(10)	-	(7)	(17)
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	373	241	214	84	912

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2014					
Opening fair value of plan assets	316	207	203	68	794
Interest income on plan assets	8	10	10	2	30
Return on plan assets excluding amounts included in net interest expense	12	8	1	10	31
Employer contributions	7	8	13	8	36
Plan participants' contributions	5	-	1	-	6
Net benefit payments	(14)	(6)	(14)	(7)	(41)
Administrative expenses paid	-	(1)	(1)	-	(2)
Settlements	-	-	-	-	-
Change in scope	-	-	-	4	4
Exchange differences	(2)	9	22	1	30
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	332	235	235	86	888

There are no reimbursement rights included in plan assets. The actual return on plan assets was a loss of CHF 6 million (2014: gain of CHF 61 million).

Changes in the amount not recognised due to the asset limit are as follows:

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2015					
ASSET LIMIT AT 1 JANUARY	-	-	-	-	-
Other changes in unrecognised asset due to the asset ceiling	-	-	-	-	-
Exchange differences	-	-	-	-	-
ASSET LIMIT AT 31 DECEMBER	-	-	-	-	-

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2014					
ASSET LIMIT AT 1 JANUARY	16	-	-	-	16
Other changes in unrecognised asset due to the asset ceiling	(16)	-	-	-	(16)
Exchange differences	-	-	-	-	-
ASSET LIMIT AT 31 DECEMBER	-	-	-	-	-

8. SGS GROUP RESULTS

The major categories of plan assets at the balance sheet date are as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2015					
Cash and cash equivalent	88	4	1	11	104
Equity securities	91	47	71	2	211
Debt securities	58	91	142	1	292
Insurance policies	-	17	-	70	87
Property	116	-	-	-	116
Investment funds	20	81	-	-	101
Other	-	1	-	-	1
TOTAL PLAN ASSETS AT 31 DECEMBER	373	241	214	84	912

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2014					
Cash and cash equivalent	47	23	1	11	82
Equity securities	84	56	137	2	279
Debt securities	60	94	97	1	252
Insurance policies	-	-	-	72	72
Property	116	-	-	-	116
Investment funds	25	61	-	-	86
Other	-	-	-	1	1
TOTAL PLAN ASSETS AT 31 DECEMBER	332	234	235	87	888

In 2015, SGS did not occupy any property that was included in the plan assets. In 2014, SGS occupied property that was included in the plan assets with a fair value of CHF 6 million.

The property is rented at fair market rental rates. There are no SGS SA shares or any other financial securities used by the Group included in plan assets.

The plan assets are primarily held within instruments with quoted market prices in an active market, with the exception of the property and insurance policy holdings.

The investment strategy in Switzerland is to invest, within the statutory and legal requirements, in a diversified portfolio which provides a long-term return strategy which will enable the board of the foundation to provide increases to the accounts of the members of the pension fund, whilst taking on the lowest possible risk in order to do so.

In the United States of America, the Pension Plan Target Policy is determined by both quantitatively and qualitatively assessing the risk tolerance level and return requirements of the Plan as determined by the Investment Committee. The investment portfolio asset allocation and structure are developed based on the results of this process.

In the United Kingdom, the Trustees review the investment strategy of the Scheme and the Plan on a regular basis in order to ensure that they remain appropriate. The last review for both the Scheme and Plan has recently been undertaken and is in the process of being implemented.

Actuarial assumptions vary according to local prevailing economic and social conditions. The principal weighted average actuarial assumptions used in determining the cost of benefits for both 2015 and 2014 are as follows:

Actuarial assumptions vary according to local prevailing economic and social conditions. The principal weighted average actuarial assumptions used in determining the cost of benefits for both 2015 and 2014 are as follows:

<i>(Weighted average %)</i>	CH	UK	USA	OTHER
2015				
Discount rate	0.9	3.9	4.3	2.5
Mortality assumption	LPP 2010 Generational	SNA02 CMI 2015 Scale	RP 2014 SSA	-
Salary progression rate	2.0	3.5	3.3	2.4
Future pension increases	0.3	3.2	-	0.4
Healthcare cost trend assumed for the next year	3.0	2.0	6.9	-
Ultimate trend rate	3.0	-	5.0	-
Year that the rate reaches the ultimate trend rate	-	-	2 022	-

<i>(Weighted average %)</i>	CH	UK	USA	OTHER
2014				
Discount rate	1.3	3.6	4.0	2.6
Mortality assumption	LPP 2010 Gen	S1NA	IRS 2015	-
Salary progression rate	2.0	3.6	3.3	2.5
Future pension increases	0.5	3.1/2.1	-	0.5
Healthcare cost trend assumed for the next year	-	-	7.2	-
Ultimate trend rate	-	-	5.0	-
Year that the rate reaches the ultimate trend rate	-	-	2022	-

The weighted average rate for each assumption used to measure the benefits obligation is also shown. The assumptions used to determine end-of-year benefits obligation are also used to calculate the following year's cost.

In Switzerland, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 33 million; a 0.5% increase in assumed salary increases would increase the obligation by CHF 2 million and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 13 million.

In the United States of America a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 15 million; a 0.5% increase in assumed salary increases would increase the obligation by less than CHF 1 million and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 8 million.

In the United Kingdom, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 22 million; a 0.5% increase in assumed salary increases would increase the obligation by CHF 3 million and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 6 million.

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assuming no other changes in market conditions at the accounting date. This is unlikely in practice; for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the plans.

The amount recognised as an expense in respect of defined contribution plans during 2015 was CHF 69 million (2014: CHF 74 million).

25. PROVISIONS

<i>(CHF million)</i>	LEGAL AND WARRANTY CLAIMS ON SERVICES RENDERED	DEMobilISATION AND REORGANISATION	OTHER PROVISIONS	TOTAL
AT 1 JANUARY 2015	48	38	30	116
Acquisitions of subsidiaries	-	-	1	1
Charge to income statement	21	44	24	89
Release to income statement	(21)	(9)	(4)	(34)
Payments	(5)	(38)	(9)	(52)
Exchange differences	(1)	(1)	(2)	(4)
AT 31 DECEMBER 2015	42	34	40	116

<i>Analysed as:</i>	2015	2014
Current liabilities	19	19
Non-current liabilities	97	97
TOTAL	116	116

A number of Group companies are subject to litigation and other claims arising out of the normal conduct of their business that can be best viewed as claims on services rendered. The claim provision represents the sum of estimates of amounts payable on identified claims and of losses incurred but not yet reported. They therefore reflect estimates of the future payments required to settle both reported and unreported claims.

The process of estimation is complex, dealing with uncertainty, requiring the use of informed estimates, actuarial assessment, evaluation of the insurance cover where appropriate and the judgement of management. Any changes in these estimates are reflected in the income statement in the period in which the estimates change.

The timing of cash outflows from pending litigation and claims is uncertain since it depends, in the majority of cases, on the outcome of administrative and legal proceedings. The Group does not discount its provisions, as the timing of the cash outflows cannot be reasonably and reliably determined.

In the opinion of management, based on all currently available information, the provisions adequately reflect exposure to legal and warranty claims on services rendered. The ultimate outcome of these matters is not expected to materially affect the Group's financial position, results of operations or cash flows.

For specific long-term contracts, typically with two to five years' duration, the Group is required to dismantle infrastructure and terminate the services of personnel upon completion of the contract. These demobilisation costs are provided for during the life of the contract. Experience has shown that these contracts may be either extended or terminated earlier than expected. The timing of these demobilisation outflows is difficult to assess. The amounts are therefore not discounted.

Other provisions relate to various present legal or constructive obligations of the Group toward third parties, such as termination payment to employees upon leaving the Group, which in some jurisdictions are a legal obligation.

26. TRADE AND OTHER PAYABLES

<i>(CHF million)</i>	2015	2014
Trade payables	226	192
Other payables	115	121
Other financial liabilities	185	198
TOTAL	526	511

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs.

At 31 December 2015 and 2014, the fair value of the Group's trade accounts and other payables approximates the carrying value.

27. OTHER CREDITORS AND ACCRUALS

<i>(CHF million)</i>	2015	2014
Accrued expenses	521	523
Advance billings	54	50
Advances from clients	59	41
Derivative liabilities	20	8
TOTAL	654	622

At 31 December 2015 and 2014, the fair value of the Group's other creditors and accruals approximates the carrying value.

28. CONTINGENT LIABILITIES

In the normal course of business, the Group and its subsidiaries are parties to various lawsuits and claims. Management does not expect that the outcome of any of these legal proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

29. GUARANTEES

<i>(CHF million)</i>	2015 ISSUED	2014 ISSUED
Guarantees	130	109
Performance bonds	204	159
TOTAL	334	268

The Group has issued unconditional guarantees to certain financial institutions that have provided credit facilities (loans and guaranteed bonds) to its subsidiaries. In addition, it has issued performance bonds and bid bonds to commercial customers on behalf of its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

30. OPERATING LEASES

Operating lease rentals are payable as follows:

<i>(CHF million)</i>	2015	2014
Less than one year	124	130
Between one and five years	254	250
More than five years	72	82
TOTAL	450	462

The Group leases the majority of its office and laboratory space, as well as vehicles and equipment. During the year ended 31 December 2015, CHF 149 million was recognised as an expense in the income statement in respect of operating leases (2014: CHF 154 million).

31. EQUITY COMPENSATION PLANS

Selected employees of the SGS Group are eligible to participate in equity compensation plans.

i) Grants to Members of the Operations Council

A total of 1 319 249 options granting the right to acquire shares of SGS SA at a strike price of CHF 1 798, 100 options giving the right to acquire one share and each option expiring in January 2020 (these options hereinafter referred to as SGSBB), were granted to the members of the Operations Council in 2015.

These options vest or have vested in three stages (one third in 2015, one third in 2016 and one third in 2018), and can be exercised or sold between January 2018 and January 2020. The estimated fair value at grant of the options granted was CHF 2 928 733.

The share option plan has been discontinued after the 2015 grant and replaced by a Restricted Share Plan for the Operations Council members.

50% of the Annual Incentive related to the 2015 performance will be settled in Restricted Shares. The grant of the Restricted Shares will be done after the 2016 Annual General Meeting; the total number of Restricted Shares to be granted will be calculated based on the Average closing share price of the 20 days period following the payment of the dividends. The Restricted Shares are restricted for a period of three years from the time of grant, i.e. until March 2019. They fully vest at the time of the grant in 2016. Shareholding guidelines apply to the Restricted Share Plan.

ii) Grants to Other Employees

A total of 189 511 options granting the right to acquire shares of SGS SA at a strike price of CHF 1 798, 100 options giving the right to acquire one share and each option expiring in January 2020 (these options hereinafter referred

to as SGSBB), were granted to other employees in 2015. These options vest or have vested in three stages (one third in 2015, one third in 2016 and one third in 2018), and can be exercised or sold between January 2018 and January 2020. The estimated fair value at grant of the options granted was CHF 420 714.

The annual share option plan for other employees has been discontinued after the 2015 grant. A Restricted Share Unit Plan may be introduced in 2016 for selected key employees, at the discretion of the Board of Directors.

iii) Long-Term Incentive Plans (LTI)

A new Long-Term Incentive plan (LTI) has been introduced in 2015, under the form of a Performance Share Unit Plan, as described in the SGS Remuneration Report (pages 124 to 125). A number of 39 186 Performance Share Units have been granted in 2015 to members of the Operations Council and selected employees. Additional information is disclosed in the SGS Remuneration Report (pages 116 to 130).

OPTION PLAN

DESCRIPTION	EXERCISE PERIOD		STRIKE PRICE ¹	OPTIONS OUTSTANDING AT 31 DECEMBER 2014	GRANTED	CANCELLED	EXERCISED OR ADJUSTED	OPTIONS OUTSTANDING AT 31 DECEMBER 2015
	FROM	TO						
SGSOP-2010	Jan.13	Jan.15	1 240.70	187 965	-	-	(187 965)	-
SGSMF-2011	Jan.14	Jan.16	1 528.78	1 488 994	-	(131 237)	(1 151 095)	206 662
SGSMF-2011 LTI	Jan.15	Jan.16	1 528.78	7 600 000	-	(3 865 000)	(3 669 000)	66 000
SGSKF-2012	Jan.15	Jan.17	1 448.85	3 140 068	-	(5 336)	(1 690 452)	1 444 280
SGSWS-2013	Jan.16	Jan.18	1 989.31	3 109 820	-	(46 084)	(2 000)	3 061 736
SGSPF-2014	Jan.17	Jan.19	2 059.00	3 027 347	-	(36 948)	-	2 990 399
SGSBB-2015	Jan.18	Jan.20	1 798.00	-	1 508 760	(26 636)	-	1 482 124
TOTAL				18 554 194	1 508 760	(4 111 241)	(6 700 512)	9 251 201
Of which exercisable at 31 December				1 562 115				1 606 201

1. The strike price of the options has been adjusted in accordance with market practice for capital reductions and special dividends.

PERFORMANCE SHARE UNIT (PSU) PLAN

DESCRIPTION	EXERCISE PERIOD FROM	SHARES OUTSTANDING AT 31 DECEMBER 2014	GRANTED	CANCELLED	SHARES OUTSTANDING AT 31 DECEMBER 2015
SGS-PSU-15	Jan.18	-	39 186	-	39 186

The fair value of equity compensation plans granted during the year are based on their market value at grant date. All options are publicly traded. The exercise dates are not known to the Group. Correspondingly, the weighted average share price at the date of exercise cannot be calculated.

The Group recognised during the year total expense of CHF 9 million (2014: CHF 10 million) in relation with equity compensation plans.

Shares available for future plans:

	TOTAL
AT 1 JANUARY 2014	(33 189)
Repurchased shares	-
Options granted (SGSPF Plan and adjustments)	(35 000)
Options cancelled	47 554
AT 31 DECEMBER 2014	(20 635)
Repurchased shares	45 778
Options granted (SGSBB Plan and adjustments)	(16 000)
Options cancelled	6 120
SGS-PSU-15 plan	(39 186)
AT 31 DECEMBER 2015	(23 923)

At 31 December, the Group had the following shares available to satisfy various programs:

<i>(CHF million)</i>	2015 TOTAL	2014 TOTAL
Number of unallocated shares held	138 072	146 930
Shares held for 2010 option plans	-	(6 513)
Shares held for 2011 option plans	(21 392)	(62 743)
Shares held for 2012 option plans	(25 669)	(32 525)
Shares held for 2013 option plans	(31 004)	(31 480)
Shares held for 2014 option plans	(29 923)	(34 304)
Shares allocated to 2015 option plans	(14 821)	-
Shares allocated for 2015 PSU plans	(39 186)	-
SHARES AVAILABLE FOR FUTURE EQUITY COMPENSATION PLANS AT 31 DECEMBER	(23 923)	(20 635)

For the equity compensation plans, the Group has entered into agreements with various banks, whereby the Group has an obligation to offer to sell to the banks the shares underlying the option programme at the relevant strike price whenever these shares become unblocked. The banks are not obliged to purchase these shares.

32. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in the note.

COMPENSATION TO DIRECTORS AND MEMBERS OF THE OPERATIONS COUNCIL

The remuneration of Directors and members of the Operations Council during the year was as follows:

<i>(CHF million)</i>	2015	2014
Short-term benefits	17	15
Post-employment benefits	1	1
Share-based payments ¹	16	3
Severance payments	0	-
TOTAL	34	19

1. Market value of SGSBB options and market value of PSU granted in 2015.

The remuneration of Directors and members of the Operations Council is determined by the Nomination and Remuneration Committee. Additional information is disclosed in the SGS Remuneration Report (pages 116 to 130).

During 2015 and 2014, no member of the Board of Directors or of the Operations Council had a personal interest in any business transactions of the Group.

The Operations Council (including Senior Management) participate in the equity compensation plans as disclosed in note 31.

In 2015, Directors' fees were CHF 2 091 000 (2014: CHF 1 943 000).

The total compensation (cash and shares/options) received by the Operations Council (including Senior Management) amounted to CHF 31 886 000 (2014: CHF 16 531 000).

Disclosure of compensation paid to the Board of Directors and Senior Management, as required by Swiss law is presented in the notes to the accounts of SGS SA on pages 190 to 192 of this report.

LOANS TO MEMBERS OF GOVERNING BODIES

As at 31 December 2015, no loan, credit or outstanding advance was due to the Company from members of its governing bodies (unchanged from prior year).

TRANSACTIONS WITH OTHER RELATED PARTIES

In 2015 and 2014, the Group did not perform any activity generating revenue for the other related parties. During the same period, neither related trade receivable balances unpaid nor expense in respect of any bad or doubtful debts due from these related parties were recognised.

33. SIGNIFICANT SHAREHOLDERS

As at 31 December 2015, Mr. August von Finck and members of his family acting in concert held 15.03% (2014: 14.97%), Groupe Bruxelles Lambert acting through Serena SARL held 15.00% (2014: 15.00%), the Bank of New York Mellon Corporation held 3.35% (2014: 3.43%), BlackRock Inc. held 3.03% (2014: 3.00%) and MFS Investment Management held 3.01% (2014: 0.00%) of the share capital and voting rights of the Company.

At the same date, SGS Group held 2.77% of the share capital of the Company (2014: 1.88%).

34. APPROVAL OF FINANCIAL STATEMENTS AND SUBSEQUENT EVENTS

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorised for issue by the Board of Directors on 8 February 2016, and will be submitted for approval by the Annual General Meeting of Shareholders' to be held on 14 March 2016.

On 4 January 2016, the Group announced the acquisition of the assets and operations of Acutest Laboratories, the fifth largest full service environmental testing company in the United States (effective 1 January 2016).

On 5 January 2016, the Group announced the acquisition of 100% of Cargo Compliance Company (CargoCC), based in the Netherlands (effective 1 January 2016).

On 2 February 2016, the Group announced the acquisition of 51% of The Lab (Asia) Ltd., based in Hong Kong (effective 1 February 2016).

On 4 February 2016, the Group announced the completion of the acquisition of Matrolabs Group (Pty) Ltd., based in South Africa (effective 1 February 2016).

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of

SGS SA, GENEVA

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of SGS Group presented on pages 134 to 182, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

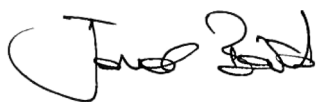
REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

DELOITTE SA



James Baird

*Licensed Audit Expert
Auditor in Charge*



Fabien Bryois

Licensed Audit Expert

Geneva, 8 February 2016

9. SGS SA RESULTS





INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	NOTES	2015	2014
OPERATING INCOME			
Dividends from subsidiaries		1 055	375
Other income		1	1
TOTAL OPERATING INCOME		1 056	376
OPERATING EXPENSES			
Other operating and administrative expenses		(4)	(4)
Depreciation of fixed assets		0	0
Other expenses		(3)	0
TOTAL OPERATING EXPENSES		(7)	(4)
OPERATING RESULT		1 049	372
FINANCIAL INCOME			
Financial income	7	68	54
Exchange gain, net		-	0
Liquidation of subsidiaries, net		-	3
TOTAL FINANCIAL INCOME		68	57
FINANCIAL EXPENSES			
Financial expenses	7	(51)	(47)
Exchange loss, net		(4)	-
TOTAL FINANCIAL EXPENSES		(55)	(47)
FINANCIAL RESULT		13	10
PROFIT BEFORE TAXES			
		1 062	382
Taxes		(5)	2
Withholding taxes		(9)	(6)
PROFIT FOR THE YEAR		1 048	378

BALANCE SHEET AT 31 DECEMBER

(BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS)

<i>(CHF million)</i>	NOTES	2015	2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		529	790
Other financial assets		195	-
Amounts due from subsidiaries		301	299
Accrued income and prepaid expenses		1	19
TOTAL CURRENT ASSETS		1 026	1 108
NON-CURRENT ASSETS			
Financial assets			
Investments in subsidiaries	2	1 635	1 107
Loans to subsidiaries		1 289	1 304
Other financial assets		1	1
Fixed assets			
Tangible fixed assets	3	3	3
TOTAL NON-CURRENT ASSETS		2 928	2 415
TOTAL ASSETS		3 954	3 523
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHORT-TERM LIABILITIES			
Other creditors		2	0
Amounts due to subsidiaries		50	28
Deferred income and accrued expenses		56	39
Provisions		34	37
TOTAL SHORT-TERM LIABILITIES		142	104
LONG-TERM LIABILITIES / NON-CURRENT LIABILITIES			
Long-Term Liabilities – third party		0	0
Long-Term Liabilities – subsidiaries		275	813
Corporate bonds	4	2 192	1 642
TOTAL LONG-TERM LIABILITIES / NON-CURRENT LIABILITIES		2 467	2 455
CAPITAL AND RESERVE			
Share capital	5 and 6	8	8
Statutory capital reserve	5 and 6	34	34
Statutory retained earnings	5 and 6	1 273	750
Own shares for shares buyback	5 and 6	(145)	-
Reserve for own shares held by a subsidiary	5 and 6	175	172
TOTAL CAPITAL AND RESERVE		1 345	964
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		3 954	3 523

SGS SA ("the Company") is the ultimate parent company of the SGS Group which owns and finances, either directly or indirectly, its subsidiaries and joint ventures throughout the world. The Headquarter is located in Geneva, Switzerland.

The average number of employees during the year was less than ten.

NOTES

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the new accounting principles required by Swiss law. The previous year's figures have been restated in accordance with the new requirements of the Swiss Code of Obligations, in order to achieve a consistent representation and breakdown of the figures.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are valued individually at acquisition cost less an adjustment for impairment where appropriate.

FOREIGN CURRENCIES

Balance sheet items denominated in foreign currencies are converted at year end exchange rates with the exception of investments in subsidiaries which are valued at the historical exchange rate. Unrealised gains and losses arising on foreign exchange transactions are included in the determination of the net profit, except long-term unrealised gains on long-term loans and related instruments which are deferred.

DIVIDENDS FROM SUBSIDIARIES

Dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid, rather than as an appropriation of profit in the year to which they relate or for which they are proposed by the Board of Directors.

As a result, dividends are recognised in income in the year in which they are received, on cash basis.

BONDS

Bonds are recorded at nominal value.

2. SUBSIDIARIES

The list of principal Group subsidiaries appears in the Annual Report on pages 200 to 203.

3. TANGIBLE FIXED ASSETS

The tangible fixed asset is a building located at 15, rue des Alpes in Geneva and is stated at historical cost less accumulated depreciation.

4. CORPORATE BONDS

SGS SA made the following bond issuances:

DATE OF ISSUE	FACE VALUE IN CHF MILLION	COUPON IN %	YEAR OF MATURITY	ISSUE PRICE IN %	REDEMPTION PRICE IN %
19.08.2010	417	1.875	2016	100.346	100.000
08.03.2011	375	2.625	2019	100.832	100.000
27.05.2011	275	3.000	2021	100.480	100.000
27.05.2011 ¹	75	1.875	2016	99.591	100.000
27.02.2014	138	1.375	2022	100.517	100.000
27.02.2014	250	1.750	2024	101.019	100.000
25.04.2014	112	1.375	2022	101.533	100.000
08.05.2015	325	0.250	2023	100.079	100.000
08.05.2015	225	0.875	2030	100.245	100.000

1. Re-opening of the six-year bond issued on 19 August 2010.

In May 2015 the Company issued two bonds, one for a period of 8 years, amounting to CHF 325 million with a coupon of 0.25% and a second one for a period of 15 years, amounting to CHF 225 million with a coupon of 0.875%.

The Group has listed all the bonds on the SIX Swiss Exchange.

5. TOTAL EQUITY

<i>(CHF million)</i>	SHARE CAPITAL	STATUTORY CAPITAL RESERVE	RESERVE FOR OWN SHARES HELD BY A SUBSIDIARY	OWN SHARES FOR SHARES BUYBACK	STATUTORY RETAINED EARNINGS	TOTAL
BALANCE AT 1 JANUARY 2014	8	34	204	-	839	1 085
Dividends paid	-	-	-	-	(499)	(499)
Decrease in the reserve for own shares	-	-	(32)	-	32	-
Profit for the year	-	-	-	-	378	378
BALANCE AT 31 DECEMBER 2014	8	34	172	-	750	964
Dividends paid	-	-	-	-	(522)	(522)
Increase in the reserve for own shares	-	-	3	-	(3)	-
Purchase of shares for buyback	-	-	-	(145)	-	(145)
Profit for the year	-	-	-	-	1 048	1 048
BALANCE AT 31 DECEMBER 2015	8	34	175	(145)	1 273	1 345

6. SHARE CAPITAL

	SHARES IN CIRCULATION	OWN SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL CHF (MILLION)
BALANCE AT 1 JANUARY 2014	7 650 840	171 596	7 822 436	8
Own shares released into circulation	24 666	(24 666)	-	-
Own shares purchased, net	-	-	-	-
BALANCE AT 31 DECEMBER 2014	7 675 506	146 930	7 822 436	8
Own shares released into circulation	54 636	(54 636)	-	-
Own shares purchased for future equity compensation plans	(45 778)	45 778	-	-
Own shares purchased for buyback	(78 904)	78 904	-	-
BALANCE AT 31 DECEMBER 2015	7 605 460	216 976	7 822 436	8

Issued Share Capital

SGS SA has a share capital of CHF 7 822 436 (2014: CHF 7 822 436) fully paid-in and divided into 7 822 436 (2014: 7 822 436) registered shares of a par value of CHF 1. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

Own shares

On 31 December 2015, SGS SA held directly and indirectly 216 976 of its own shares. The shares related to the shares buyback program are directly held by SGS SA, the shares to cover the option rights are held by a subsidiary company.

In 2015, 54 636 own shares were sold to cover option rights and 45 778 were purchased for an average price of CHF 1 840. As part of the shares buyback program, 78 904 shares were purchased this year for an average price of CHF 1 842.

7. FINANCIAL INCOME AND FINANCIAL EXPENSES

<i>(CHF million)</i>	2015	2014
FINANCIAL INCOME		
Interest income 3 rd party	16	1
Interest income Group	52	53
TOTAL FINANCIAL INCOME	68	54
FINANCIAL EXPENSES		
Interest expenses 3 rd party	(42)	(37)
Interest expenses Group	(3)	(3)
Other financial expenses	(6)	(7)
TOTAL FINANCIAL EXPENSES	(51)	(47)

On 12 January 2015, the Group received a cash amount of CHF 15 million in relation to the termination of the Interest Rate Swap agreement to market rates. These cash proceeds were recognised as interest income in the income statement.

8. GUARANTEES AND COMFORT LETTERS

<i>(CHF million)</i>	2015 ISSUED	2015 UTILISED	2014 ISSUED	2014 UTILISED
Guarantees	243	179	212	159
Performance bonds	44	44	23	23
TOTAL	287	223	235	182

The Company has unconditionally guaranteed or provided comfort to financial institutions providing credit facilities (loans and guarantee bonds) to its subsidiaries. In addition, it has issued performance bonds to commercial customers on behalf of its subsidiaries.

The Company is part of a VAT Group comprising itself and other Group companies in Switzerland.

9. REMUNERATION

9.1. COMPANY'S REMUNERATION POLICY AND GOVERNANCE

This section appears in the SGS Remuneration Report para 2 in the Annual Report on pages 118 to 120.

9.2. REMUNERATION MODEL

This section appears in the SGS Remuneration Report para 3 in the Annual Report on pages 121 to 126.

9.3. REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

This section appears in the SGS Remuneration Report para 4 in the Annual Report on page 127.

9.4. REMUNERATION AWARDED TO THE CEO, SENIOR MANAGEMENT AND OTHER MEMBERS OF THE OPERATION COUNCIL

This section appears in the SGS Remuneration Report para 5 in the Annual Report on pages 128 to 130.

10. SHARES AND OPTIONS HELD BY MEMBERS OF GOVERNING BODIES

10.1. SHARES AND OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

The following table shows the shares and vested options held by Members of the Board of Directors as at 31 December 2015:

NAME	SGSKF	SGSWS	SGSPF	SGSBB	SHARES
S. Marchionne	-	26 667	50 000	-	1 150
A. von Finck	-	-	-	-	19 670
A.F. von Finck	-	-	-	-	439 515
C. Grupp	-	-	-	-	1
P. Kalantzis	-	-	-	-	150
S.R. du Pasquier	-	-	-	-	10
P. Desmarais	-	-	-	-	10
I. Gallienne	-	-	-	-	1
G. Lamarche	-	-	-	-	25
C. Kirk	180 225	32 384	188 546	103 403	1 119

The following table shows the shares and vested options held by Members of the Board of Directors as at 31 December 2014:

NAME	SGSMF	SGSKF	SGSWS	SGSPF	SHARES
S. Marchionne	50 000	33 333	26 667	25 000	700
A. von Finck	-	-	-	-	19 670
A.F. von Finck	-	-	-	-	439 515
C. Grupp	-	-	-	-	1
P. Kalantzis	-	-	-	-	150
S.R. du Pasquier	-	-	-	-	10
P. Desmarais	-	-	-	-	10
I. Gallienne	-	-	-	-	1
G. Lamarche	-	-	-	-	25

10.2. SHARES AND OPTIONS HELD BY SENIOR MANAGEMENT

The following table shows the shares and vested options held by Senior Management as at 31 December 2015:

NAME	CORPORATE RESPONSIBILITY	SGSKF	SGSWS	SGSPF	SGSBB	SHARES
F. NG	Chief Executive Officer	61 621	31 088	15 642	27 576	-
C. De Geyseler	Chief Financial Officer	-	-	26 667	4 416	70
O. Merkt	General Counsel and Chief Compliance Officer	21 055	28 842	17 643	16 524	45

9. SGS SA RESULTS

The following table shows the shares and vested options held by Senior Management as at 31 December 2014:

NAME	CORPORATE RESPONSIBILITY	SGSMF	SGSKF	SGSWS	SGSPF	SHARES
C. Kirk	Chief Executive Officer	174 920	120 150	32 384	94 273	1 199
C. De Geyseler	Chief Financial Officer	-	-	-	40 000	-
O. Merkt	General Counsel and Chief Compliance Officer	10 000	27 370	28 842	8 821	45

11. SIGNIFICANT SHAREHOLDERS

As at 31 December 2015, Mr. August von Finck and members of his family acting in concert held 15.03% (2014: 14.97%), Groupe Bruxelles Lambert acting through Serena SARL held 15.00% (2014: 15.00%), the Bank of New York Mellon Corporation held 3.35% (2014: 3.43%), BlackRock Inc. held 3.03% (2014: 3.00%) and MFS Investment Management held 3.01% (2014: 0.00%) of the share capital and voting rights of the Company.

At the same date, SGS Group held 2.77% of the share capital of the Company (2014: 1.88%).

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF AVAILABLE RETAINED EARNINGS

(CHF)	2015	2014
Profit for the year	1 048 128 990	378 165 415
Balance brought forward from previous year	227 785 349	341 877 870
Dividend paid on own shares released into circulation in 2014 prior the Annual General Meeting on 13 March 2014	-	(1 645 215)
Dividend not paid on own shares bought in 2015 prior the Annual General Meeting on 12 March 2015	384 676	-
Shares buyback program	(145 362 298)	-
(Transfer to) / reversal from the reserve for own shares	(3 131 617)	31 321 687
TOTAL RETAINED EARNINGS AVAILABLE FOR APPROPRIATION	1 127 805 100	749 719 757
<i>Proposal of the Board of Directors:</i>		
Dividends ¹	(517 171 280)	(521 934 408)
BALANCE CARRIED FORWARD	610 633 820	227 785 349
Ordinary gross dividend per registered share	68.00	68.00

1. No dividend is paid on own shares held directly or indirectly by SGS SA.

12. APPROVAL OF FINANCIAL STATEMENTS AND SUBSEQUENT EVENTS

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorised for issue by the Board of Directors on 8 February 2016, and will be submitted for approval by the Annual General Meeting of Shareholders' to be held on 14 March 2016.

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of

SGS SA, GENEVA

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the financial statements of SGS SA presented on pages 186 to 192, which comprise the balance sheet as at 31 December 2015, and the income statement and notes for the year then ended.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

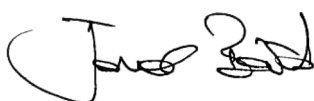
REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO) and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte SA



James Baird

*Licensed Audit Expert
Auditor in Charge*



Fabien Bryois

Licensed Audit Expert

Geneva, 8 February 2016

10. DATA



19



25%

23

31%

SGS GROUP – FIVE YEAR STATISTICAL DATA CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	2015	2014	2013	2012	2011
REVENUES	5 712	5 883	5 830	5 569	4 797
Salaries and wages	(2 849)	(2 891)	(2 871)	(2 733)	(2 304)
Subcontractors' expenses	(345)	(361)	(357)	(338)	(331)
Depreciation, amortisation and impairment	(322)	(304)	(298)	(280)	(225)
Other operating expenses	(1 374)	(1 386)	(1 392)	(1 384)	(1 147)
OPERATING INCOME (EBIT)	822	941	912	834	790
Analysis of operating income					
Adjusted operating income	917	947	977	930	815
Restructuring costs	(64)	(11)	(33)	(68)	-
Amortisation of acquisition intangibles	(21)	(20)	(20)	(16)	(16)
Transaction and integration-related costs	(10)	(7)	(12)	(12)	(9)
Other non-recurring items	-	32	-	-	-
Operating income	822	941	912	834	790
Financial income/(expense)	(43)	(41)	(38)	(41)	(26)
PROFIT BEFORE TAXES	779	900	874	793	764
Taxes	(195)	(234)	(236)	(214)	(203)
PROFIT FOR THE YEAR	584	666	638	579	561
Profit attributable to:					
Equity holders of SGS SA	549	629	600	545	534
Non-controlling interests	35	37	38	34	27
ADJUSTED OPERATING INCOME MARGIN IN %	16.1	16.1	16.8	16.7	17.0
AVERAGE NUMBER OF EMPLOYEES	85 903	83 515	80 510	76 790	67 633

SGS GROUP – FIVE YEAR STATISTICAL DATA CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER

<i>(CHF million)</i>	2015	2014	2013	2012	2011
Land, buildings and equipment	964	1 043	1 029	1 015	888
Goodwill and other intangible assets	1 306	1 337	1 216	1 172	1 044
Investments in associated and other companies	32	24	18	17	1
Deferred tax and other non-current assets	315	244	215	266	247
TOTAL NON-CURRENT ASSETS	2 617	2 648	2 478	2 470	2 180
Unbilled revenues and inventories	288	330	330	302	257
Trade accounts and notes receivable	917	1 068	952	977	868
Other receivables and prepayments	338	371	306	255	244
Cash and marketable securities	1 734	1 350	973	987	1 211
TOTAL CURRENT ASSETS	3 277	3 119	2 561	2 521	2 580
TOTAL ASSETS	5 894	5 767	5 039	4 991	4 760
Share capital	8	8	8	8	8
Reserves	1 898	2 319	2 135	2 052	1 987
Equity attributable to equity holders of SGS SA	1 906	2 327	2 143	2 060	1 995
Non-controlling interests	75	76	69	58	50
TOTAL EQUITY	1 981	2 403	2 212	2 118	2 045
Loans and obligations under finance leases	2 214	1 672	1 293	1 305	1 299
Deferred tax liabilities	60	74	66	72	58
Provisions and retirement benefit obligations	278	273	190	273	275
TOTAL NON-CURRENT LIABILITIES	2 552	2 019	1 549	1 650	1 632
Loans and obligations under finance leases	3	18	15	17	6
Trade and other payables	526	511	502	492	447
Current tax liabilities	159	175	142	103	86
Provisions, other creditors and accruals	673	641	619	611	544
TOTAL CURRENT LIABILITIES	1 361	1 345	1 278	1 223	1 083
TOTAL LIABILITIES	3 913	3 364	2 827	2 873	2 715
TOTAL EQUITY AND LIABILITIES	5 894	5 767	5 039	4 991	4 760
CAPITAL EXPENDITURE					
Land, buildings and equipment	301	305	357	386	345

SGS GROUP – FIVE YEAR STATISTICAL SHARE DATA

(CHF unless indicated otherwise)

	2015	2014	2013	2012	2011
SHARE INFORMATION					
REGISTERED SHARES					
Number of shares issued	7 822 436	7 822 436	7 822 436	7 822 436	7 822 436
Number of shares with dividend rights	7 605 460	7 675 506	7 650 840	7 632 042	7 596 871
PRICE					
High	2 049	2 260	2 450	2 156	1 724
Low	1 577	1 802	1 952	1 559	1 255
Year-end	1 911	2 045	2 052	2 026	1 555
Par value	1	1	1	1	1
KEY FIGURES BY SHARES					
Equity attributable to equity holders of SGS SA per share in circulation at 31 December	250.56	303.13	280.08	269.95	263.75
Basic earnings per share ¹	71.99	81.99	78.43	71.52	70.52
Dividend per share ordinary	68.00 ²	68.00	65.00	30.00	30.00
Dividend per share special	-	-	-	28.00	35.00
Total dividend per share	68.00	68.00	65.00	58.00	65.00
DIVIDENDS (CHF MILLION)					
Ordinary	517 ²	522	497	229	228
Special	-	-	-	214	266
Total	517	522	497	443	494

1. Calculation of the basic earnings per share (weighted average for the year) is disclosed in note 9, pages 152 to 153.

2. As proposed by the Board of Directors.

SGS GROUP SHARE INFORMATION

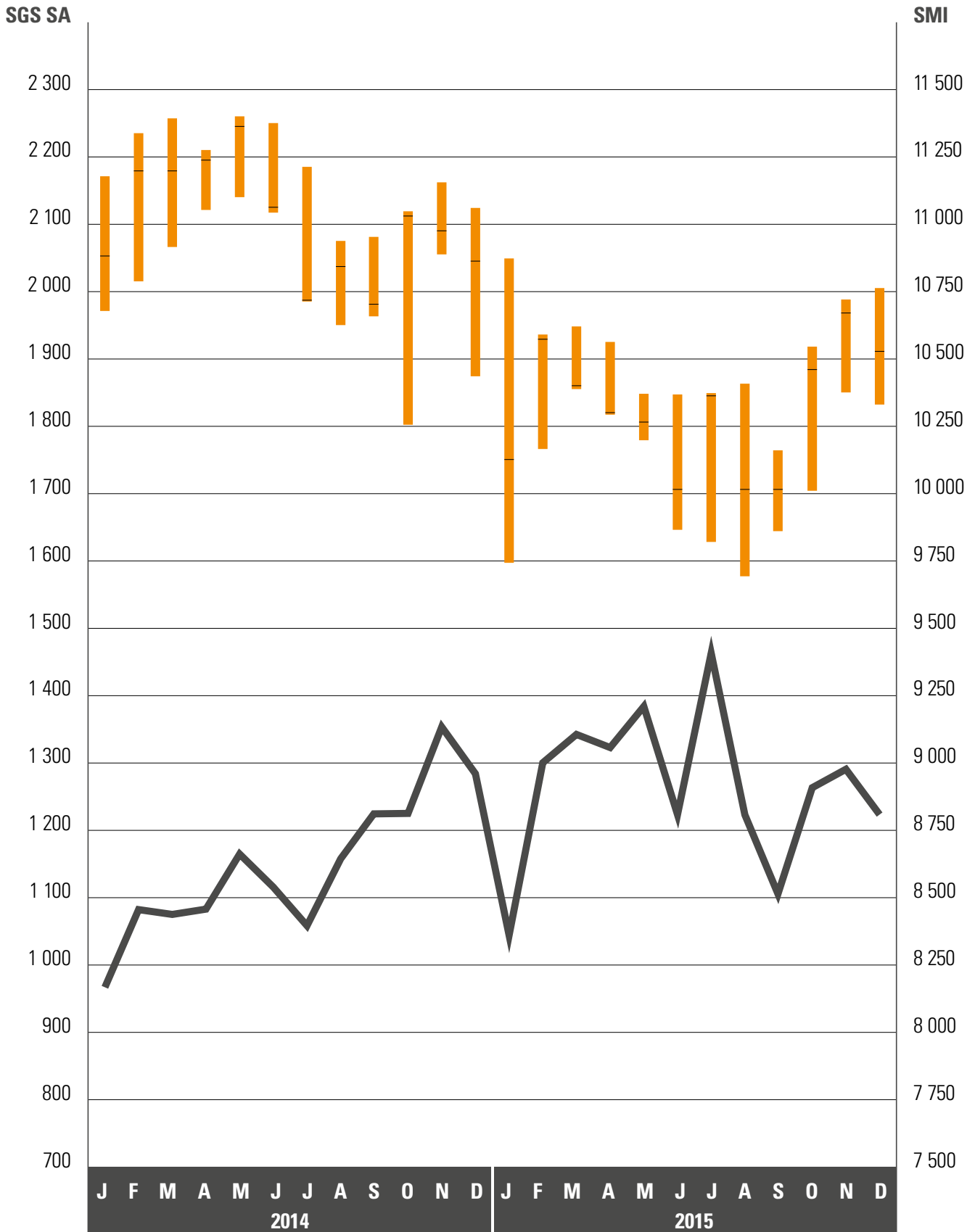
SHARE TRANSFER

SGS SA has no restrictions as to share ownership, except that registered shares acquired in a fiduciary capacity by third parties may not be registered in the shareholders' register, unless a special authorisation has been granted by the Board of Directors.

MARKET CAPITALISATION

At the end of 2015, market capitalisation was approximately CHF 14 949 million (2014: CHF 15 997 million). Shares are quoted on the SIX Swiss Exchange.

CLOSING PRICES FOR SGS AND THE SMI 2014 – 2015



SGS SA

 HIGH PRICE
 CLOSE
 LOW PRICE

SWISS MARKET INDEX (MONTHLY CLOSE)

SGS GROUP PRINCIPAL OPERATING COMPANIES AND ULTIMATE PARENT

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT/ INDIRECT
Albania	SGS Albania Ltd., Tirana	ALL	100 000	100	D
Albania	SGS Automotive Albania sh.p.k., Tirana	ALL	190 000 100	100	I
Algeria	SGS Qualitest Algérie SpA, Alger	DZD	50 000 000	100	D
Algeria	Société de Contrôle Technique Automobile SA, Rouiba-Alger	DZD	173 600 000	77	D
Angola	SGS Angola Limitada, Luanda	AOA	8 000 000	100	D
Argentina	SGS Argentina SA, Buenos Aires	ARS	4 171 536	100	D
Argentina	ITV SA, Buenos Aires	ARS	1 500 000	100	I
Australia	SGS Australia Pty. Ltd., Perth	AUD	200 000	100	I
Australia	Gearhart Australia Limited, Perth	AUD	5 609 210	100	I
Austria	SGS Austria Controll-Co. Ges.m.b.H., Vienna	EUR	185 000	100	D
Azerbaijan	Société Générale de Surveillance Azeri Ltd., Baku	USD	100 000	100	D
Bahamas	SGS Bahamas Ltd., Freeport	BSD	5 000	100	D
Bangladesh	SGS Bangladesh Limited, Dhaka	BDT	10 000 000	100	D
Belarus	SGS Minsk Ltd., Minsk	USD	20 000	100	D
Belgium	SGS Belgium N.V., Antwerpen	EUR	2 178 200	100	I
Benin	SGS Bénin SA, Cotonou	XOF	10 000 000	100	D
Bolivia	SGS Bolivia SA, La Paz	BOB	41 900	100	D
Bosnia-Herzegovina	SGS Bosna i Hercegovina (d.o.o.) Ltd., Sarajevo	BAM	2 151	100	I
Botswana	SGS Botswana (Proprietary) Limited, Gaborone	BWP	1 000	100	D
Brazil	SGS do Brasil Ltda., São Paulo	BRL	170 166 436	100	D
Brazil	SGS Enger Engenharia Ltda., Barueri-SP	BRL	3 000 000	100	I
Bulgaria	SGS Bulgaria Ltd., Sofia	BGN	10 000	100	D
Burkina Faso	SGS Burkina SA, Ouagadougou	XOF	10 000 000	100	D
Cambodge	SGS (Cambodia) Ltd., Phnom Penh	KHR	400 000 000	100	D
Cameroon	SGS Cameroun SA, Douala	XAF	10 000 000	100	D
Canada	SGS Canada Inc., Mississauga	CAD	20 900 000	100	D
Chile	SGS Chile Limitada, Santiago de Chile	CLP	9 394 781 237	100	D
Chile	CIMM Tecnologías y Servicios SA, Santiago de Chile	CLP	7 570 000 000	100	I
China	SGS-CSTC Standards Technical Services Ltd., Beijing	USD	3 966 667	85	I
Colombia	SGS Colombia SA, Bogota	COP	59 054 167 360	100	D
Colombia	Estudios Técnicos SA, (ETSA), Bogota	COP	265 739 000	100	I
Congo	SGS Congo SA, Pointe-Noire	XAF	1 510 000 000	100	D
Croatia	SGS Adriatica, w.l.l., Zagreb	HRK	1 300 000	100	I
Czech Republic	SGS Czech Republic s.r.o., Praha	CZK	7 707 000	100	I
Denmark	SGS Danmark A/S, Glostrup Hvidovre	DKK	700 000	100	I
Democratic Republic of Congo	SGS RDC SPRL, Kinshasa	USD	50 000	100	D
Dubai	<i>(see United Arab Emirates)</i>				

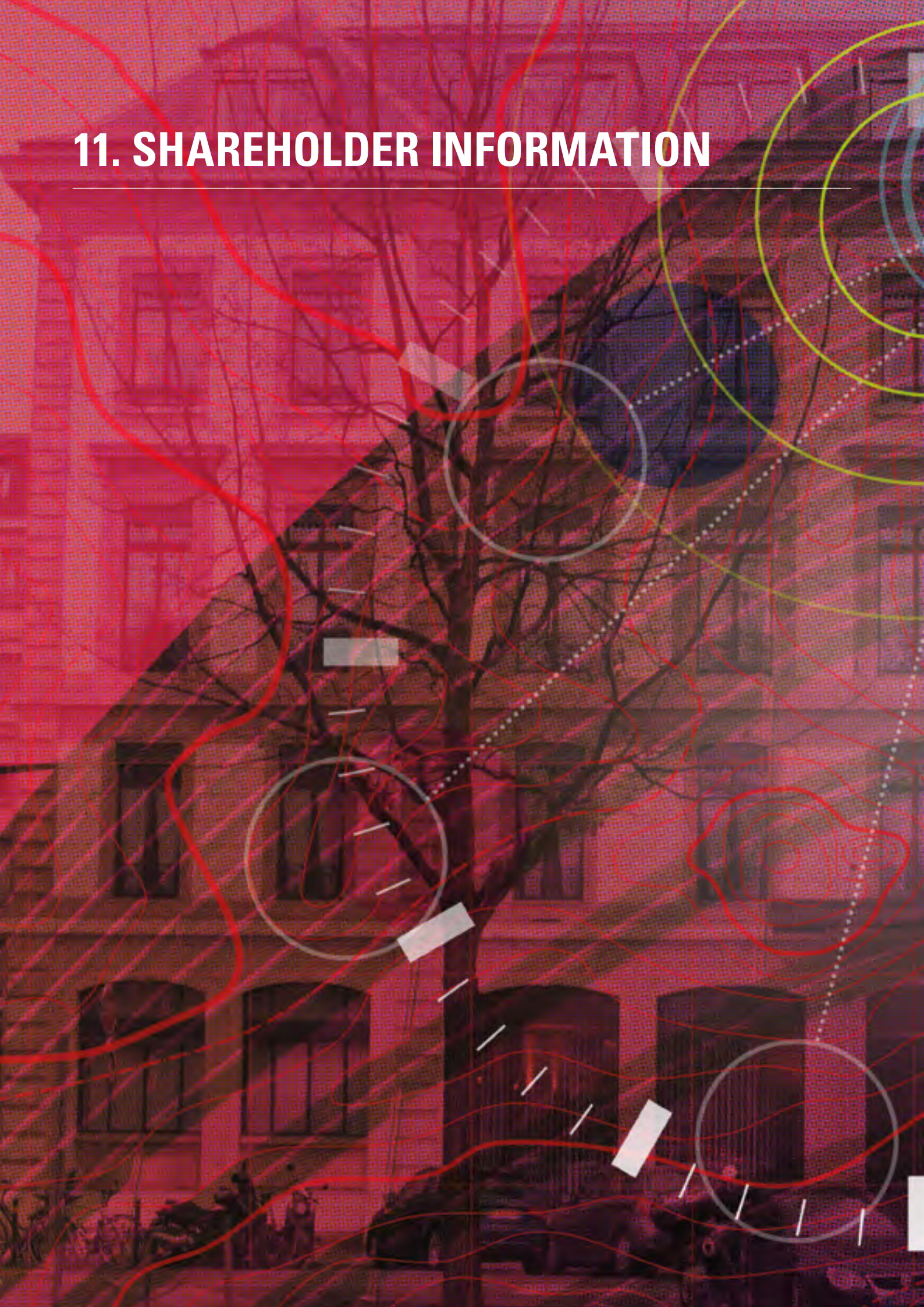
COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT / INDIRECT
Ecuador	SGS del Ecuador SA, Guayaquil	USD	147 680	100	D
Egypt	SGS Egypt Ltd., Cairo	EGP	1 500 000	100	D
Estonia	SGS Estonia Ltd., Tallinn	EUR	42 174	100	I
Ethiopia	SGS Ethiopia Private Limited, Addis Abeba	ETB	15 000	100	D
Finland	SGS Inspection Services Oy, Helsingfors	EUR	102 000	100	I
Finland	SGS Fimko Oy, Helsingfors	EUR	260 000	100	I
France	SGS Oil, Gas and Chemicals, SAS, Arcueil	EUR	2 320 000	100	I
France	SGS Qualitest Industrie SAS, Orsay	EUR	200 000	100	I
France	Securitest SA, Paris	EUR	2 745 000	92.31	I
Georgia	SGS Georgia Ltd., Batumi	USD	80 000	100	D
Germany	SGS Germany GmbH, Hamburg	EUR	1 210 000	100	I
Germany	SGS Institut Fresenius GmbH, Taunusstein	EUR	7 490 000	100	I
Germany	SGS-TÜV Saar GmbH, Sulzbach	EUR	750 000	74.9	I
Ghana	SGS Ghana Limited, Accra	GHS	4 005 202	100	D
Ghana	Ghana Community Network Services Limited, Accra	GHS	1 978 604	60	D
Great Britain	SGS United Kingdom Limited, Ellesmere Port	GBP	8 000 000	100	I
Great Britain	SGS M-Scan Limited, Ellesmere Port	GBP	139	100	I
Greece	SGS Greece SA, Peristeri	EUR	301 731	100	D
Guam	SGS Guam Inc., Guam	USD	25 000	100	D
Guatemala	SGS Central America SA, Guatemala-City	GTQ	1 068 000	100	D
Guinea-Conakry	SGS Guinée Conakry SA, Conakry	GNF	50 000 000	100	D
Guinea-Equatorial	Compañía de Inspecciones y Servicios G.E., Malabo	XAF	10 000 000	51	D
Hong Kong	SGS Hong Kong Limited, Hong Kong	HKD	200 000	100	D
Hungary	SGS Hungária Kft., Budapest	HUF	518 000 000	100	I
India	SGS India Private Ltd., Mumbai	INR	960 000	100	D
Indonesia	P.T. SGS Indonesia, Jakarta	USD	200 000	100	D
Iran	SGS Iran (Private Joint Stock) Limited, Tehran	IRR	50 000 000	100	D
Ireland	SGS Ireland (Holdings) Limited, Dublin	EUR	62 500	100	I
Italy	SGS Italia S.p.A., Milan	EUR	2 500 000	100	I
Ivory Coast	SGS Côte d'Ivoire SA, Abidjan	XOF	300 000 000	100	D
Ivory Coast	Société Ivoirienne de Contrôles Techniques Automobiles et Industriels SA, Abidjan	XOF	200 000 000	95	D
Japan	SGS Japan Inc., Yokohama	JPY	100 000 000	100	D
Jordan	SGS (Jordan) Private Shareholding Company, Amman	JOD	100 000	50	D
Kazakhstan	SGS Kazakhstan Limited, Almaty	KZT	146 527	100	D
Kenya	SGS Kenya Limited, Mombasa	KES	2 000 000	100	D
Korea (Republic of)	SGS Korea Co., Ltd., Seoul	KRW	15 617 540 000	100	D
Kuwait	SGS Kuwait W.L.L., Kuwait	KWD	50 000	49	D

10. DATA

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT / INDIRECT
Latvia	SGS Latvija Limited, Riga	LVL	118 382	100	I
Lebanon	SGS (Liban) S.A.L., Beirut	LBP	30 000 000	99.99	D
Liberia	SGS Liberia Inc, Monrovia	LRD	100	100	D
Lithuania	SGS Klaipeda Ltd., Klaipeda	LTL	40 000	100	I
Luxembourg	SGS Luxembourg SA, Windhof	EUR	38 000	100	I
Madagascar	SGS Madagascar SARL, Antananarivo	MGA	20 000 000	100	I
Madagascar	Malagasy Community Network Services SA, Antananarivo	MGA	10 000 000	70	D
Malawi	SGS Malawi Limited, Blantyre	MWK	30 000	100	D
Malaysia	Petrotechnical Inspection (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	500 000	70	D
Malaysia	SGS (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	60 000	100	I
Mali	SGS Mali Sàrlu, Kayes	XOF	300 000 000	100	D
Mauritius	SGS (Mauritius) LTD, Phoenix	MUR	100 000	100	D
Mexico	SGS de Mexico, SA de C.V., Mexico	MXN	7 065 828	100	D
Moldova	SGS (Moldova) SA, Chisinau	MDL	488 050	100	D
Mongolia	SGS Mongolia LLC, Ulaanbaatar	USD	10 000	100	D
Morocco	SGS Maroc SA, Casablanca	MAD	12 000 000	100	D
Morocco	SGS Maroc Automotive SA, Casablanca	MAD	33 000 000	75	D
Mozambique	SGS Mozambique, Limitada, Maputo	MZM	100 000	100	D
Myanmar	SGS (Myanmar) Limited, Yangon	MMK	300 000	100	D
Namibia	SGS Inspection Services Namibia (Propietary) Limited, Windhoek	NAD	100	100	I
Netherlands	SGS Nederland B.V., Spijkenisse	EUR	250 000	100	I
Netherlands	SGS Horizon B.V., Gravenhage	EUR	45 000	100	I
New Zealand	SGS New Zealand Limited, Auckland-Onehunga	NZD	10 522 190	100	D
Nigeria	SGS Inspection Services Nigeria Limited, Lagos	NGN	200 000	50	D
Norway	SGS Norge A/S, Austrheim	NOK	804 000	100	I
Oman	SGS Gulf Upstream, Oman (Branch office)	-	-	-	-
Pakistan	SGS Pakistan (Private) Limited, Karachi	PKR	2 300 000	100	D
Panama	SGS Panama Control Services Inc., Panama	USD	850 000	100	D
Papua-New-Guinea	SGS PNG Pty. Limited, Port Moresby	PGK	2	100	I
Paraguay	SGS Paraguay SA, Asunción	PYG	1 962 000 000	100	D
Peru	SGS del Perú S.A.C., Lima	PEN	13 081 182	100	D
Philippines	SGS Philippines, Inc., Manila	PHP	24 620 000	100	D
Poland	SGS Polska Sp.z o.o., Warsaw	PLN	10 144 200	100	I
Portugal	SGS Portugal - Sociedade Geral de Superintendência SA, Lisboa	EUR	500 000	100	I
Romania	SGS Romania SA, Bucharest	RON	100 002	100	I
Russia	SGS Vostok Limited, Moscow	RUB	18 000 000	100	D

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT / INDIRECT
Saudi Arabia	SGS Inspection Services Saudi Arabia Ltd., Jeddah	SAR	1 000 000	75	D
Senegal	SGS Sénégal SA, Dakar	XAF	35 000 000	100	D
Serbia	SGS Beograd d.o.o., Beograd	EUR	66 161	100	I
Sierra Leone	SGS (SL) Ltd., Freetown	SLL	200 000 000	100	D
Singapore	SGS Testing and Control Services Singapore Pte Ltd., Singapore	SGD	100 000	100	D
Slovakia	SGS Slovakia spol.s.r.o., Kosice	EUR	19 917	100	I
Slovenia	SGS Slovenija d.o.o. - Podjetje za kontrol blaga, Koper	EUR	10 432	100	I
South Africa	SGS South Africa (Proprietary) Limited, Johannesburg	ZAR	452 000 500	100	I
Spain	SGS Española de Control SA, Madrid	EUR	240 000	100	I
Spain	SGS Tecnos, SA, Sociedad Unipersonal, Madrid	EUR	92 072 034	100	I
Spain	General de Servicios ITV, SA, Madrid	EUR	4 559 657	100	I
Sri Lanka	SGS Lanka (Private) Limited, Colombo	LKR	9 000 000	100	D
Sweden	SGS Sweden AB, Göteborg	SEK	1 500 000	100	I
Switzerland	SGS Société Générale de Surveillance SA, Geneva	CHF	10 000 000	100	I
Switzerland	SGS SA, Geneva	CHF	7 822 436		Ultimate parent company
Switzerland	SGS Group Management SA, Geneva	CHF	100 000	100	I
Taiwan	SGS Taiwan Limited, Taipei	TWD	62 000 000	100	I
Tanzania	SGS Tanzania Superintendence Co. Limited, Dar-es-Salaam	TZS	250 000	100	D
Thailand	SGS (Thailand) Limited, Bangkok	THB	20 000 000	99.99	D
Togo	SGS Togo SA, Lomé	XOF	10 000 000	100	D
Tunisia	SGS Tunisie SA, Tunis	TND	49 500	50	D
Turkey	SGS Supervise Gözetme Etud Kontrol Servisleri Anonim Sirketi, Istanbul	TRY	6 550 000	100	I
Turkmenistan	SGS Turkmen Ltd., Ashgabat	USD	50 000	100	D
Uganda	SGS Uganda Limited, Kampala	UGX	5 000 000	100	D
Ukraine	SGS Ukraine, Foreign Enterprise, Odessa	USD	400 000	100	I
United Arab Emirates	SGS Gulf Limited, Abu Dhabi (Branch office)	-	-	-	-
United States	SGS North America Inc., Wilmington	USD	73 701 996	100	I
Uruguay	SGS Uruguay Limitada, Montevideo	UYU	1 500	100	D
Uruguay	Sociedad Uruguaya de Control Técnico de Automotores Sociedad Anónima, Montevideo	UYU	24 000	100	I
Uzbekistan	SGS Tashkent Ltd., Tashkent	USD	50 000	100	D
Venezuela	SGS Venezuela SA, Caracas	VEF	162 980	100	D
Vietnam	SGS Vietnam Ltd., Ho Chi Minh City	USD	288 000	100	D
Zambia	SGS Inspections Services Ltd., Lusaka	ZMK	5 000 000	100	I
Zimbabwe	SGS Zimbabwe (Private) Limited, Harare	ZWD	5 000	100	D

11. SHAREHOLDER INFORMATION





11. SHAREHOLDER INFORMATION

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STOCK EXCHANGE LISTING

SIX Swiss Exchange, SGSN

STOCK EXCHANGE TRADING

SIX Swiss Exchange

COMMON STOCK SYMBOLS

Bloomberg: Registered Share: SGSN.VX

Reuters: Registered Share: SGSN.VX

Telekurs: Registered Share: SGSN

ISIN: Registered Share: CH0002497458

Swiss security number: 249745

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ANNUAL GENERAL MEETING OF SHAREHOLDERS

Monday, 14 March 2016

Geneva, Switzerland

2016 HALF YEAR RESULTS

Monday, 18 July 2016

INVESTOR DAYS (IN EUROPE)

Thursday – Friday

27 – 28 October 2016

DIVIDEND PAYMENT DATE

Ex-Date: 16 March 2016

Record data: 17 March 2016

Payment date: 18 March 2016

PROJECT MANAGEMENT

Françoise Rein

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WHEN YOU NEED TO BE SURE

