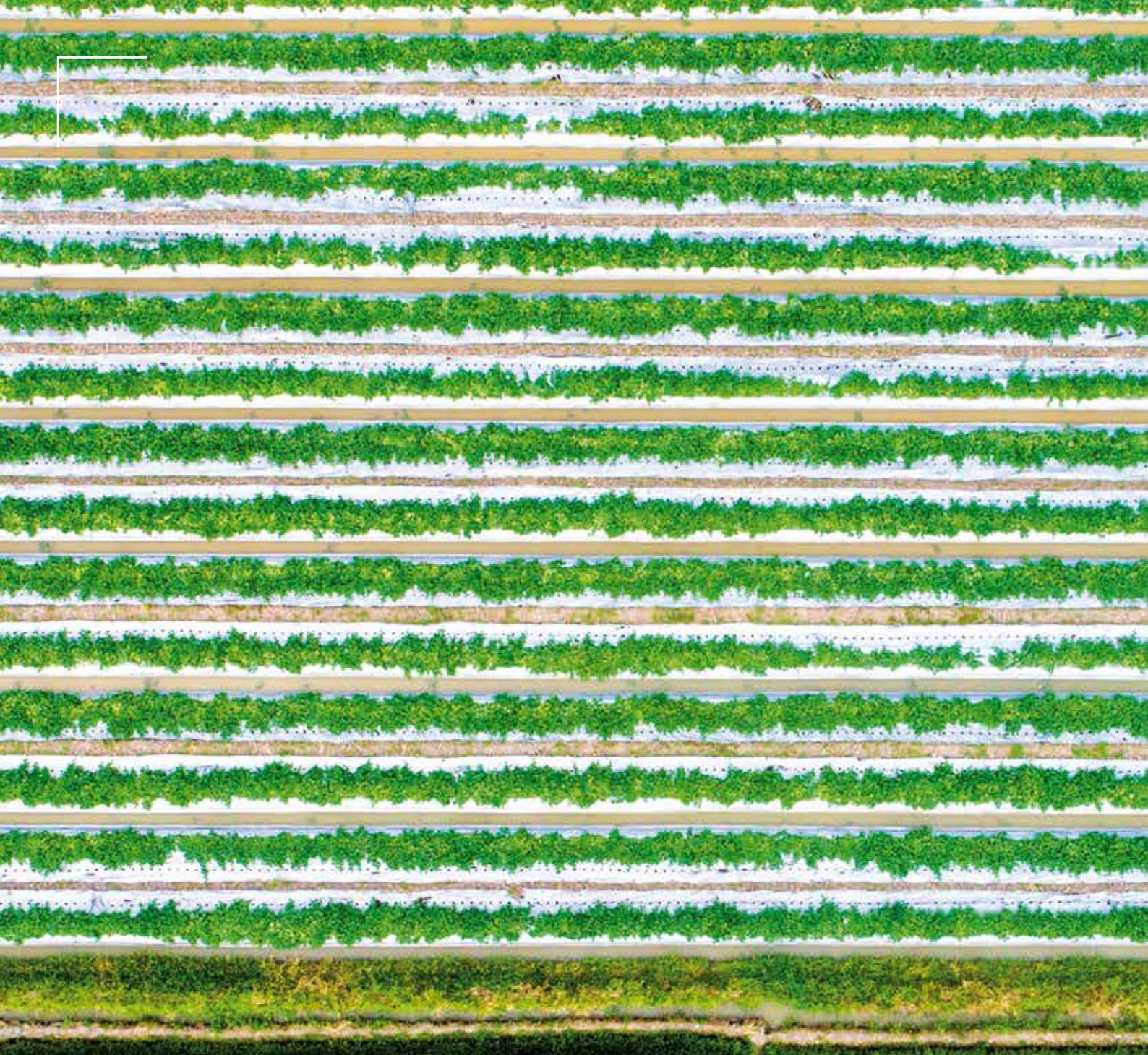


ANNUAL REPORT **2017**

OUR VALUE TO SOCIETY





OUR BUSINESSES

AGRICULTURE, FOOD AND LIFE 	MINERALS 	OIL, GAS AND CHEMICALS 	CONSUMER AND RETAIL 	CERTIFICATION AND BUSINESS ENHANCEMENT 	INDUSTRIAL 	ENVIRONMENT, HEALTH AND SAFETY 	TRANSPORTATION 	GOVERNMENTS AND INSTITUTIONS 
---	---	---	--	---	---	---	---	---

THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY 	2 ZERO HUNGER 	3 GOOD HEALTH AND WELL-BEING 	4 QUALITY EDUCATION 	5 GENDER EQUALITY 	6 CLEAN WATER AND SANITATION 	7 AFFORDABLE AND CLEAN ENERGY 	8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 
10 REDUCED INEQUALITIES 	11 SUSTAINABLE CITIES AND COMMUNITIES 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	13 CLIMATE ACTION 	14 LIFE BELOW WATER 	15 LIFE ON LAND 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	17 PARTNERSHIPS FOR THE GOALS 	

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

In a global business place, we deliver speed to market, reduced risk, efficiency, productivity, sustainability, trust, quality and safety. We have a positive impact on what companies and consumers around the world do, every minute of every day.

Societal welfare is at the heart of our culture. You will see throughout this report that we have highlighted how our performance across our operations reflects against the United Nations Sustainable Development Goals.

As stated by the United Nations Sustainable Development Goals, if we are going to make our planet a better place to live, private sector companies, such as SGS, need to do their part, alongside governments and civil society. This is why we have introduced a method of calculating our economic value to society in this report. We hope that this will not only prove useful to our own sustainability initiatives, but will also add momentum to the rapidly developing field of impact evaluation.

SGS has been showing leadership in building a better, safer world since 1878 and we will continue to do so into the future.

1. CHAIRMAN'S AND CEO'S LETTER TO SHAREHOLDERS

PAGE 3

2. HIGHLIGHTS

PAGE 7

Financial Highlights	9
Revenue and Adjusted Operating Income by Business	10
Revenue by Region	10
Group Achievements	11
Business Highlights	11
Sustainability Highlights	12
Sustainability Ambitions 2020	12

3. SGS AT A GLANCE

PAGE 13

The World Leader	15
Our Vision	15
Our Values	15
Our Position in the Value Chain	17
SGS by Industry	19

4. INTEGRATED LEADERSHIP

PAGE 21

AN INTEGRATED APPROACH TO LEADERSHIP	23
The Sustainable Development Goals	27
MARKET OPPORTUNITY	31
MEGATRENDS	33
RISK MANAGEMENT AND MATERIAL TOPICS IDENTIFICATION	34
Business Materiality Matrix	35
Business Materiality Overview	36
STRATEGIC FOCUS	39
BUSINESS PRINCIPLES	43
OPERATING CAPITALS	45
WHY WE MEASURE VALUE TO SOCIETY	47
CAPITALS	48
CAPITAL INDICATORS	49
BUSINESS MODEL	51
BRAND	53
GROWTH	55
Agriculture, Food and Life	58
Minerals	60
Oil, Gas and Chemicals	62
Consumer and Retail	64
Certification and Business Enhancement	66
Industrial	68

Environment, Health and Safety	70
Transportation	72
Governments and Institutions	74
Acquisitions	75
2017 Acquisitions	76
INNOVATION	77
EXPERTISE	79
INVESTMENT	81
OPERATIONAL EXCELLENCE	83
PROFESSIONAL EXCELLENCE	85
Compliance and Integrity	86
Procurement and Supply Chain Management	88
Customer Relationship Management, Data Security and Business Continuity	89
PEOPLE	91
Talent Attraction and Retention	92
Human Capital Development and Labour Practices	94
Operational Integrity	95
SGS Seven Operational Integrity Pillars	97
ENVIRONMENT	99
Energy	100
Carbon Offsetting	103
COMMUNITY	105
Community Programmes	106

OPERATING OUTCOMES	109
How We Measure our Value to Society	112
MEASURING OUR DIRECT OPERATIONS	113
MEASURING OUR SUPPLY CHAIN AND SERVICES	114
BUSINESS SUCCESS	115
WHAT MAKES US STAND OUT	117
Market Positioning	117
The TIC Industry Unmasked	117
THE BUSINESS BENEFITS WE DELIVER	119
THE EXPERT SERVICES WE OFFER	120
NETWORK	121
VALUE TO SOCIETY	123
Adding Value to Society	125
Making a Difference	127
VALUE FOR EMPLOYEES AND SUPPLIERS	129
VALUE FOR INVESTORS	131
VALUE FOR CUSTOMERS	132
VALUE FOR GOVERNMENTS AND INDUSTRIES	133
VALUE FOR CONSUMERS	134
VALUE FOR COMMUNITIES AND THE PLANET	136

5. GOVERNANCE

PAGE 137

Group Structure and Shareholders	140
Capital Structure	140
Board of Directors	141
Operations Council	148
Compensation, Shareholdings and Loans	150
Shareholders' Participation Rights	151
Change of Control and Defence Measures	151
Auditors	151
Information Policy	152

6. REMUNERATION REPORT

PAGE 153

Introduction by the Nomination and Remuneration Committee	156
Company's Remuneration Policy and Governance	157
Remuneration Model	160
Remuneration Awarded to the Board of Directors	169
Remuneration Awarded to the CEO, Senior Management and Other Members of the Operations Council	170

7. SGS GROUP RESULTS

PAGE 175

8. SGS SA RESULTS

PAGE 229

9. DATA

PAGE 243

10. SHAREHOLDER INFORMATION

PAGE 253



1. CHAIRMAN'S AND CEO'S LETTER TO SHAREHOLDERS

WASTE WATER PURIFICATION STUDIES

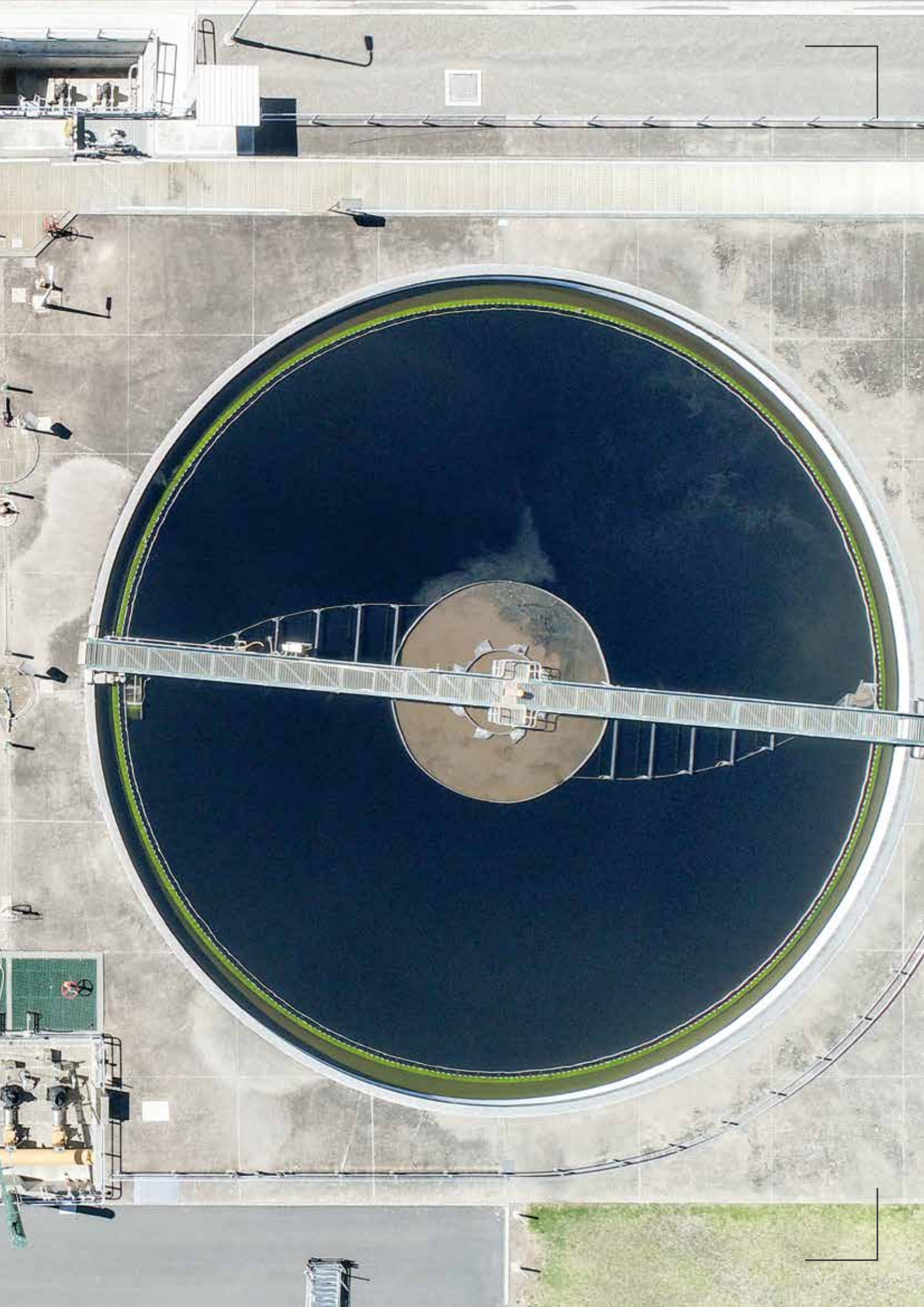
SGS' services ensure that waste water can be safely disposed of or recycled for reuse.

ENVIRONMENT,
HEALTH AND
SAFETY



6 CLEAN WATER
AND SANITATION





1. CHAIRMAN'S AND CEO'S LETTER TO SHAREHOLDERS

Dear Shareholders,

2017 was another solid year for SGS, with our total revenues reaching CHF 6.3 billion. We are pleased to confirm that we are on track to deliver the revenue growth projected in our 2020 strategic plan.

Our Consumer and Retail, Agriculture, Food and Life, and Transportation businesses were key growth drivers in 2017. A strengthening of the mineral markets was also an important factor. As a result, the Group posted revenue growth of 5.4% (on a constant currency basis), with organic growth at 4.2% and recent acquisitions contributing growth of 1.2%.

More positives were taken from the wider market where we saw continued regulatory expansion and enforcement across the industries we are present in. Some notable examples include new connectivity standards for electronic devices, new food safety standards in the USA and preparations of the arrival of the EU General Data Protection Regulation in early 2018. This trend is helping to create a positive shift in the demand for our services.

Ever-evolving customer requirements in mature markets (particularly in the environment, health and safety space) are also expected to be an ongoing business driver for us. In emerging markets, SGS' newly created North East Asia region performed excellently in its inaugural year. The new region, which was formed by the merger of our former East Asia and China and Hong Kong regions, achieved near double-digit growth. This was fuelled by opportunities from across the region and, notably, the continued opening of China's domestic market. When combined with our innovation, operational excellence and financial transformation initiatives, the favourable market conditions provided the backdrop for improved performance in our Minerals and our Oil, Gas and Chemicals business lines.

Traditional services, such as our Food and Automotive Testing services, continue to progress well and expanded their footprint in the USA market. Our Telecommunications Certification activity benefited from very strong growth in North America, where we were first accredited as a Telecommunications Certification Body in 2016. Our Industrial and Government and Institutions business lines continue to evolve our service offering, creating remote inspection capabilities, which provide real-time, secure interactions with remote inspectors. These services have been successfully rolled out at border checkpoints and in industrial inspections where they have improved margins and productivity. For our customers, this means more efficient workflows, reduced costs and access to our services wherever they are needed in the world. Bringing innovative services like this to market is part of our DNA. Our objective is to meet the customers' expectations, and it is their continued satisfaction that drives us forward. Our digitalisation efforts continue apace, with new digital products and services expected to add CHF 300 million to top-line growth in the next three years alone. Naturally, as the use and regulation of technologies such as robotics, drones, autonomous vehicles and 3D printing continue to grow, so does the need for our services. As strategic decisions become increasingly based on the insights provided by big data, the accuracy of that data needs to be more scrupulously examined. SGS is well equipped to empower our customers' decision-making through adding this analytical veracity.

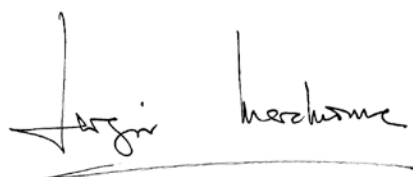
The digital (r)evolution (one of our megatrends – see page 33) – will continue to influence the way we live and work, and digitalisation will further disrupt the TIC industry over time. In anticipation of this, we have embraced innovation and developed strategic partnerships with technology companies. A good example of this is Transparency-One, in which we took a 20% stake in 2016. Transparency-One is a cloud-based interface platform that allows retailers, food and textile companies to track the sourcing of every ingredient or material in their products to the farm or to the raw material. Global manufacturer Mars is currently using the service to realise its 2020 ambition of sustainably sourcing its UNCLE BEN'S® rice. In this way, we are in a position to help leading businesses to achieve their sustainability goals.

In fact, enabling other businesses to add value to society is a common feature across many of our services. It reflects evolving market requirements and our own belief that we should continue to positively contribute to the world we live in. In 2017, we took a major step towards quantifying our value to society, and we are disclosing these calculations for the first time in this report. This also represents significant progress in our move towards integrated reporting.

This determination to add value to society is also apparent in our operations: SGS has a highly developed sustainability culture. This year, we remained a carbon neutral company. We have also been recognised, for the first time, by the FTSE4Good index for ethical investment. In addition, we retained our status as a Dow Jones Sustainability index leader, were awarded an EcoVadis Gold award, launched a new sustainable supply chain strategy and updated our Business Materiality Matrix.

It is for these reasons that we – and by extension, our customers – are able to build trust, create consumer confidence and add value to our shareholders and society.

13 February 2018



Sergio Marchionne
Chairman of the Board



Frankie Ng
Chief Executive Officer

SIGNIFICANT MILESTONES

In pursuit of innovative avenues for growth and increased productivity, SGS has implemented an enhanced digital structure across the organisation. The Group launched the SGS Digicomply platform, a regulatory intelligence network that offers access to global data on food regulations and early warning notifications.

During the year, the Group carried out its second full strategic dashboard review with the aim of optimising the business portfolio by disposing or closing businesses not meeting a defined threshold of growth and profitability.

SGS continued its push towards integrated reporting in support of its sustainability efforts by developing a new risk intelligence tool, and refining its Materiality Matrix to include emerging risks, such as those relating to cyberattacks, new technologies, geopolitical shifts and compliance with new laws and regulations, as well as ethical culture.

SUBSEQUENT EVENTS

The following acquisitions and strategic investments were completed after 31 December 2017:

- Vanguard Sciences (AFL) in the USA, leading provider of food safety testing services in the areas of product testing, research and development;
- Laboratoire de Contrôle et d'Analyse (AFL) in Belgium, providing chemical and microbiological testing and consultancy services to national and international pharmaceutical companies;
- TraitGenetics, based in Germany, providing services across a wide variety of crops to international client in the plant breeding industry and for academic research;
- SIT Skin Investigation and Technology Hamburg GmbH, based in Germany, providing applied dermatological research and studies for the cosmetics and personal care industries.

MANAGEMENT

Jean-Luc de Buman, SVP of Corporate Communications and Investor Relations, sadly passed away during the year.

His commitment and dedication throughout his 19 years with the Group will be truly missed.

GUIDANCE 2018

The Group expects to deliver solid organic revenue growth and higher adjusted operating income margin on a constant currency basis, and a continuation of its robust cash flow generation. 2018 is expected to be a significant step towards the accomplishment of the 2020 plan.

OUTLOOK 2020

The Group confirms its 2020 outlook and remains committed to its aims:

- To secure mid single-digit organic growth, with improvement over the period underpinned by the new structure and new strategic initiatives.
- To accelerate Mergers and Acquisitions activities with acquired revenue in the range of CHF 1 billion over the 2016–2020 period.
- To achieve an adjusted operating income margin of at least 18% by the end of the period bolstered by the new structure, efficiency improvement initiatives and improved pricing.
- To ensure strong cash conversion.
- To see solid returns on invested capital.
- To offer dividend distributions in line with the improvement in net earnings.

2. HIGHLIGHTS

SOLAR ENERGY TECHNOLOGY

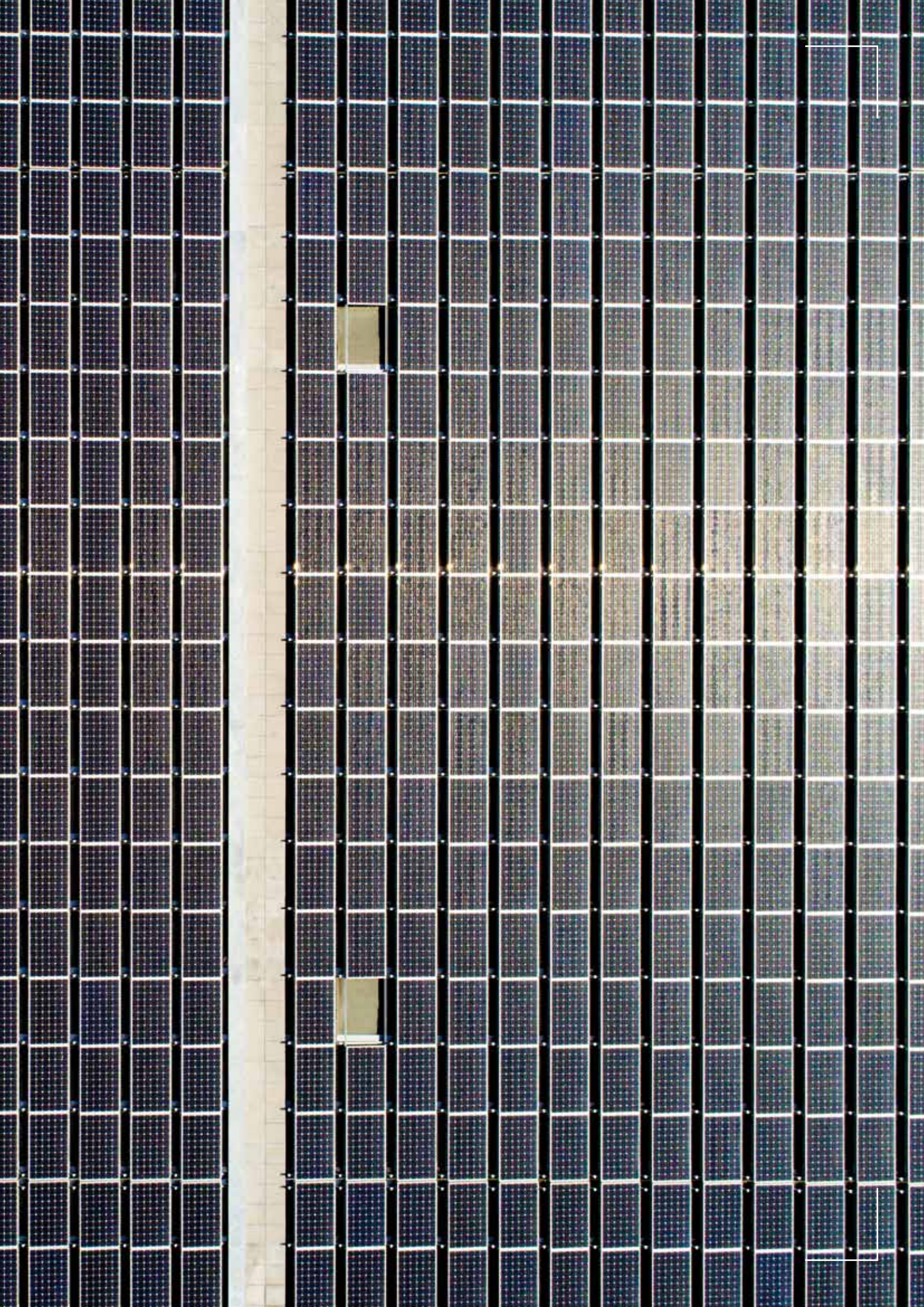
Our services for solar technology systems support renewable energy.

CONSUMER AND RETAIL

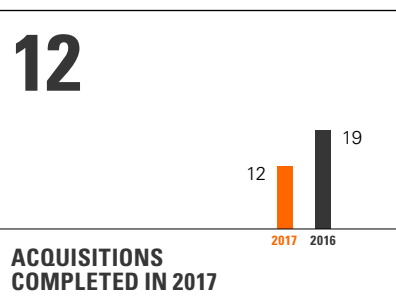
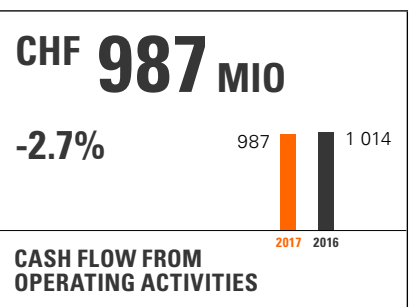
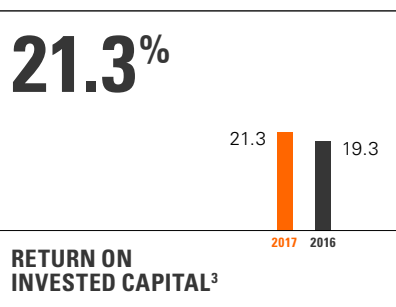
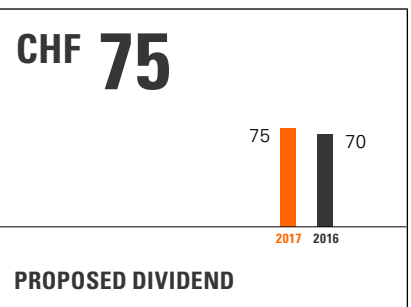
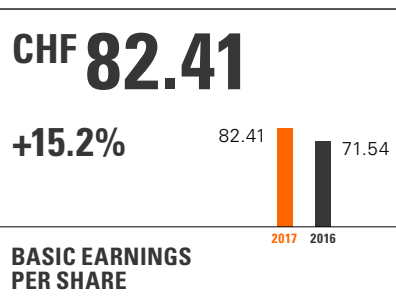
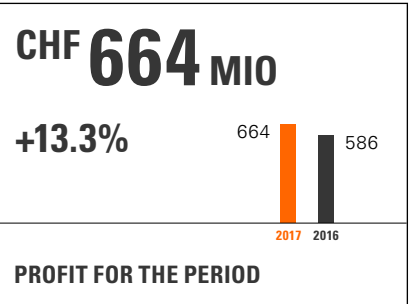
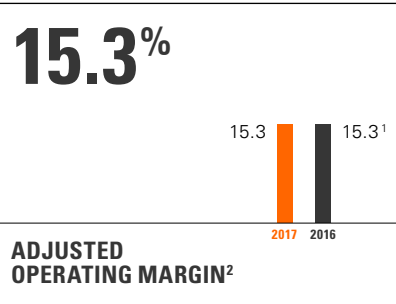
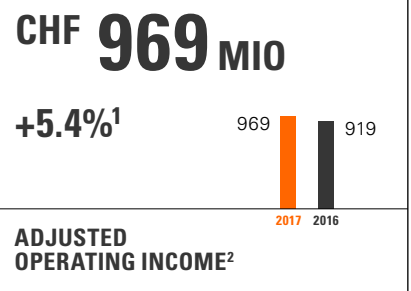
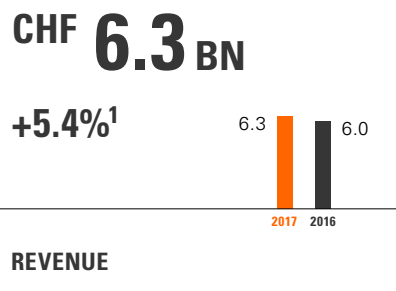


7 AFFORDABLE AND CLEAN ENERGY





FINANCIAL HIGHLIGHTS



1. Constant currency basis.
 2. Before amortisation of acquired intangibles and non-recurring items.
 3. Profit for the period/(non-current assets + Net Working Capital).

REVENUE AND ADJUSTED OPERATING INCOME BY BUSINESS

REVENUE

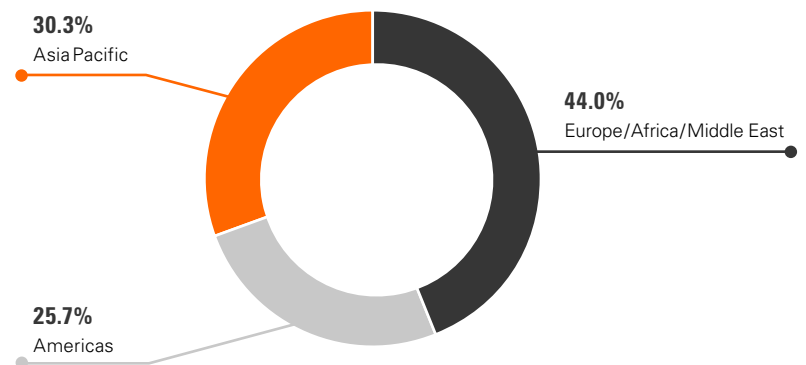


ADJUSTED OPERATING INCOME¹



1. Before amortisation of acquisition intangibles, restructuring and other non-recurring items.

REVENUE BY REGION²



2. As a percentage of total revenue.

GROUP ACHIEVEMENTS

NEW REGION

**NORTH EAST ASIA REGION
CREATED FROM MERGER
OF THE CHINA AND HONG KONG
AND THE EAST ASIA REGIONS**

NEW FUNCTION

**FOR DIGITAL AND
INNOVATION LAUNCHED**

12 ACQUISITIONS

COMPLETED
(see Acquisitions section page 76)

CHF 61 MIO

PROCUREMENT SAVINGS

SGS ENABLE TRANSFORMATION PROGRAMME

**DELIVERING SIGNIFICANT
PRODUCTIVITY IMPROVEMENTS TO
CUSTOMERS THROUGH ENHANCED
ANALYTICS AND AUTOMATION**

NEW SHARED SERVICE CENTRE

**LAUNCHED IN CHINA TO IMPROVE
BACK-OFFICE EFFICIENCY**

BUSINESS HIGHLIGHTS

AGRICULTURE FOOD AND LIFE

Double-digit growth in Life, driven by Laboratories

MINERALS

Strong growth in Trade services with volume increases in major bulk commodities

OIL GAS AND CHEMICALS

Contract awarded to provide services to BP's Rumaila oil field in Iraq over a period of five years

CONSUMER AND RETAIL

Outstanding performance in Cosmetics, Personal Care and Household, and in Electrical and Electronics

CERTIFICATION AND BUSINESS ENHANCEMENT

A five-year certification programme backed by the Australian government and aimed at the recruitment industry was signed in 2017

INDUSTRIAL

Two strategic agreements signed with technology providers: one to deploy disruptive smart solutions for pipeline inspections, another to deploy 3D business intelligence solutions

ENVIRONMENT, HEALTH AND SAFETY

Dynamic laboratory growth in China and Taiwan driven by focus on dioxins and new regulations

TRANSPORTATION

SGS' fastest growing business line in 2017 with 11.6% growth

GOVERNMENT AND INSTITUTIONS

High double-digit growth in TransitNet services through geographical expansion

SUSTAINABILITY HIGHLIGHTS



SGS RECEIVED THE ROBECOSAM GOLD CLASS AWARD FOR ITS EXCELLENT SUSTAINABILITY PERFORMANCE



FTSE4Good

SGS WAS INCLUDED IN THE FTSE4GOOD INDEX FOR THE FIRST TIME



CHF 1.27 MILLION INVESTED AND 17 086 HOURS GIVEN TO COMMUNITY ON VOLUNTEERING



TOTAL RECORDABLE INCIDENT RATE (TRIR) AND LOST TIME INJURY RATE (LTIR) DECREASED BY MORE THAN 24.8% AND 14.5% RESPECTIVELY



SGS WAS NAMED FOR THE FOURTH CONSECUTIVE YEAR INDUSTRY LEADER BY THE DOW JONES SUSTAINABILITY INDEX



SGS RECEIVED A GOLD RATING FROM ECOVADIS FOR THE THIRD CONSECUTIVE YEAR AND WAS PLACED IN THE TOP 1% OF THE EVALUATED COMPANIES



SGS DELIVERED MEASURABLE VALUE 2 SOCIETY FOR THE FIRST YEAR



SGS MAINTAINED ITS STATUS AS A CARBON NEUTRAL COMPANY

SUSTAINABILITY AMBITIONS 2020

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%*, with a focus on volunteering

* Against 2014 baseline.

3. SGS AT A GLANCE

LAND MANAGEMENT SERVICES

SGS' services drive economic development through land tenure security.

GOVERNMENTS AND INSTITUTIONS



1 NO POVERTY





> 95 000



EMPLOYEES

> 2 400



OFFICES AND LABORATORIES

1



GLOBAL NETWORK

THE WORLD LEADER

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 impact our business has on society.

OUR VISION

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.

OUR VALUES

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 95 000 EMPLOYEES,
SGS OPERATES A NETWORK
OF OVER 2 400 OFFICES
AND LABORATORIES
AROUND THE WORLD.**

OUR POSITION IN THE VALUE CHAIN

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

CONSTRUCTION

Ensuring safety and performance in the environment where we work and live.

ENERGY

Powering processes from renewables to conventional energy.

AGRICULTURE AND FOOD

Ensuring safe, sustainable and high-quality products.

MINING

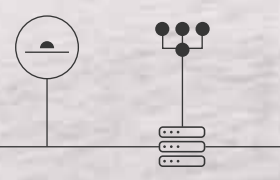
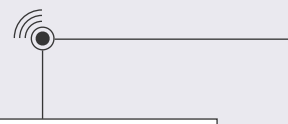
Delivering effective services to improve speed to market, manage risks and maximise returns.

LIFE SCIENCES

Safeguarding the quality and efficacy of medicines.

INDUSTRIAL MANUFACTURING

Making manufacturing more productive and profitable.



TRANSPORTATION

Driving a safer, cleaner and more efficient industry.



OIL AND GAS

Providing innovative solutions that add up along the value chain



PUBLIC SECTOR

Facilitating international trade and sustainable development.



CONSUMER GOODS AND RETAIL

Generating trust throughout the supply chain.



CHEMICAL

Innovation, optimisation and efficiency in everything from feedstocks to finished products.



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 they need 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 to perform inspections that reduce risk and control quality and quantity. We also 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.

SGS BY INDUSTRY

SGS offers services across 11 major industries through our nine business lines. Each business line develops and maintains world-class expertise to support the evolving needs of our customers. Thanks to our capabilities we are able to provide solutions to the challenges they face across the globe. SGS' industries are outlined below.

AGRICULTURE AND FOOD

Ensuring safe, sustainable and high-quality products.

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 traditional and new digital services for agrochemicals, seeds, biofuels, fertilisers, food and forestry, adding value in all sectors by using the latest technology to increase efficiency and help clients to work smarter. From primary production to consumption, we assist with legislation compliance, correct storage, shipping, packing and distribution as well as import and export product inspection. Our expertise protects the integrity of our customers' brands by assessing quality, adding value and securing safe and sustainable global supply chains.

CHEMICAL

Innovation, optimisation and efficiency in everything from feedstocks to finished products.

Industrial chemical companies use our services to optimise their production, reduce risk and control potential health hazards. We work with our partners to establish and maintain quality, safety and compliance throughout the custody chain, from feedstocks through chemical intermediates and into finished products. Our consultancy services provide laboratory design, commissioning and

operations assistance. We operate using established benchmarks, international standards and techniques to improve productivity and efficiency through training, optimisation services and project lifecycle programmes.

CONSTRUCTION

Ensuring safety and performance in the environment where we work and live.

Safe, efficient and trusted processes are essential when constructing buildings or infrastructure. We support our customers in implementing effective scheduling, budgeting, site safety and logistics by using modern asset virtualisation tools. We conduct risk assessment, construction supervision and project management across all types of construction. We ensure quality throughout the global supply chain by performing chemical and physical testing of materials services, and providing facility, waste and energy audits. Our asset management systems are increasingly based on real-time sensor technology, which monitors structures' defects and behaviours.

CONSUMER GOODS AND RETAIL

Generating trust throughout the supply chain.

Our services enable manufacturers, exporters, importers and retailers to gain a competitive edge. We ensure trusted, ethical and environmentally conscious goods, such as electronics, textiles, footwear, toys, furniture, housewares, fashion jewellery and cosmetics, reach consumers. Our laboratories conduct material, chemical and performance testing to verify and certify that products are safe and 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

Powering processes from renewables to conventional energy.

As the energy sector evolves to meet emerging needs, regulations and expectations, we offer a portfolio of services focused on efficiency, optimisation, asset integrity and innovation. We provide support across the entire energy sector with a comprehensive range of independent inspections, audits and business

enhancement services. Whatever the industry – petroleum, gas, electrical power, coal or renewable energy – we offer solutions to our partners. We enable each customer to better assess and manage risk in all operations. In renewables, we consult on sustainability across hydroelectric, geothermal, wind and solar power. Our solutions help the energy sector innovate to find tomorrow's energy today.

INDUSTRIAL MANUFACTURING

Making manufacturing more productive and profitable.

Our expertise allows manufacturers to improve productivity, follow best practices and streamline operational processes and logistics. Industrial manufacturers in sectors ranging 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 high performance standards throughout manufacturing. We support manufacturers in complying with all national and international quality, health and safety legislation, at the same time as providing advice on minimising the environmental impact.

LIFE SCIENCES

Safeguarding the quality and efficacy of medicines.

In the pharmaceutical, biopharmaceutical and medical device 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 time. We provide vital support and expertise for medicines and medical devices throughout every stage of development, testing, production and distribution. With a wholly-owned network of contract analytical laboratories and state-of-the-art clinical trials facilities around the world, our customers trust in our expert knowledge to support them with reliable results.

MINING

Delivering effective services to improve speed to market, manage risks and maximise returns.

Mining is an industry driven by the need to optimise recovery without compromising on safety, environmental sustainability and integrity. We are

a strategic partner in the mining industry providing testing, engineering, technology and trade support, as well as production optimisation services. We deliver sustainable solutions across exploration, production, industrial applications, decommissioning and closure. We help to enhance asset value and optimise recoveries in industrial minerals and precious and base metals extraction. We offer technical expertise in steel manufacturing processes and fertiliser, coal and coke trading. Our expansive global footprint allows our customers to take full advantage of our network to service their project needs across the globe.

OIL AND GAS

Innovative solutions that add up along the value chain.

The oil and gas industry is constantly seeking innovation and efficiency. We offer a comprehensive portfolio of services across the entire value chain in the oil and gas industry, giving our partners access to independent expertise in both the upstream and downstream sectors. We deliver tailored solutions in exploration, extraction, refining, logistics and the retail of oil, gas and other hydrocarbons. Our core convictions, including excellence with regard to health and safety, innovation and trust, are well established. In an industry undergoing radical change, we are optimising the use of data analytics. Our specialist advice and knowledge support upstream activities, such as subsurface consultancy, metering and well-testing solutions. Our downstream services support trade logistics, retail as well as innovative fuels through the delivery of optimised processes for global trade.

PUBLIC SECTOR

Facilitating trade and sustainable development, protecting society against fraud and economic crime.

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 visibility, efficiency and accountability in the aid and development sector. 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

Driving a safer, cleaner and more efficient industry.

Improving performance and reducing risk is essential to our customers. For products and services across the transportation industry, from automotive, rail and marine to aerospace, we lead quality improvements and verify that efficiency is maximised. We support our clients in achieving shorter delivery times at reduced costs and higher value for their customers. Our experts help to minimise the environmental impact of our customers' products and services through conformity and compliance to standards and regulations. Through the use of our global network, laboratories and testing centres, we offer a truly unique and independent service.

4. INTEGRATED LEADERSHIP

TRAINING SERVICES

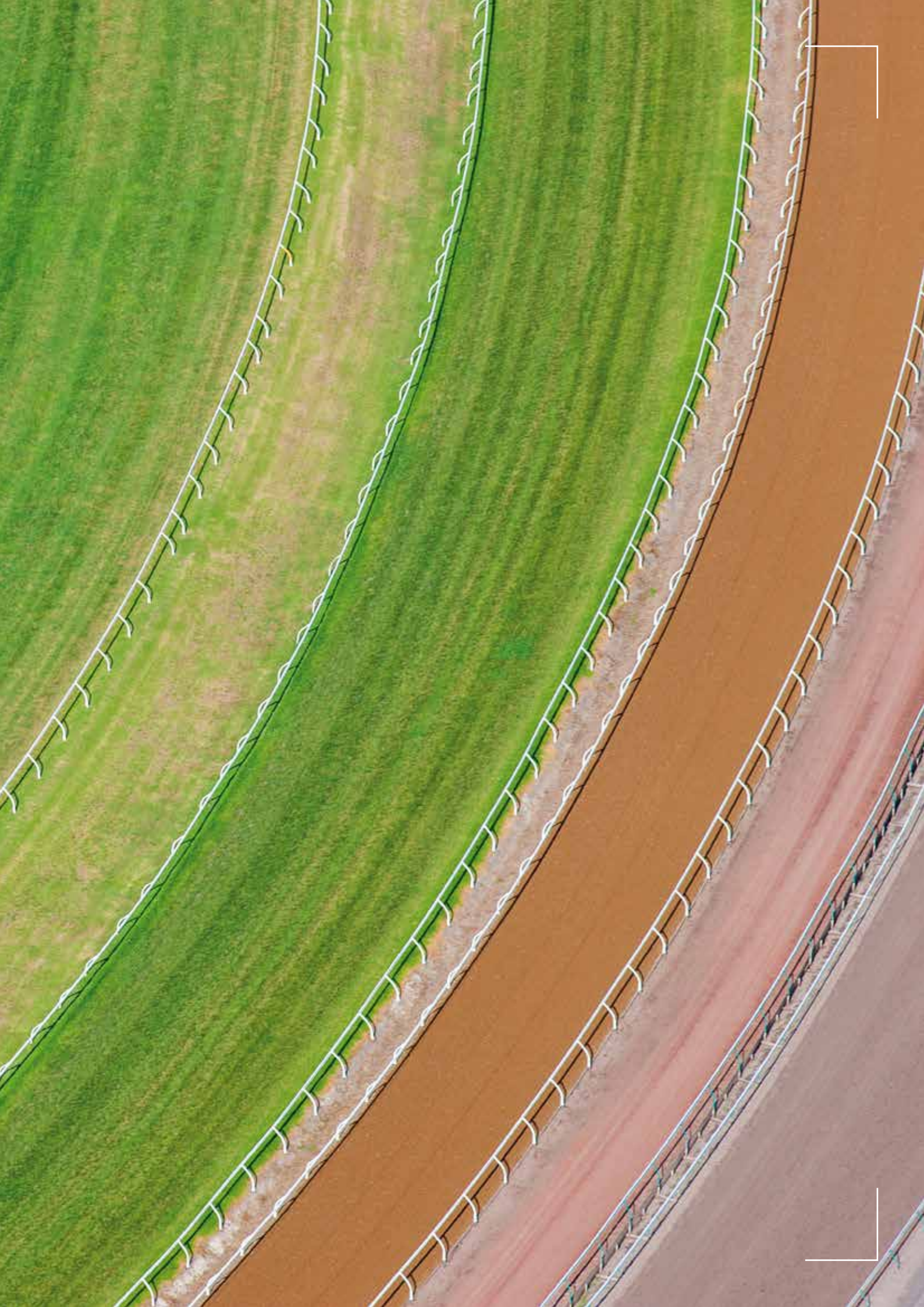
Our training solutions help organisations and individuals improve their skills to stay ahead of the curve.

CERTIFICATION
AND BUSINESS
ENHANCEMENT



4 QUALITY
EDUCATION





ESTABLISHING AN INTEGRATED APPROACH TO LEADERSHIP

Integration is more than just a reporting process. It is a thought process. As the notion of creating value to society becomes more central to the way we do business, so our strategic thinking and decision-making need to be increasingly connected to encompass our broader aims. That is why we have embraced the integrated leadership model.

EXTERNAL LEADERSHIP

SGS does not operate in isolation but forms part of the greater economy. We are impacted by world events, just as we have an impact on society. We cannot always control external events, but we can ensure we are well positioned to deal with them, whether they present risks or opportunities.

For this reason, we must be aware of the megatrends that are impacting the industries we serve and the countries we operate in (see page 33). Once we have this broader contextual understanding, we are in a position to identify potential gaps in the market and the risks we face (see page 34). This enables us to identify our main priority areas and create a mid- to long-term strategic focus (see page 39). Currently, this focus is built around our Ambitions 2020.

We also have an impact on society through our supply chain, operations, products and services. It is important that this impact is positive. There are business and legal reasons for this, but ultimately, our desire to add value to society is intrinsic – it is part of who we are.

Collectively, mastering these elements is how we show external leadership.

MARKET OPPORTUNITY 31

VALUE TO SOCIETY 123

COMPETITIVE LEADERSHIP

The TIC industry is very competitive (see page 117) and some of our competitors are highly capable. What sets us apart and makes us the market leader is the innovative nature of our services and our focus on remaining ahead of the curve technologically (see page 77). It is also the way we do business that gives us an edge.

Our approach matters. It gives us a distinctive competitive advantage. For example, we have very rigorous business principles (see page 43) that define the way we operate. We also know where we can offer the most value because we understand our unique position in the market (see page 117) and the specific benefits we offer (see page 119). The scale of our global network gives us an edge over our competitors in the eyes of many of our customers (see page 121).

BUSINESS PRINCIPLES 43

BUSINESS SUCCESS 115

SUSTAINABLE LEADERSHIP

As is fitting for a TIC industry company, we are structured and thoughtful when it comes to our sustainability efforts.

Our overarching aim is to add value to society. We also have a Materiality Matrix that determines which areas are the most important for us to focus on (see page 35). We are developing a cutting-edge method of measuring our performance and whether our inputs and outputs are balanced (see page 112). Finally, we have a number of global and local programmes and initiatives that are derived from the strategic insight this approach brings.

Driven from the very top of the organisation, our sustainability strategy guides our initiatives, not the other way around.

OPERATING CAPITALS 45

OPERATING OUTCOMES 109

BUSINESS LEADERSHIP

At SGS, we come to work every day to make the world a safer place through our services. This means we need to lead by example, ensuring our own operations also add value to society.

We are doing this by transforming our traditional B2B brand model into something more far reaching (see page 53), by driving innovation (see page 77) and by attracting and retaining the best people (see page 92). Business leadership also means making smart investments (see page 81) and operating to the highest possible standards (see page 85).

It is often said that you should strive to be the change you hope to see in the world. We completely agree.

BUSINESS MODEL 51

OUR INTEGRATED LEADERSHIP MODEL

The value that SGS creates for society is the result of our integrated approach to leadership.



**BUSINESS
LEADERSHIP**

BUSINESS MODEL

BRAND

GROWTH

INNOVATION

EXPERTISE

INVESTMENT

**OPERATIONAL
EXCELLENCE**

OPERATING OUTCOMES

**MEASURING
OUR DIRECT
OPERATIONS**

**MEASURING
OUR SUPPLY CHAIN
AND SERVICES**

BUSINESS SUCCESS

**WHAT MAKES US
STAND OUT**

**THE BUSINESS
BENEFITS
WE DELIVER**

**THE EXPERT
SERVICES
WE OFFER**

NETWORK

VALUE TO SOCIETY

**VALUE FOR
EMPLOYEES
AND SUPPLIERS**

**VALUE FOR
INVESTORS**

**VALUE FOR
CUSTOMERS**

**VALUE FOR
GOVERNMENTS
AND INDUSTRIES**

**VALUE FOR
CONSUMERS**

**VALUE FOR
COMMUNITIES
AND THE PLANET**

THE SUSTAINABLE DEVELOPMENT GOALS

Our integrated leadership model allows us to add value to society. However, in order to achieve this, it is important that we are clear about exactly what value to society means. The United Nations Sustainable Development Goals provide a comprehensive and universally recognised framework. These set out a series of societal objectives that companies can contribute to.

Adopted in 2015, the United Nations Sustainable Development Goals (SDGs) aim to eliminate poverty, protect the planet and ensure prosperity for all. Each of the 17 goals has specific targets that define global priorities and aspirations for 2030. Our Sustainability Ambitions 2020 are closely linked to the SDGs, and all our services support them.

In a further step, we have mapped all of our direct operations, supply chain and services against the 17 goals (this can be seen on the following pages). By using this mapping to visualise the contributions we are making towards the SDGs, we can develop strategic plans that can be integrated into management and reporting processes at the affiliate level. By taking this approach, we can maximise the value we create for society.



SDG 4: QUALITY EDUCATION

An example of how we contribute to the Sustainable Development Goals is by equipping young people and adults with the technical and vocational skills necessary for entrepreneurship and meaningful employment. Our affiliates work with stakeholders to identify people who have the aptitude and educational background to benefit from training but cannot afford the investment. SGS then provides these candidates with scholarships that promote quality education.



SDG 1: ENDING POVERTY EVERYWHERE

SGS works towards this goal through numerous actions. These include staff volunteering efforts that support microcredit programmes and other initiatives in the communities we operate in. Our policy of employing and training local people, and purchasing from local suppliers wherever practical, helps reinforce this impact.

Connecting SGS' internal initiatives with the United Nations Sustainable Development Goals allows us to allocate resources efficiently and create a well-balanced approach that addresses social needs, climate change and the environment.

OUTLOOK

SGS is developing a three-stage SDG Strategy that will be fully implemented by 2020.

STAGE ONE is in progress and involves understanding our SDG priorities by country, focusing on those countries with the most significant revenues first. The output from this stage will be a country-based SDG priority matrix that is enriched with relevant case studies that explain how SGS is qualitatively contributing to the SDGs.

STAGE TWO will quantify the contributions SGS makes to the countries' SDG achievements and involves establishing tasks and measuring the performance along country-specific and target-specific attainment pathways.

STAGE THREE will seek to identify the ideal investments that SGS can make to help a country fulfil its SDG commitments while continuing to build our own organisational resilience.

For more information on the SDGs, see our Sustainability Report 2017 (www.sgs.com/cs-report2017).












The following table shows how SGS' direct operations, supply chains and business lines support the United Nations 17 Sustainable Development Goals.

SUSTAINABLE DEVELOPMENT GOALS	DEFINITION	DIRECT OPERATIONS	SUPPLY CHAIN	SERVICES
	End poverty in all its forms everywhere.	SGS Community Programme* Business Continuity Programme		
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture.	SGS Community Programme*		    
	Ensure healthy lives and promote well-being for all at all ages.	SGS Community Programme* Global Corporate Challenge Industrial Hygiene Programme Stop Work Authority Programme Rules for Life		   
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	SGS Community Programme* SGS Academy		 
	Achieve gender equality and empower all women and girls.	Women in Leadership target* Human Rights Policy Code of Integrity		 
	Ensure availability and sustainable management of water and sanitation for all.	Water Pledge Programme	Human Rights Policy SGS Supplier Code of Conduct	   
	Ensure access to affordable, reliable, sustainable and modern energy for all.	Energy Efficiency in Buildings Programme Renewable Energy Certificates Purchase RE100 Do More With Less Campaign – Spot the Orange Dot		     

* Sustainability Ambitions 2020



























4. INTEGRATED LEADERSHIP

SUSTAINABLE DEVELOPMENT GOALS

	DEFINITION	DIRECT OPERATIONS	SUPPLY CHAIN	SERVICES
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Human Rights Policy Code of Integrity Employee Engagement Survey Operational Integrity targets* Rules for Life Safety Month Customer Relationship Management Customer Satisfaction Industrial Hygiene Programme Stop Work Authority Programme Gross Value Added	Human Rights Policy SGS Supplier Code of Conduct Sustainability Supply Chain Risk Assessment	   
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.	InnoLAB SGS R&D Programme Green IT Programme	Suppliers Innovation Club	   
 <p>10 REDUCED INEQUALITIES</p>	Reduce inequality within and among countries.	Women in Leadership target* Human Rights Policy Code of Integrity	Human Rights Policy SGS Supplier Code of Conduct Sustainability Supply Chain Risk Assessment	 
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Make cities and human settlements inclusive, safe, resilient and sustainable.	SGS Community Programme* Energy Efficiency in Buildings Programme Renewable Energy Certificates Acquisition RE100 Green IT Programme		     
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Ensure sustainable consumption and production patterns.	EquipNet Programme Energy Efficiency in Buildings Programme Waste and Water Management Programme Green Cars Programme Open Source of Intellectual Property Green IT Programme	Human Rights Policy SGS Supplier Code of Conduct Suppliers Innovation Club Sustainability Supply Chain Risk Assessment E-invoicing strategy	        

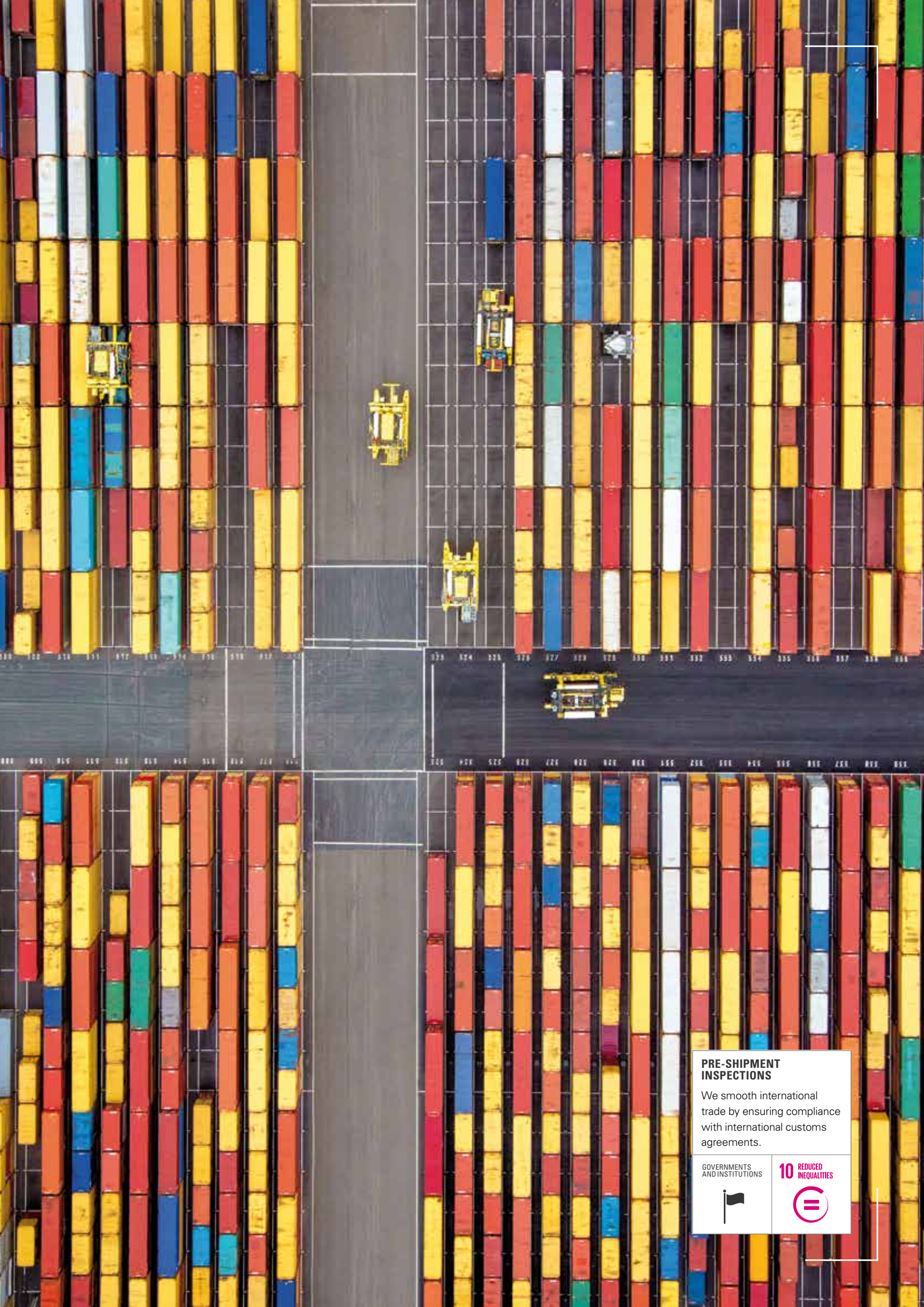
* Sustainability Ambitions 2020

SUSTAINABLE DEVELOPMENT GOALS

	DEFINITION	DIRECT OPERATIONS	SUPPLY CHAIN	SERVICES
	Take urgent action to combat climate change and its impacts.	Energy Efficiency in Buildings Programme CO ₂ Emissions Reduction target* Carbon Neutrality Strategy RE100 Membership Do More With Less Campaign – Spot the Orange Dot Green IT Programme		        
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.			     
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	SGS Community Programme*		   
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective accountable and inclusive institutions at all levels.	Gross Value Added Code of Integrity Human Rights Policy	Human Rights Policy SGS Supplier Code of Conduct	
	Strengthen the means of implementation and revitalise the global partnership for sustainable development.	WBCSD Membership RE100 Membership		

* Sustainability Ambitions 2020

MARKET OPPORTUNITY



PRE-SHIPMENT INSPECTIONS

We smooth international trade by ensuring compliance with international customs agreements.

GOVERNMENTS AND INSTITUTIONS

10 REDUCED INEQUALITIES



MEGATRENDS

SGS has outlined five megatrends that are influencing the way we live and do business.

These trends are interconnected, and while the pace and impact of changes may vary, our responsibility is to anticipate them. We design our strategy using this long-term thinking, while at the same time remaining agile and adjusting our operations and services to new developments.

URBANISATION AND SMART CITIES

Currently, most of global GDP is generated in cities, and more than half of the world's population lives in metropolitan areas – a trend that will intensify. Urbanisation provides opportunities to increase productivity and attract talent, but the need for resources and space impacts the economy, the environment and quality of life. Governments and businesses are using technologies and data to build smart cities, towns and villages to advance economic growth and improve infrastructure and community services.

EXAMPLE OPPORTUNITY: VEHICLE SAFETY SYSTEMS

With car-to-car communication and driverless cars closer to being a commercial reality, services like SGS' Active Safety Systems will become increasingly required, as drivers, governments and the automotive industry seek to ensure the functionality of vehicle safety features.

CLIMATE CHANGE

Global climate risks – like extreme temperatures, pollution, flooding and wildfires – threaten people's health and safety while causing instability and migration. The projection over the next decade is that our limited resources will have to provide 40% more water, 35% more food and 50% more energy than today to support an ever-growing population¹. This accelerated resource depletion will increase the impact of climate change. Businesses,

governments and communities have to work together to align their objectives to protect vulnerable areas, prevent irreversible damage and create a sustainable future.

EXAMPLE OPPORTUNITY: HELPING OTHERS REDUCE CO₂

As a carbon neutral company, we are well placed to help others reduce their emissions. Services such as our Biogenic CO₂ and Greenhouse Gas Accounting and Verification services help organisations reduce their emissions.

ECONOMIC GROWTH

The economy's primary challenge is to balance our desire for economic growth and prosperity with finite natural resources. An uneven distribution of economic power and inequality in the workplace further affects global advancement. On the consumer side, the production and disposal of items with a short lifespan can cause environmental damage and impact people's health, while the progress of emerging economies increasingly influences the global consumption pattern. To support economic growth, businesses have to invest in sustainability and promote fair access to the workplace, technology and markets.

EXAMPLE OPPORTUNITY: E-COMMERCE

SGS supports the growing e-commerce market by providing real-time digital platforms that eliminate concerns around security and trust, include background information and provide updates on delivery status.

POPULATION AND SOCIAL TRENDS

The world's population is projected to reach over 8 billion by 2030. Urbanisation and mass migration can contribute to social and economic imbalance as sudden population growth puts a strain on resources, infrastructure and employment. People live longer and have fewer children, which means we face an ageing population that challenges economic, political and social decisions. As a result, businesses and communities need strategies that support the new demographic structure.

EXAMPLE OPPORTUNITY: EDUCATION AND EMPOWERMENT

SGS offers its employees career development opportunities and works with local communities to tackle economic and social change through empowerment and education projects.

TECHNOLOGY AND DIGITISATION

The digital (r)evolution will continue to influence the way we live and work: by 2020, there will be close to seven times more connected devices than people, and the data production will be 44 times greater than in 2009. Consumers now rely on digital platforms to make decisions and interact. This provides an opportunity for businesses to interact directly with the consumer while gathering vast amounts of data about their behaviour. Businesses need to find ways to use the collected data securely and also to look at how to seize the potential of technology such as the internet of things, blockchain and artificial intelligence.

EXAMPLE OPPORTUNITY: PRECISION AGRICULTURE

SGS' digital precision-farming platform uses real-time, geo-referenced, cloud-based data and provides remote inspection services to improve yields and reduce environmental risks.

1. National Intelligence Council – Global Trends 2030 – USA.

RISK MANAGEMENT AND MATERIAL TOPICS IDENTIFICATION

SGS RISK MANAGEMENT

The SGS Board of Directors and Executive Management are responsible for the integration of risk management into key business planning processes. Every year, the SGS Board of Directors assesses the risks faced by the Group. To facilitate and optimise this process, the Group employs a comprehensive approach to identifying risk that involves the active participation of various management levels throughout the company. This risk assessment process is supported by our Enterprise Risk Management Framework.

Our risk categorisation is structured as follows:

- Strategy and planning risks – these arise when strategy selection and execution are inadequate and when there are external factors that can affect performance.
- Governance and integrity risks – these arise when the corporate governance structure and controls are inadequate and when the ethical culture and procedures are weak.
- Global support risks – these arise when core functions do not operate effectively and do not support business performance.
- Operations risks – these arise when business processes do not achieve the objectives required as part of the business model.

The identification and assessment of financial risks are also part of this framework. This specific process is comprehensive and complex, which is why the mechanisms we use to identify, assess and mitigate financial risks are described in detail in the Finance section (see pages 201–205).

SGS BUSINESS MATERIALITY MATRIX

In 2016, we reached a significant milestone in our journey towards integrated reporting by merging the outputs of our materiality and business risk assessment processes. The journey began with an extensive

materiality assessment process, involving a consultation with around 850 stakeholders in 52 countries. These included customers, senior managers, employees, suppliers, NGOs, ratings agencies, sustainability professionals and academics. Alongside the survey, we conducted a detailed benchmark review of globally relevant and sector-specific sustainability issues and trends.

Having conducted a weighted analysis of the results of our materiality assessment by stakeholder type, we integrated the business risks identified in our annual Board of Directors risk review to provide a more complete picture of the most salient issues for SGS. This resulted in a consolidated list of environmental, social and governance topics. Next, we conducted an impact assessment, which involved over 80% of Operations Council members participating in an online survey to rank each topic (covering business continuity, economic performance, reputation and legal compliance) according to its relative impact on the business and assessing the controls in place to manage that impact.

The outcome of the processes described above was the development of our first Business Materiality Matrix. During 2017, we carried out a high-level review of the material topics identified, adapting the Materiality Matrix to new trends. The review included the integration of updated information from sustainability ratings, financial analysts, media and investors and new business risks raised as a result of our three-level risk identification process.

SGS RISK ASSESSMENT 2017

In 2017, our risk assessment revealed an increasing dependency on IT operations and talent management. The review also highlighted emerging risks, such as those relating to cyberattacks, new technologies, geopolitical shifts and compliance with new laws and regulations, as well as ethical culture.

In addition, it was decided to develop a new risk intelligence tool that our Board of Directors is rolling out across the company (see Outlook for more information). As part of this transition, we re-evaluated our risk management model. This was carried out on three levels: process, systems and oversight. We also integrated the guidelines of the new Committee of Sponsoring Organizations of the Treadway Commission, which was established in June 2017, into the revised model.

OUTLOOK

In 2018, SGS is launching a new platform to manage governance, risk and control. With the goal of achieving synergies in relation to these areas, the platform will enable the Group to:

- Roll out risk assessments through an integrated workflow and survey engine
- Develop response strategies to address identified risks
- Manage incidents and their impact on SGS businesses

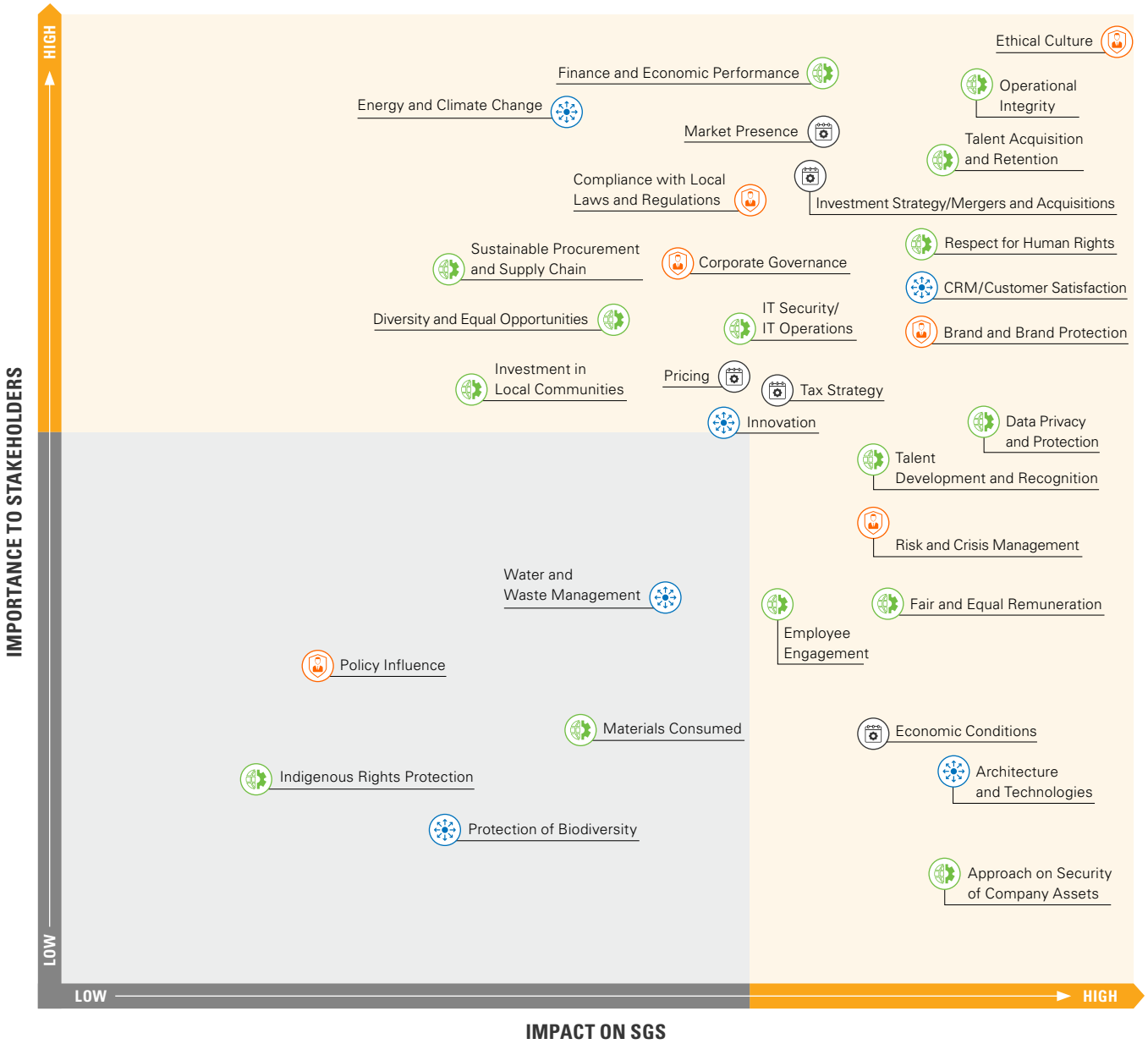
The platform will also:

- Help execute business strategies while managing enterprise and operational risks
- Have Group-wide risk coverage
- Establish a clear link between risks and performance objectives
- Facilitate communication between Management and lines of business

Regarding our Business Materiality Matrix, with 2016 as our year zero, we are committed to conducting a high-level materiality review every year and an external stakeholder survey on a biennial basis. The next external shareholder survey will therefore take place in 2018.

The purpose of the robust exercise we conducted in 2016 and the move to a risk intelligence approach in 2017 is to continually assess our material and business issues and to ensure that our business objectives and our Sustainability Ambitions 2020 remain focused on the most important issues for our stakeholders and for the business.


BUSINESS MATERIALITY MATRIX



Strategy and Planning
 Governance and Integrity
 Global Support
 Operations

BUSINESS MATERIALITY OVERVIEW

TOPIC	DESCRIPTION	MANAGEMENT APPROACH
 STRATEGY AND PLANNING		
INVESTMENT STRATEGY/ MERGERS AND ACQUISITIONS	<p>Investment in the appropriate areas is required for SGS to remain responsive to advances in technology and the market.</p> <p>Inorganic growth has a significant impact on achieving the Group's strategic objectives. Inefficient integration of new companies may lead to suboptimal synergies.</p>	<ul style="list-style-type: none"> • Solid individual business strategies and development plans • Specific policy on mergers and acquisitions (key organisational criteria and financial metrics) • Operations Council review/approval of projects against admissibility criteria • Integration guidelines and platform to monitor integration status
ECONOMIC CONDITIONS, MARKET PRESENCE	<p>The Group operates in volatile markets and needs to sustain and/or develop market share with innovation and technical developments to avoid the risk of being disrupted.</p>	<ul style="list-style-type: none"> • Market intelligence • Innovation team • Sales strategy and sales organisation • Organic growth initiatives by individual business
PRICING	<p>SGS needs to ensure that pricing strategies remain competitive in market sectors and geographies. Failure to do so could see its market share diminish.</p>	<ul style="list-style-type: none"> • Benchmarking of services and pricing tariffs • Customer engagement and formal reviews
TAX STRATEGY	<p>SGS provides services across the globe and manages the taxation risk resulting to governance and reputation. The tax strategy is aligned with our broader business risk management and compliance framework.</p>	<ul style="list-style-type: none"> • SGS' processes, policies and governance procedures operate to ensure we are compliant with all relevant taxation laws and regulations in the territories in which we operate and are designed to identify and mitigate tax risks, where possible.

 GOVERNANCE AND INTEGRITY		
CORPORATE GOVERNANCE	<p>The quality of governance affects the management of risk and the value of a corporation. Effective, strong corporate governance is essential for SGS to manage its overall risk.</p>	<ul style="list-style-type: none"> • The SGS Board of Directors has overall responsibility for key business policies, operational management and strategic oversight of the Group's business activities. It is also responsible for ensuring regulatory compliance, effective internal controls and standards of professional conduct. • The SGS Board is assisted by the Audit Committee, Professional Conduct Committee and Operations Council to ensure appropriate quality of governance.
ETHICAL CULTURE	<p>SGS operates in countries that are recognised as having higher bribery and corruption risks. Non-compliance with related laws, such as anti-bribery or fair competition legislation, could lead to litigation or loss of accreditations.</p>	<ul style="list-style-type: none"> • The SGS Code of Integrity and Code of Conduct for Suppliers • Integrity rules (from integrity of services to compliance with legislation) • Training for all employees • Whistle-blowing process • SGS Human Rights Policy (as of 2017)

4. INTEGRATED LEADERSHIP

TOPIC	DESCRIPTION	MANAGEMENT APPROACH
BRAND, BRAND PROTECTION AND CRISIS MANAGEMENT	SGS relies on its reputation for integrity and independence. In the event of poor service delivery or a health and safety-related incident, crisis management may not be sufficient to mitigate any resulting brand and reputational damage.	<ul style="list-style-type: none"> • Business operating procedures • Health and safety standards • SGS Code of Integrity and whistle-blowing process • Risk (annual risk assessment) and control framework • Business Continuity Plan
COMPLIANCE WITH LOCAL LAWS AND REGULATIONS	The SGS Group is subject to a wide variety of laws, regulations and government policies. If SGS is exposed to litigation, it 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 • Continued government scrutiny
 GLOBAL SUPPORT		
IT SECURITY/ IT OPERATIONS AND DATA PRIVACY AND PROTECTION	Information systems and technology infrastructure are key to supporting SGS' strategy and growth. The IT architecture and the new technologies chosen could expose SGS Group 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 the IT Committee • Security operations centre development • Penetration testing and vulnerability management processes • State-of-the-art security software • Mandatory employee training on cyber security and risks • Business Continuity Plan • SGS Enable programme to move all physical servers to the cloud
FINANCIAL AND ECONOMIC PERFORMANCE	SGS relies on achieving strategic objectives linked to growth and margin. A failure to hit those targets could have a negative impact. The Group could also suffer from failing to present reliable financial statements and from exposure to risks relating to fraud.	<ul style="list-style-type: none"> • Continuous evaluation of assets and businesses • Review of annual and half-year results by independent external auditors • Financial and management controls • Strengthening of the control framework through the expansion of SGS Internal Control • Revisiting and updating various policies, such as the Group Tax Policy and the Group Treasury Policy
SECURITY OF COMPANY ASSETS	SGS businesses and assets (covering our people, physical assets, equipment, intellectual property and funds) can be exposed to a range of security risks.	<ul style="list-style-type: none"> • SGS Corporate Security team • SGS Global Security Standard and Security Guidelines • Security Intelligence Hub collates internal and external data on threats and controls in place
RESPECT FOR HUMAN RIGHTS	Failure to conduct business in a manner that respects the rights and dignity of everyone affected by our business activities could have legal and financial repercussions and potentially result in long-term reputational damage.	<ul style="list-style-type: none"> • SGS Business Principles, Code of Integrity and SGS Human Rights Policy • SGS Code of Conduct for Suppliers and Supplier Self-Assessment Questionnaire • SGS Human Rights Committee • SGS Professional Conduct Committee • Whistle-blowing process
SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN	As a major purchaser, SGS must ensure a sustainable supply of goods and services. It must also respect human rights across its supply chain to mitigate reputational and non-compliance risks.	<ul style="list-style-type: none"> • Rationalisation of supply base and efficiency savings • SGS Code of Conduct for Suppliers • SGS Supplier Self-Assessment Questionnaire
TALENT ACQUISITION AND RETENTION	The SGS Group relies on key personnel, from operations to executive level. SGS needs to retain employees with relevant experience. Skilled employees may leave to join competitors. Loss of key personnel may impact quality, reputation and customer confidence.	<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 • New HR strategy focusing on talent management and recruitment • Employee engagement via CATALYST survey and employee representation and collective bargaining systems

TOPIC	DESCRIPTION	MANAGEMENT APPROACH
DIVERSITY AND EQUAL OPPORTUNITIES	All workers must be treated equally and be given the same set of opportunities regardless of their race, age, gender, sexuality, disability, culture or anything else that might be discriminated against.	<ul style="list-style-type: none"> The SGS Business Principles, Code of Integrity, Employment Policy and Human Rights Policy underline our commitment to diversity and equal opportunities Employees and managers are trained in the principles of non-discrimination as part of our mandatory annual integrity training
OPERATIONAL INTEGRITY (OI)	Businesses that do not prioritise employee health and safety, along with environmental protection, put themselves at risk of reputational damage, elimination as a supplier or potential supplier and high employee turnover.	<ul style="list-style-type: none"> Operational Integrity Management System aligned to internationally recognised standards Safety Month and Rules for Life Industrial Hygiene Programme Specific Risk Assessment Process for Operational Integrity risks Safety Culture Index Regular and specific face-to-face and online safety training
TALENT DEVELOPMENT AND RECOGNITION AND EMPLOYEE ENGAGEMENT	Without a well-structured workforce with the right skills, motivation and ambition to succeed, the strength of a business can be compromised and with that, the ability to achieve defined targets decreases.	<ul style="list-style-type: none"> Established onboarding covering values, culture and business processes Employee survey investigates how engaged and enabled employees feel Local affiliates provide targeted well-being initiatives
FAIR AND EQUAL REMUNERATION	A failure to provide all employees with fair and equal remuneration may be regarded as discriminatory and could undermine efforts to attract, motivate and retaining talent at SGS.	<ul style="list-style-type: none"> Remuneration framework based on performance, competencies and experience Variable long-term and short-term profit-sharing compensation plans Group-wide job architecture
INVESTMENT IN LOCAL COMMUNITIES	Businesses that do not strive to reduce their impact and fail to respect the rights and dignity of individuals and communities affected by their business activities, may face legal, business and reputational repercussions.	<ul style="list-style-type: none"> SGS Community Policy and Guidelines SGS sponsorship and investment in community programmes Annual community survey monitoring performance in local community projects around the world

OPERATIONS

INNOVATION	Failure to innovate new services and ways of delivering them could prevent SGS from maximising revenue.	<ul style="list-style-type: none"> Monitoring of operational KPIs to allow rapid up- or down-scaling of variable costs Diversified service offering to a wide range of industries and geographies Increasing digitalisation of services Employee-led INNO programme encouraging employees to drive internal innovation
CRM/ CUSTOMER SATISFACTION	A lack of focus on customer needs may lead to customer dissatisfaction and customer loss.	<ul style="list-style-type: none"> Key account management structure and dedicated sales people Tracking on-time delivery Customer satisfaction surveys CRM system – Sales Pipeline SGS Enable – IT transformation programme
ARCHITECTURE AND TECHNOLOGIES	New IT technologies can introduce additional security risks.	<ul style="list-style-type: none"> Strong global coordination of all IT resources Support from robust IT business partnering Increased governance through roll out of IT strategy Launch of dedicated IT Security Operations Centre
ENERGY AND CLIMATE CHANGE	Mismanaged energy consumption and greenhouse gas emissions could lead to increased costs, interrupted supply, safety risks, business disruption and regulatory fines.	<ul style="list-style-type: none"> Sustainability management system and external verification of sustainability data Carbon neutral strategy, Energy Efficiency in Buildings programme and commitment to RE100 to purchase 100% renewable energy Employee awareness campaigns Fleet Vehicle Emissions Policy

STRATEGIC FOCUS

SGS has identified a number of key goals as part of its Mission 2020. These are outlined below within the framework of the six elements of SGS' business model.



THEMES	SELECTED ACHIEVEMENTS IN 2017	MISSION 2020
CUSTOMER SATISFACTION	<ul style="list-style-type: none"> • Launch of Visual Trust Initiative with Carrefour in China • Cummins US, New Product Development Award • Global Grain Awards, Quality Control Award 	<ul style="list-style-type: none"> • High customer retention and satisfaction
INTEGRITY	<ul style="list-style-type: none"> • 100% of employees signing the Code of Integrity • Inclusion of a Human Rights Module in the Annual Integrity Training 	<ul style="list-style-type: none"> • No major integrity or human rights breaches
MARKET LEADERSHIP	<ul style="list-style-type: none"> • Diversification of SGS' reach and expertise • Forbes Lists: Global 2000 and Top Multinational Performers • Strengthening of digital presence, brand positioning and audience engagement on social media • Continued expansion in China 	<ul style="list-style-type: none"> • Leading position in strategic markets and geographies
SUSTAINABILITY	<ul style="list-style-type: none"> • Dow Jones Sustainability Indices Leader • Carbon neutral company • Member of the FTSE4Good Index • Introduction of Value to Society model 	<ul style="list-style-type: none"> • Industry sustainability leadership • Deliver measurable sustainable Value to Society • Increase visibility of our value to society



GROWTH

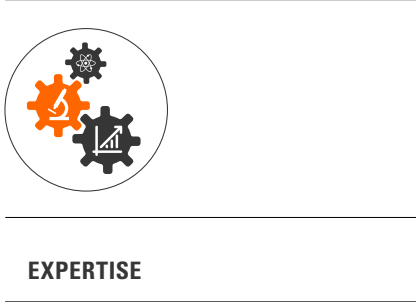
THEMES	SELECTED ACHIEVEMENTS IN 2017	MISSION 2020
ACQUISITIONS AND STRATEGIC PARTNERSHIPS	<ul style="list-style-type: none"> • 12 acquisitions • Inorganic growth of 1.2% 	<ul style="list-style-type: none"> • Build scale • Buy capabilities • Fill geographic gaps • Enhance financial metrics • Maintain strategic significance
BALANCED PORTFOLIO	<ul style="list-style-type: none"> • Successful Dashboard Review • Revenue growth across eight business lines 	<ul style="list-style-type: none"> • Diversify portfolio of services
ORGANIC GROWTH	<ul style="list-style-type: none"> • Organic growth of 4.2% 	<ul style="list-style-type: none"> • Mid single-digit average organic growth
REGIONAL FOCUS	<ul style="list-style-type: none"> • Creation of North East Asia region 	<ul style="list-style-type: none"> • Enhance presence in key markets



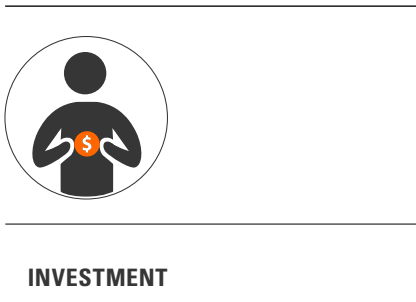
INNOVATION

THEMES	SELECTED ACHIEVEMENTS IN 2017	MISSION 2020
DIGITAL	<ul style="list-style-type: none"> • Acquisition of Digicomply content management platform • SGS Cyber Security Lab Operation Centre opened in Madrid • Significant number of new digital services announced 	<ul style="list-style-type: none"> • Enhance business through digital services
E-COMMERCE	<ul style="list-style-type: none"> • Enhanced position of SGS brand on major e-commerce sites 	<ul style="list-style-type: none"> • Expand B2B2C presence
OTHER INITIATIVES	<ul style="list-style-type: none"> • First B2C product launched • Listed in Forbes top 100 Most Innovative Companies 	<ul style="list-style-type: none"> • Develop B2C presence • Strengthen and invigorate the culture of innovation at SGS

4. INTEGRATED LEADERSHIP



THEMES	SELECTED ACHIEVEMENTS IN 2017	MISSION 2020
PEOPLE	<ul style="list-style-type: none"> • 2 688 981 hours of training • Almost 20 000 employees integrated with our onboarding programme • Natural turnover rate of 13.04% • 26.16% of senior management positions held by women 	<ul style="list-style-type: none"> • Enhance our reputation as an employer of choice • Employ the industry's leading experts • Maintain natural staff turnover rate at no more than 10% • 30% of senior management positions to be held by women
QUALITY AND PROFESSIONALISM	<ul style="list-style-type: none"> • Peru Premio ABE Award for performance management • 51jobs Excellence in Human Resource Management Award in China 	<ul style="list-style-type: none"> • Be the leading brand for accuracy, quality and professionalism



THEMES	SELECTED ACHIEVEMENTS IN 2017	MISSION 2020
CAPEX	<ul style="list-style-type: none"> • Launch of SGS Enable 2020 IT Transformation Programme • Expansion of EquipNet (internal equipment marketplace) • Investment in technology-driven partnerships 	<ul style="list-style-type: none"> • Invest in cutting-edge technology and optimise existing technology performance and usage
COMMUNITY INVOLVEMENT	<ul style="list-style-type: none"> • Invested CHF 1.27 million in communities around the world 	<ul style="list-style-type: none"> • Increase investment in communities around the world by 30%*
INVESTOR RELATIONS	<ul style="list-style-type: none"> • An attractive shareholder return policy 	<ul style="list-style-type: none"> • Be a best-in-class investment opportunity



OPERATIONAL EXCELLENCE

THEMES	SELECTED ACHIEVEMENTS IN 2017	MISSION 2020
ENVIRONMENT	<ul style="list-style-type: none"> • Reduced CO₂ emissions (per FTE) by 9.8% • Reduced CO₂ emissions (by revenue) by 10.7% • Maintained status as a carbon neutral company 	<ul style="list-style-type: none"> • Reduce our annual CO₂ emissions (per FTE) by 20%* • Reduce our annual CO₂ emissions (by revenue) by 20%*
HEALTH AND SAFETY	<ul style="list-style-type: none"> • Total Recordable Incident Rate (TRIR) and Lost Time Injury Rate (LTIR) reduced by 24.8% and 14.5% respectively 	<ul style="list-style-type: none"> • Reduce TRIR and LTIR by 50%*
NET WORKING CAPITAL INITIATIVE	<ul style="list-style-type: none"> • Stable Net Working Capital 	<ul style="list-style-type: none"> • Ensure efficient use of capital
OPERATIONAL EFFICIENCY	<ul style="list-style-type: none"> • Shared Service Centre opened in China • Procurement savings of CHF 61 million • Implementation of productivity enhancement LIM Systems 	<ul style="list-style-type: none"> • Maximise internal efficiencies

* Against a 2014 baseline.

BUSINESS PRINCIPLES

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

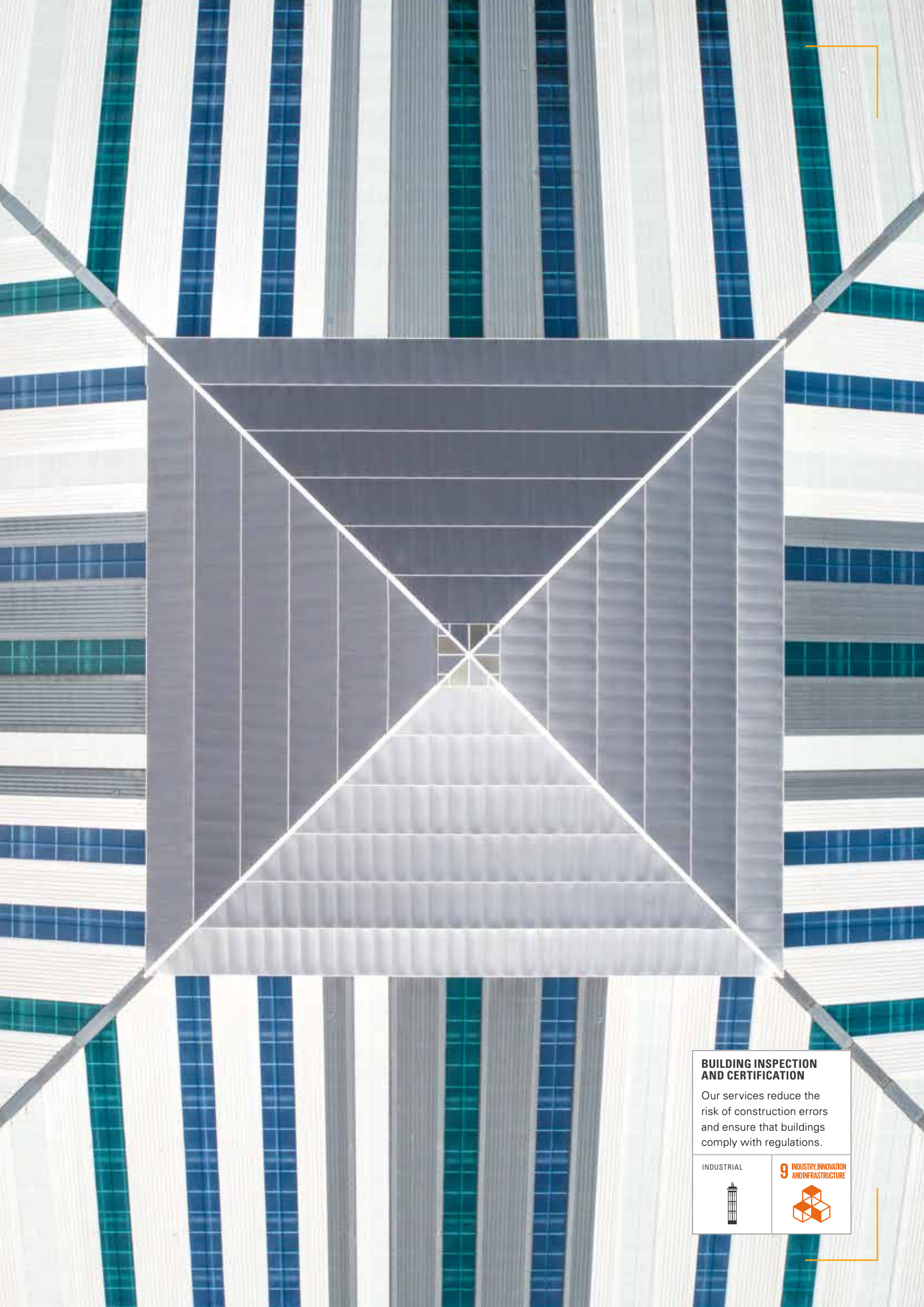
We are passionate entrepreneurial people with a relentless desire to learn and innovate. We work in an open culture where smart work is recognised and rewarded. We foster teamwork and commitment.



PRODUCT PERFORMANCE TESTING
SGS tests sunscreen products to verify if they are efficient, safe and compliant.

CONSUMER AND RETAIL	3 GOOD HEALTH AND WELL-BEING
	

OPERATING CAPITALS



BUILDING INSPECTION AND CERTIFICATION

Our services reduce the risk of construction errors and ensure that buildings comply with regulations.

INDUSTRIAL 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 
---	---

WHY WE MEASURE VALUE TO SOCIETY

As we strive to become a more sustainable company, we have formally included the notion of adding value to society into our leadership model (as can be seen on page 51). We have also adopted a process of measuring the value we create for society.

We are working on a new approach to integrated leadership to ensure that our impact on society is considered in our strategic decision-making – alongside our operational, legal, tactical and financial concerns. To function optimally, this leadership model requires a fair basis of comparison across all areas, which is why we have begun to measure the environmental and social value we create in financial terms. This process, known as impact valuation, will help us to better understand our material issues, set our sustainability priorities and track our progress towards the ambitions laid out in our Strategic Focus (see pages 39–42). It also marks another important step towards fully integrated reporting.

WHAT IS IMPACT VALUATION?

Impact valuation seeks to place an economic value on the effect that organisations have on society. The first academic work on impact valuation began in 2016 with the launch of the Natural Capital Protocol. 2016 also saw the first steps in the development of a Social Capital Protocol. Although both approaches are in their infancy, SGS is making significant strides in being able to assign an economic valuation to the impact we create for society beyond a pure financial return.

QUANTIFYING VALUE TO SOCIETY

Following several years of development, 2017 is the first year we are showing an estimated quantitative valuation of our value to society. Our method for calculating these numbers, which is covered more fully on pages 49–50 and pages 109–114, uses slightly different approaches for measuring the impact of our direct operations and those of our impact on our suppliers and customers through our services.

Beginning with our operations, our approach quantifies the impact throughout our value chain, both positively and negatively, across six types of capital stock: financial, natural, human, intellectual, manufactured and social. As is shown in our business model, these capitals can be viewed both as resources we use (operational capitals) or shape (operational outcomes). Therefore, it is crucial that we understand how our activities impact these capitals if we are to truly measure and comprehend our value to society in a robust way.

CAPITALS

HUMAN CAPITAL

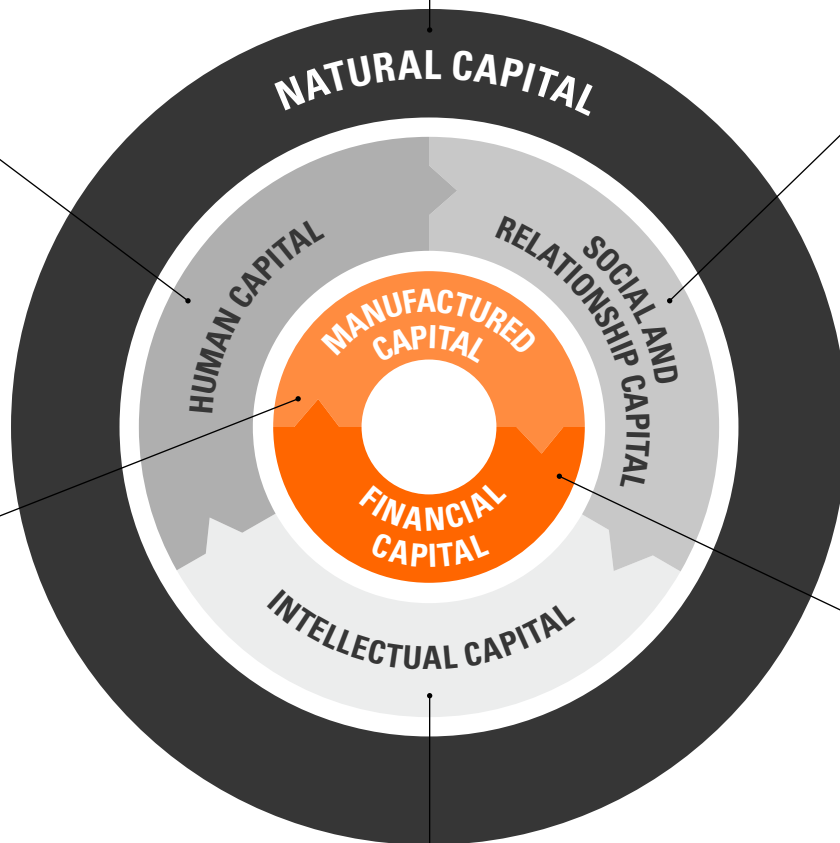
Relates to the physical and psychological capacity of individuals (e.g. motivation, safety or well-being) to undertake market-based employment and to pursue wider aspirations.

NATURAL CAPITAL

Comprises the renewable and non-renewable natural resources and processes SGS needs to operate. Natural inputs include air, water, land and ecosystem health.

SOCIAL AND RELATIONSHIP CAPITAL

Covers SGS' relationships and interactions with communities, stakeholders, organisations and networks. They include notions like trust, loyalty and other values.



MANUFACTURED CAPITAL

Relates to the inventory of property, plant, equipment and other manufactured goods that house SGS business activities and enable SGS to successfully compete in the global marketplace.

INTELLECTUAL CAPITAL

Consists of intangible and knowledge-based assets. Intellectual inputs include the brand, patents and copyrights as well as employees' knowledge of protocols and procedures.

FINANCIAL CAPITAL

Relates to the store of cash and cash equivalents that can be used in exchange for other stock functions (e.g. human capital) that enable SGS to successfully compete in the global marketplace.

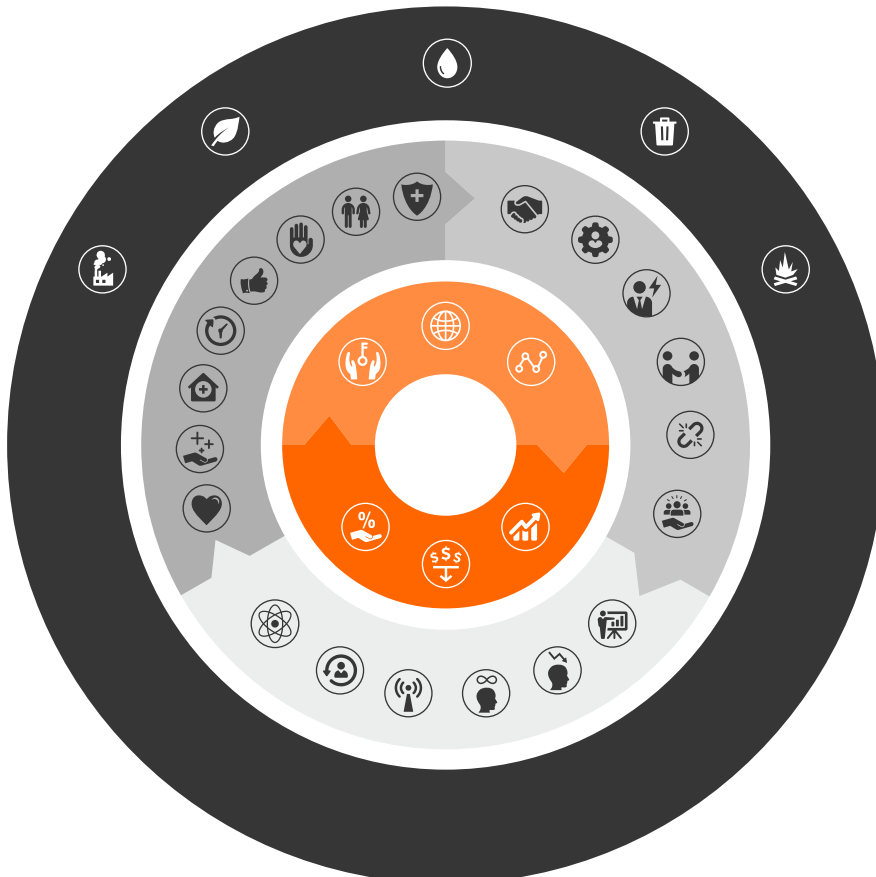
CAPITAL INDICATORS

The business environment is complex and interlinked. Our impact on our capitals is evaluated through highly varied indicators that interact and affect one another in very nuanced ways.

Our indicators have been defined to analyse flows within our capitals. They have been selected based on materiality principles and the available research literature and data.

Using our model to chart the indicators allows us to understand the subtle interlinkages between the capitals. This is in line with the objectives of the Integrated Reporting Framework. More information about the indicators used to model our impact in each capital and our valuation techniques is provided in our Sustainability Report (www.sgs.com/cs-report2017).

Note that these indicators are only used to map our direct operations. Our supply chain and services are treated separately.



HUMAN CAPITAL

EMPLOYEE HEALTH AND WELL-BEING

The impact in monetary terms of our well-being programmes and non-mandatory health care benefits (the latter being only evaluated in Switzerland at present).

EMPLOYEE SALARY SCHEMES AND BENEFITS

The measurement of several non-mandatory benefits to employees.

SICKNESS ABSENCE

The economic cost of days spent absent as a result of sickness, in terms of reduced quality of life. Even though we cannot fully control all factors affecting our employees' health, it is our duty to create a healthy working environment to ensure our contribution is positive.

OVERTIME

The impact on employees' health of working overtime hours as well as the impact of lowering productivity.

EMPLOYEE ENGAGEMENT

Employee engagement in terms of productivity resulting from increased job satisfaction.

EMPLOYEE VOLUNTEERING

The social (mental and physical) benefits for employees involved in volunteering.

DIVERSITY AND EQUAL OPPORTUNITIES

Gender-related opportunities at SGS measured in economic terms (e.g. the cost of reduced employee productivity resulting from lack of progression opportunities for female employees).

OCCUPATIONAL SAFETY

The human and societal costs (e.g. cost of treatment) of injuries and fatalities resulting from workplace incidents.

FOR MORE INFORMATION ON OUR HUMAN IMPACTS SEE OUR PEOPLE SECTION.

NATURAL CAPITAL



CO₂ EMISSIONS

The social cost of the CO₂ released into the atmosphere as a result of our activities.



CARBON OFFSETTING

The associated economic benefit of our carbon neutrality approach. Any carbon that we cannot eliminate from our operations is offset through investment in clean energy projects that deliver both social and environmental benefits in communities where SGS operates.



WATER MANAGEMENT

The opportunity cost for wider society and the environment of our water consumption.



WASTE MANAGEMENT

The environmental cost, in monetary terms, resulting from the final disposal methods of waste flows.



ENVIRONMENTAL INCIDENTS

The economic cost of damage to the environment due to site incidents (e.g. oil spills).

FOR MORE INFORMATION ON OUR NATURAL INPUTS, SEE OUR ENVIRONMENT SECTION.

MANUFACTURED CAPITAL



ASSET MAINTENANCE

The damage, wear and tear and maintenance work on SGS' physical assets, including buildings, equipment and vehicles.



USE OF PUBLIC INFRASTRUCTURE

The societal cost of a reduction in quality and provision of public infrastructure that results from greater usage than investment.



MARKET MOVEMENTS

The economic costs and benefits of property market movements, both upwards and downwards.

SOCIAL AND RELATIONSHIP CAPITAL



REGULATORY COMPLIANCE

The cost of impaired relationships resulting from non-compliance with regulations.



SUPPLIER RELATIONSHIP MANAGEMENT (SRM)

The impact of investing resources in SRM IT infrastructure and systems.



SUPPLIER STRESS

The cost of declining or impaired relationships with suppliers resulting from late payment of invoices.



CUSTOMER RELATIONSHIP MANAGEMENT (CRM) AND DATA SECURITY

The positive impact in relationships with customers arising from investment in CRM infrastructure and systems, including investment in data security. In the future, this indicator will also evaluate the impact of our online communications activities.



SUBSTANDARD SERVICES

The damage to relationships with customers due to poor service delivery.



LOCAL COMMUNITY INVESTMENT

The social benefit of investing time and money in local community projects.

INTELLECTUAL CAPITAL



EMPLOYEE TRAINING

The benefits of enhancing capabilities through training and development programmes.



KNOWLEDGE DECAY

Economic cost of technological knowledge obsolescence, for example, the declining productivity of existing know-how.



KNOWLEDGE DEVELOPMENT

The measurement of social impact, in monetary terms, of intellectual property, knowledge and skills developed while employees are at SGS and the benefits of this knowledge beyond SGS. In particular, it evaluates the benefits of white papers, webinars and SafeGuardS technical bulletins.



USE OF PUBLIC INFORMATION

In the same way that we contribute to disseminate knowledge through our publications, we consume information goods and services for free. This indicator estimates the economic cost of producing these goods.



EMPLOYEE TURNOVER

The impact of suboptimal turnover rates and talent flows.



RESEARCH AND DEVELOPMENT

The social benefit of enhancing know-how through R&D activities.

FINANCIAL CAPITAL



PROFITABILITY

We measure profitability through operating profit. Profit (or loss) is the sum of income minus expenditure.



EMPLOYMENT COSTS

We measure costs relating to SGS employees, recruitment, wages and benefits, restructuring and redundancies.



TAXES

SGS contributes economically to society by paying all taxes due as part of our responsibilities to the countries in which we operate.

BUSINESS MODEL

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 because of 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

Profitable growth is a fundamental aspect in the success of any business and SGS is no exception. The continued growth of our global network and its unrivalled physical footprint is a key competitive advantage, both to our business and to our shareholders.



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.



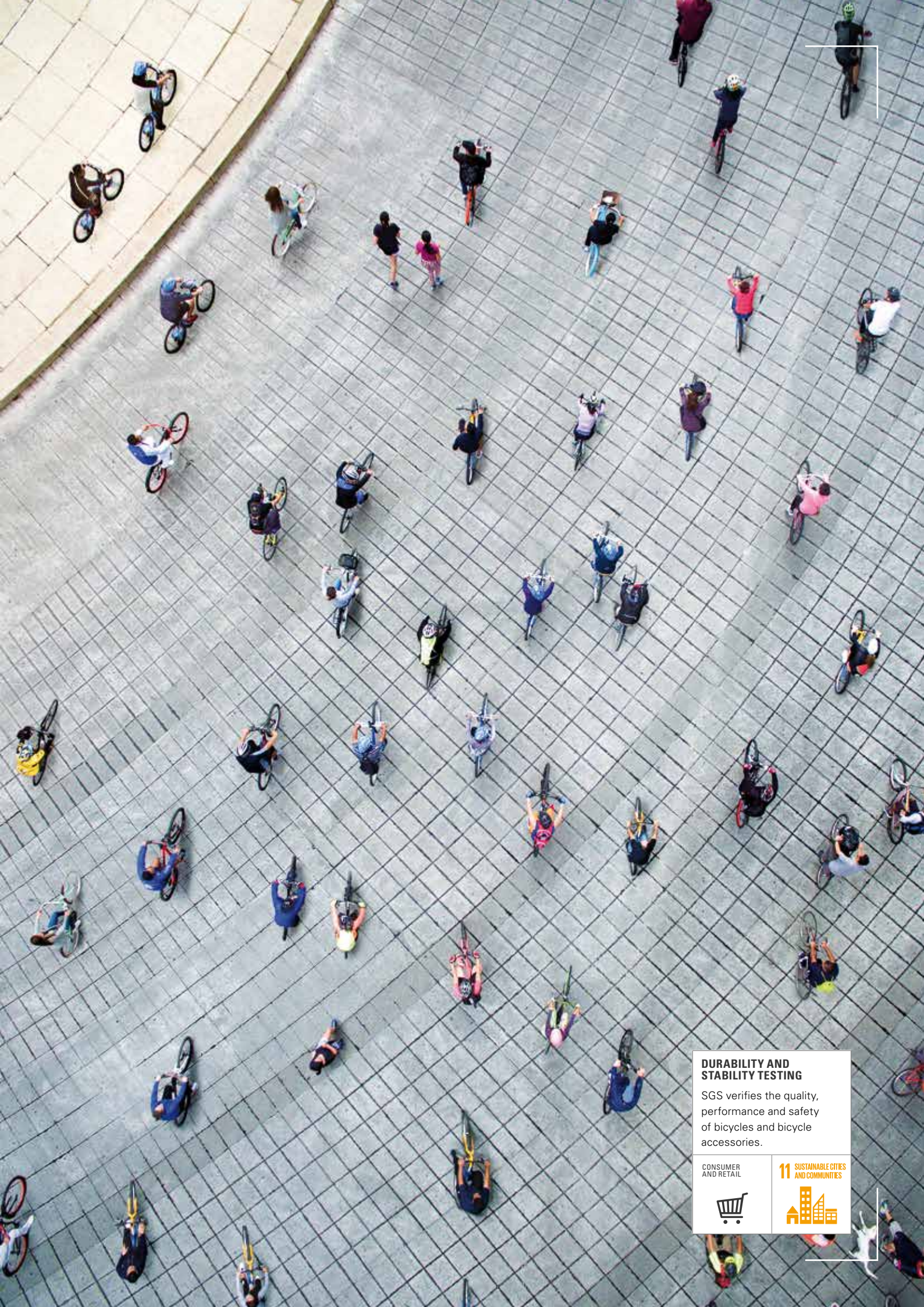
INVESTMENT

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, improving margins and performance, and through utilising the best possible sustainable business practices.



DURABILITY AND STABILITY TESTING

SGS verifies the quality, performance and safety of bicycles and bicycle accessories.

CONSUMER AND RETAIL 

11 SUSTAINABLE CITIES AND COMMUNITIES 

BRAND

THE ROLE THE SGS BRAND PLAYS IN CREATING CONSUMER CONFIDENCE AND TRUST CONTINUES TO GROW.

The SGS brand carries a responsibility to build trust and add value to society.

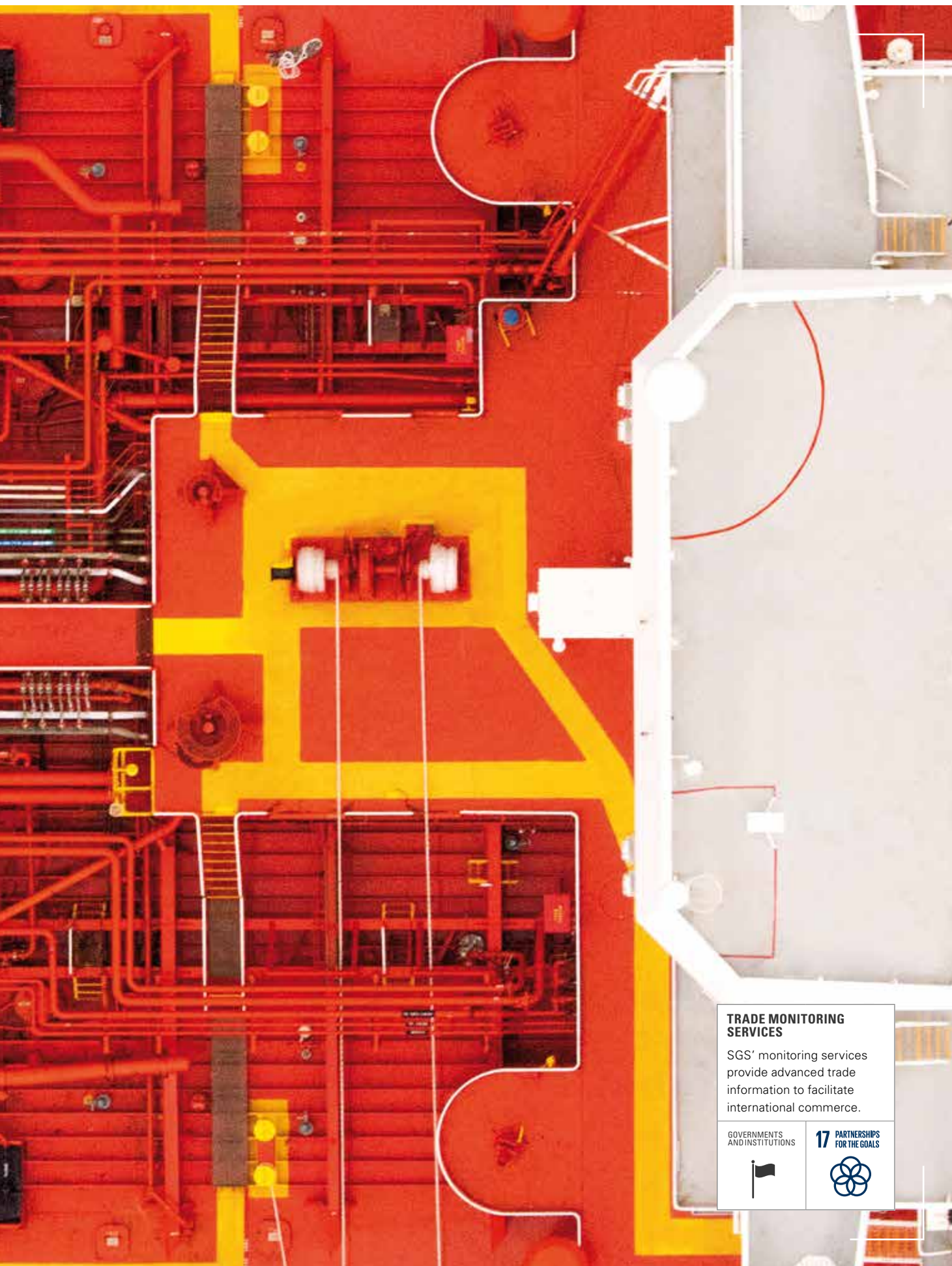
Transparency sells. Consumers' increasing demand on companies to operate responsibly impacts both society and business. In today's lightly regulated digital marketplace, those brands that instill the most confidence with the consumer have a competitive advantage. Our ability to institute veracity at all levels of decision-making, including the customers' point-of-purchase and beyond, is a brand differentiator that helps us to consistently exceed our customers' expectations and contribute to their continued success.

The independence associated with SGS' brand, traditionally known to our business customers, is now becoming synonymous with trust, quality and safety for consumers and society. In 2017, we formed more direct relationships with consumers, supporting our Mission

2020, expanding our commercial possibilities and underlining the power of our brand. For example, the SGS brand has been promoted directly to consumers in China, with a pollution sampler kit sold to consumers on e-commerce portals.

As the world leader in our core services of inspection, verification, testing and certification, the SGS brand carries a responsibility to build trust and add value to society. Drawing on the expertise of our teams and our strong heritage, we constantly innovate and evolve to meet the needs of fast-moving businesses, complex markets and societal challenges. We have been recognised as such by Forbes, being ranked as a Top Multinational Performer and listed as one of The World's Most Innovative Companies in 2017.

By recognising what our customers and society need, and adapting to how these needs change, SGS is pioneering the development of the TIC industry.



TRADE MONITORING SERVICES

SGS' monitoring services provide advanced trade information to facilitate international commerce.

GOVERNMENTS AND INSTITUTIONS



17 PARTNERSHIPS FOR THE GOALS



GROWTH

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

The way in which we grow is as important as the growth itself.

China wields extraordinary influence on the global market and it is a country that continues to draw our focus. Despite a slowdown in economic growth, the market remains very inviting. We have been present in China for over a quarter of a century and, with a carefully curated domestic profile, we are well positioned to benefit from the opportunities presented by local market liberalisation, an uptick in regional influence and a hunger for foreign expansion.

This considered approach to development and an ability to successfully apply our expertise has allowed us to establish a unique position for the Group. Our family in China currently comprises more than 160 labs and offices across the country.

The launch of the SGS Verified Supplier Mark in China in 2017 is anchored in the recognition and value that the SGS brand commands on the

domestic market. A local initiative with global potential, our Mark is a sign of quality control and a symbol of trust for millions of people.

The opening of a dedicated Shared Service Centre in China, the only SGS facility of its type with a single-market focus, is another indicator of the status that the country holds in the Group.

How we move forward is framed by an acute understanding of local business structures, practices and ethics. This knowledge underpins an acquisition strategy that is focused on companies that have the necessary regulatory permissions, licences and accreditations to expand our footprint in the country. It also informs our organic growth as a company.

Our continued solid growth, especially the expansion of our e-commerce business in a market that is not without its risks for multinationals, is a testament to our strength and capabilities – not just in this country but all over the world.



**STANDARD
FERTILISER TESTS**

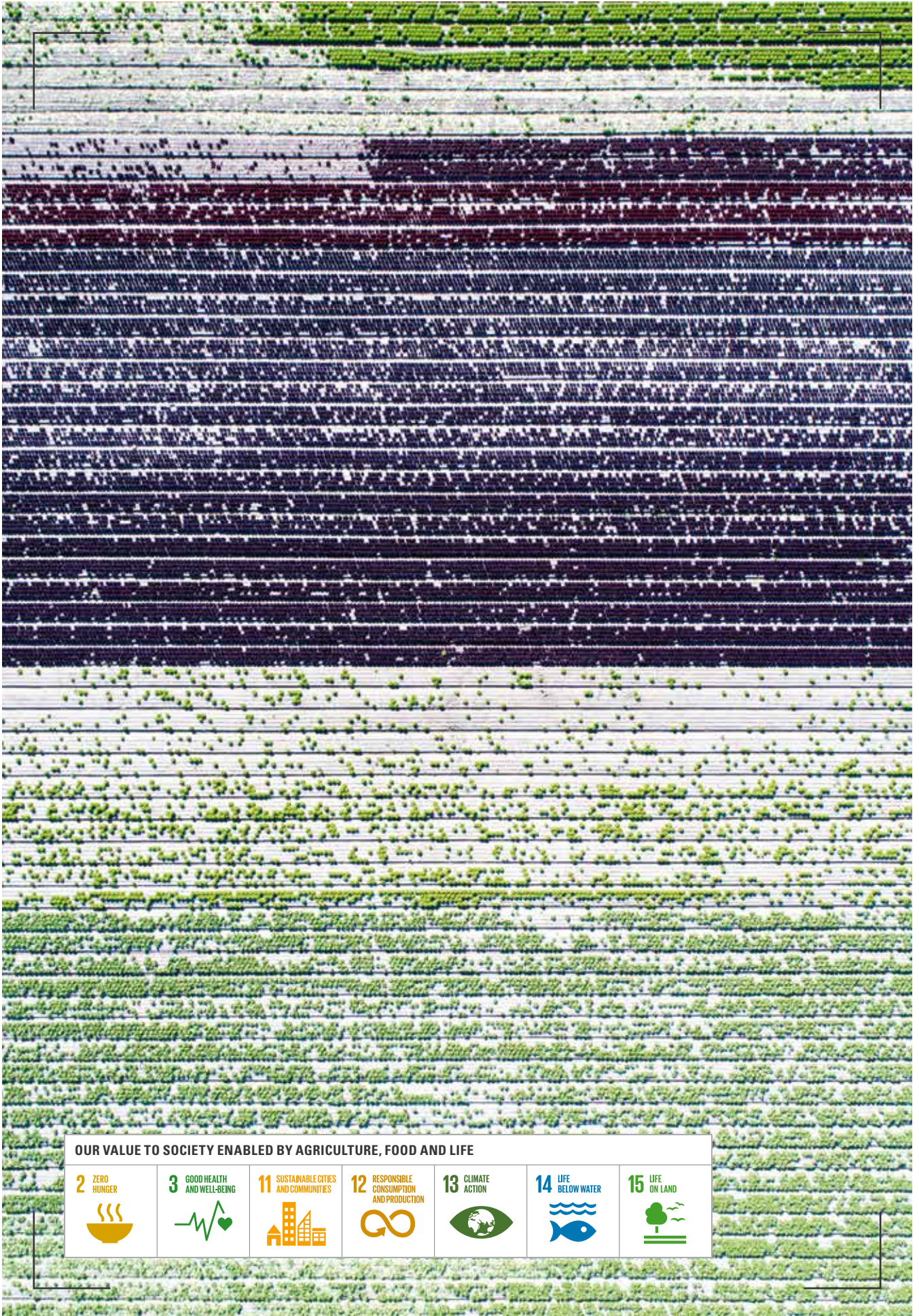
SGS provides fertiliser testing to ensure healthy soil for the sustainable production of high-quality food.

AGRICULTURE,
FOOD AND LIFE



2 ZERO
HUNGER





OUR VALUE TO SOCIETY ENABLED BY AGRICULTURE, FOOD AND LIFE

2 ZERO HUNGER 	3 GOOD HEALTH AND WELL-BEING 	11 SUSTAINABLE CITIES AND COMMUNITIES 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	13 CLIMATE ACTION 	14 LIFE BELOW WATER 	15 LIFE ON LAND 
---	--	---	---	---	--	---

AGRICULTURE, FOOD AND LIFE

1 016.3

REVENUE
IN CHF MILLION

7.7%



GROWTH
IN 2017

SGS has recently completed the acquisition of Vanguard Sciences in the USA, as part of its overall strategy to expand food testing capacity and capabilities in this key geography.

GROWTH AND REVENUE

Agriculture, Food and Life achieved solid revenue growth of 7.7% (of which 6.7% organic) to CHF 1 016 million for the year, driven primarily by Food and Life activities.

Food activities achieved double-digit growth supported by recent investments in laboratory capacity and capabilities as well as the continued development of food certification services.

Seed and Crop performed well notwithstanding ongoing challenges in the input supplier market hampering contract research, as recent investments into precision agriculture enabled diversification of the portfolio.

Trade and Logistics remained robust despite high stock levels, low volatility and downward pressure on commodity prices impacting global trade customers throughout the year.

Life activities continued the strong performance from the first semester. The laboratory network revenue grew by double digits with particularly good performance in Asia and Europe. Clinical Research also realised double-digit growth. The early development clinical unit benefited from service diversification into viral disease testing. The biometrics activity maintained growth momentum by securing several new contracts.

ADJUSTED OPERATING MARGIN

The adjusted operating margin improved from 15.8% in prior year (constant currency basis) to 16.0%, with strong incremental margins from both Food and Life, partially offset by investments in digital initiatives.

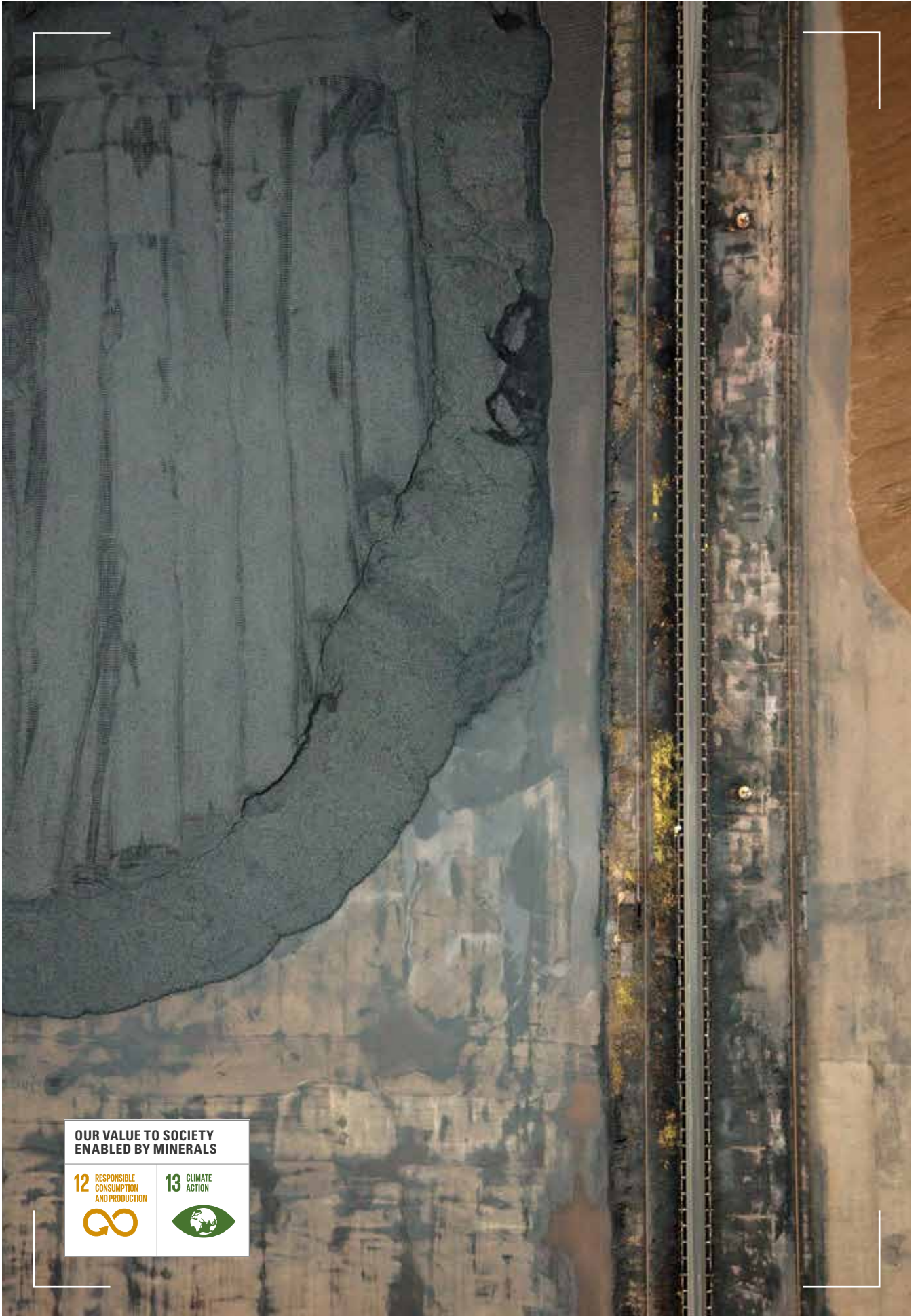
ACQUISITIONS

During the year, the Group acquired Laboratoire LCA in Morocco, offering analytical services, including soil fertility testing; ILC Micro-Chem, Inc. in Canada, an independent laboratory providing microbiology and food chemistry testing services; Central Illinois Grain Inspection, Inc. in the USA, a USDA-licensed agency inspecting grains and by-products for export and domestic quality settlements for growers; and BioVision Seed Research Limited in Canada, a leading seed, grain and soil testing laboratory servicing Western Canada.

(CHF million)	2017	2016 PRO-FORMA ²	2016
REVENUE	1 016.3	943.8	934.9
Change in %		7.7	8.7
ADJUSTED OPERATING INCOME¹	162.5	149.0	147.2
Change in %		9.1	10.4
MARGIN %¹	16.0	15.8	15.7

1. Before amortisation of acquired intangibles and non-recurring items (see Note 4 in section 7).

2. Constant currency basis.



**OUR VALUE TO SOCIETY
ENABLED BY MINERALS**

12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION

MINERALS

683.6

REVENUE
IN CHF MILLION

5.6%



GROWTH
IN 2017

Strategic Precious Metals Processing awarded SGS a five-year onsite laboratory project at its new antimony smelter in Oman.

GROWTH AND REVENUE

Minerals delivered revenue growth of 5.6% (of which 5.2% organic) to CHF 684 million for the year, as market conditions continue to stabilise across most regions.

Energy Minerals achieved double-digit growth during the year, with exceptional performance in Indonesia, South Africa, Colombia and Russia. The Energy Minerals business has continued to dominate the global market in terms of onsite laboratory contracts as well as in the ongoing superintendence services at the main ports. This growth helped to offset evolving market conditions in China.

Trade Services delivered robust performance. Continued momentum from the first half of the year drove strong growth, supported by increased volumes in major bulk commodities across the network.

Sample volumes increased during the year for commercial Geochemistry laboratories in West and South Africa, Canada and Australia. In addition, SGS was awarded six onsite Geochemistry laboratory contracts, contributing to overall growth and further entrenching its leading position. In addition, improved market conditions led to a higher number of projects moving into production phase.

Process Engineering experienced a challenging start to the year due to project delays but showed improvement in the second semester following the start of several new contracts.

Metallurgical Testing continued to recover during the year, delivering solid growth, particularly in Canada and Australia, with higher demand for pilot plant testing and traditional metallurgical test work.

ADJUSTED OPERATING MARGIN

The adjusted operating margin increased from 14.4% in prior year (constant currency basis) to 15.3%, as utilisation of the global network capacity increased and the results of restructuring yielded benefits. In addition, the ongoing synergies across the network and the Minerals sub-business units also contributed to margin improvement.

(CHF million)	2017	2016 PRO-FORMA ²	2016
REVENUE	683.6	647.1	635.0
Change in %		5.6	7.7
ADJUSTED OPERATING INCOME¹	104.6	93.3	90.9
Change in %		12.1	15.1
MARGIN %¹	15.3	14.4	14.3

1. Before amortisation of acquired intangibles and non-recurring items (see Note 4 in section 7).

2. Constant currency basis.



OUR VALUE TO SOCIETY ENABLED BY OIL, GAS AND CHEMICALS

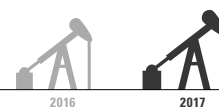
7 AFFORDABLE AND CLEAN ENERGY 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	13 CLIMATE ACTION 
---	---	---

OIL, GAS AND CHEMICALS

1 138.8

REVENUE
IN CHF MILLION

3.2%



GROWTH
IN 2017

SGS was awarded a five-year contract to provide BP with calibration and measurement support at its Rumaila oil field in Iraq, ensuring the measurement systems are of the highest integrity and accuracy.

GROWTH AND REVENUE

Oil, Gas and Chemicals reported an increase in revenue of 3.2% (entirely organic) to CHF 1 139 million for the year. Despite challenges that remain in the oil and gas industry, the business delivered solid growth across a large part of its portfolio, offsetting a decline in Trade-related services.

Plant and Terminal Operations delivered double-digit growth driven by contract wins mainly in the USA. These good results were partially offset by contract losses in Western Europe.

Trade-related services declined in low single digits due to a reduction in volume driven by the lack of trade volatility, a mild winter in Europe, and customer-driven volume redistribution in the USA. The decline was partially offset by growth in Asia.

Upstream services delivered solid growth driven by contract wins in the production segment. These wins demonstrate tight cohesion with the Upstream services strategy to achieve a better balance between exploration and production segment activities.

Non-Inspection-Related Testing activities reported single-digit growth in most geographies, with the outsourcing and the samples segments achieving growth. The laboratory commissioning projects opportunities did not materialise in full volume this year.

The Oil Condition Monitoring segment continued to deliver solid single-digit growth supporting the business strategy to expand into all geographies.

Cargo Treatment activities grew in double digits, driven by new services in the portfolio. This growth was partially offset by the discontinuation of Fuel Integrity Programs in Saudi Arabia and Namibia; however, the project pipeline for the business continues to expand.

The Sample Management segment delivered high single-digit growth from contract wins mainly in Europe and the Middle East, and Measurements and Instrumentation operations continued to grow in single digits in most regions.

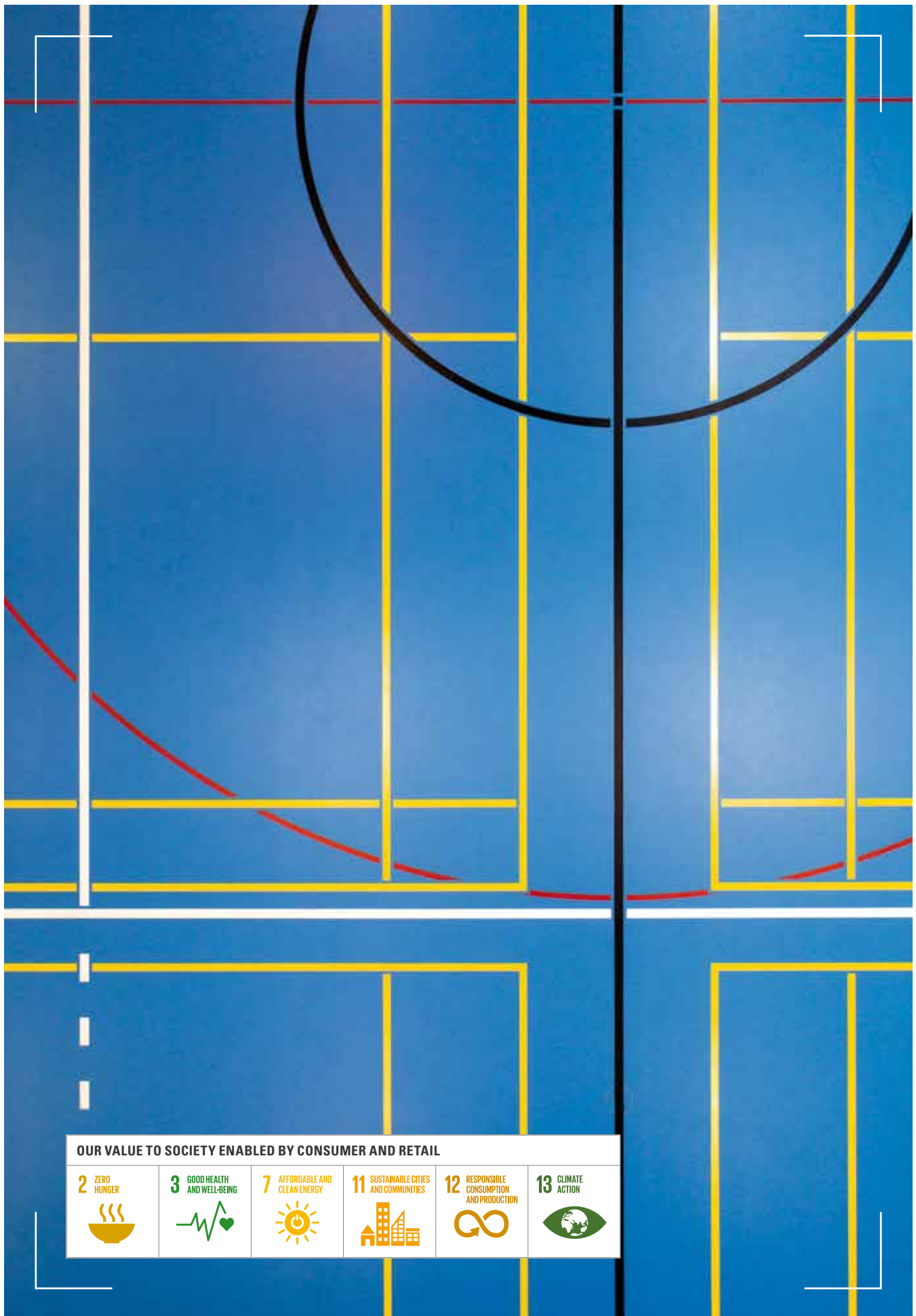
ADJUSTED OPERATING MARGIN

The adjusted operating margin decreased from 10.6% in prior year (constant currency basis) to 10.5%, mainly impacted by a change in business mix from growth in the Plant and Terminal Operations segment and lack of volatility in the market in Trade-related services.



(CHF million)	2017	2016 PRO-FORMA ²	2016
REVENUE	1 138.8	1 103.8	1 098.4
<i>Change in %</i>		3.2	3.7
ADJUSTED OPERATING INCOME¹	119.7	117.3	116.4
<i>Change in %</i>		2.0	2.8
MARGIN %¹	10.5	10.6	10.6

1. Before amortisation of acquired intangibles and non-recurring items (see Note 4 in section 7).

2. Constant currency basis.



OUR VALUE TO SOCIETY ENABLED BY CONSUMER AND RETAIL

2 ZERO HUNGER 	3 GOOD HEALTH AND WELL-BEING 	7 AFFORDABLE AND CLEAN ENERGY 	11 SUSTAINABLE CITIES AND COMMUNITIES 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	13 CLIMATE ACTION 
---	--	---	---	---	--

CONSUMER AND RETAIL

963.2

REVENUE
IN CHF MILLION

10.4%



GROWTH
IN 2017

Since being accredited as a Telecommunication Certification Body in 2016, SGS has achieved significant growth in the telecommunication certification market of Radio Frequency equipment in the USA.

GROWTH AND REVENUE

Consumer and Retail delivered revenue growth of 10.4% (of which 7.6% organic) to CHF 963 million for the year, driven by North East Asia, Northern and Central Europe, Eastern Europe and the Middle East, and Africa.

Electrical and Electronics achieved double-digit growth attributed to the recovery in wireless activity. Electrical Magnetic Compatibility activities contributed robust growth thanks to the new Radio Equipment Directive and recent investments in Electrical safety capabilities.

Cosmetic, Personal Care and Household delivered excellent growth throughout the year, particularly in Asia and North America.

Softlines delivered robust growth due to successful capacity expansion in the new sourcing markets, increased market share in footwear testing, higher demand for chemical testing and the expansion of its global customer base. Softlines also continued to grow its footprint in the textile sustainability segment, especially related to Detox and Zero Discharge of Hazardous Chemicals initiatives.

Despite difficult market conditions in the Toys testing segment, Hardlines delivered strong growth driven by expansion of customers' supply chains in the new sourcing markets; strong organic growth in China, India and Vietnam; and by further development of services in the e-commerce sector.

ADJUSTED OPERATING MARGIN

The adjusted operating margin increased from 25.4% in prior year (constant currency basis) to 25.6%, driven by improved performance from all Electrical and Electronics activities and an increased contribution from the Cosmetic, Personal Care and Household activities.

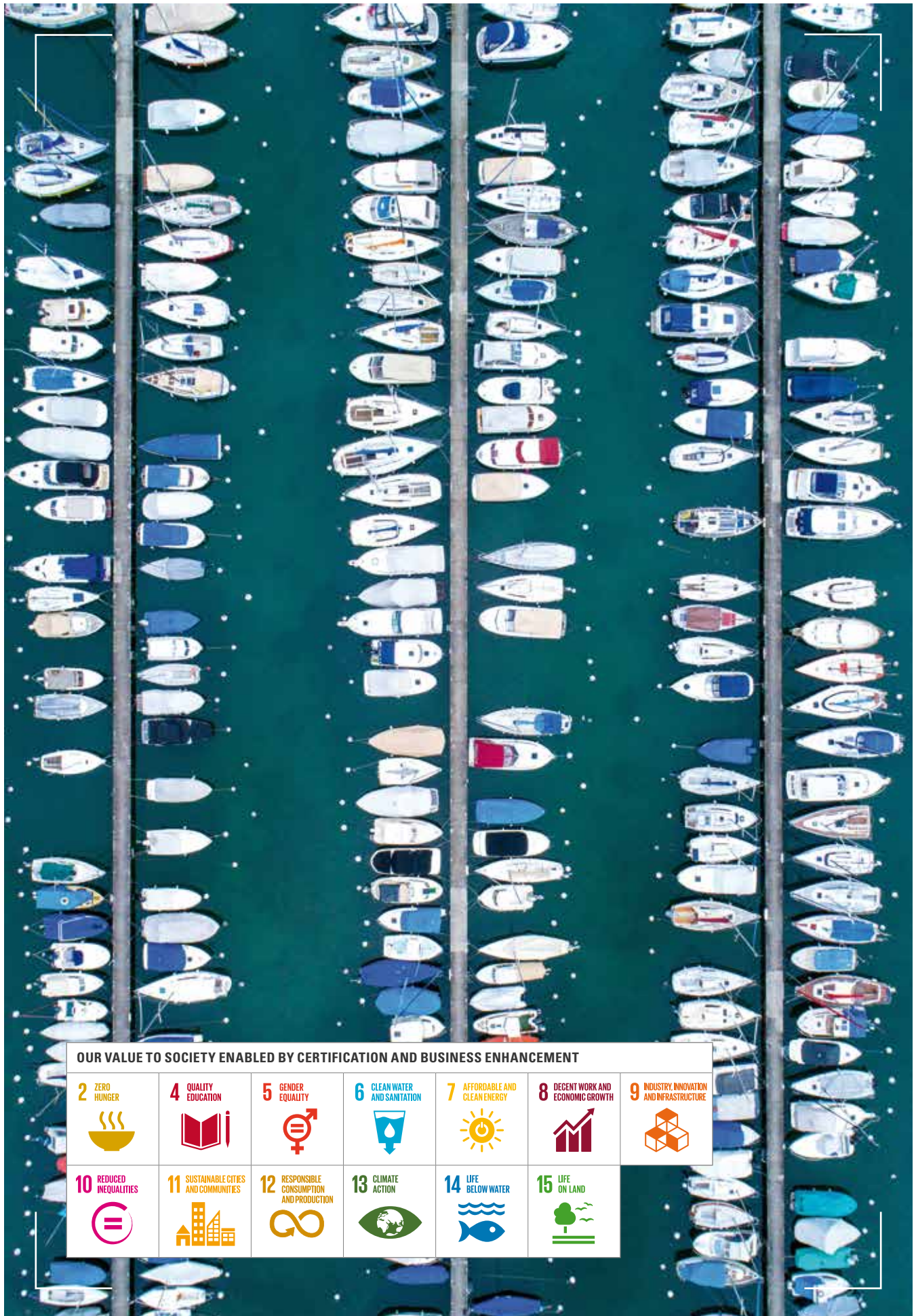
ACQUISITIONS

During the year, the Group acquired Harrison Research Laboratories, Inc. in the USA, providing services to the cosmetic and personal care industry; Govmark Testing Services, Inc. in the USA, providing fire resistance and reaction to fire testing; and SGS Leicester Ltd. in the UK, a textile testing laboratory accredited by the United Kingdom Accreditation Service operating in cooperation with SGS since 2008.

(CHF million)	2017	2016 PRO-FORMA ²	2016
REVENUE	963.2	872.2	872.8
<i>Change in %</i>		10.4	10.4
ADJUSTED OPERATING INCOME¹	246.9	221.7	223.6
<i>Change in %</i>		11.4	10.4
MARGIN %¹	25.6	25.4	25.6

1. Before amortisation of acquired intangibles and non-recurring items (see Note 4 in section 7).

2. Constant currency basis.



OUR VALUE TO SOCIETY ENABLED BY CERTIFICATION AND BUSINESS ENHANCEMENT

<p>2 ZERO HUNGER</p>	<p>4 QUALITY EDUCATION</p>	<p>5 GENDER EQUALITY</p>	<p>6 CLEAN WATER AND SANITATION</p>	<p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</p>
<p>10 REDUCED INEQUALITIES</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>13 CLIMATE ACTION</p>	<p>14 LIFE BELOW WATER</p>	<p>15 LIFE ON LAND</p>	

CERTIFICATION AND BUSINESS ENHANCEMENT

A five-year certification programme was signed in the recruitment industry in Australia and New Zealand. The programme, created by SGS in partnership with the Recruitment Consulting Services Association (RCSA), is supported by the Australian government, major retailers and industry. The programme will be open to RCSA members and 5 000 non-member companies.

GROWTH AND REVENUE

Certification and Business Enhancement delivered solid revenue growth of 4.9% (of which 4.7% organic) to CHF 340 million for the year, with all activities performing well with Performance Assessment and Training reporting double-digit growth.

Management System Certification achieved solid growth due to the transition to the new ISO 9001/14001 2015 standard with 40% of customers transitioned in 2017. Medical device certification (ISO 13458) and Information Security Management (ISO 27000) remained strong.

340.3

REVENUE
IN CHF MILLION

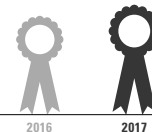
Performance Assessment grew double digits driven by the extension of existing contracts and new contracts, particularly in the Hospitality Excellence Programme. Increased demand for supply chain audits in relation to Corporate Social Responsibility and Human Rights fuelled strong performance.

Training activities delivered double-digit growth due to high demand for courses about the transition to the new standards. The business also launched a Business Enhancement Engine to analyse the SGS certification database and develop training modules tailored to customer needs. Several new state-of-the-art Academy facilities opened, offering an enhanced learning experience to customers.

ADJUSTED OPERATING MARGIN

The adjusted operating margin increased to 18.9% from 17.5% in prior year (constant currency basis). The UK enjoyed strong incremental margin growth from solid levels of activity across all services, Germany from increased volume and improved efficiency, and the USA from Forestry and Medical Devices.

4.9%



GROWTH
IN 2017

The SGS back-office operations transfer continued. Sixteen countries relocated their back-offices to one of the three Global Business Centres to decrease overall cost of operations while improving quality of services.

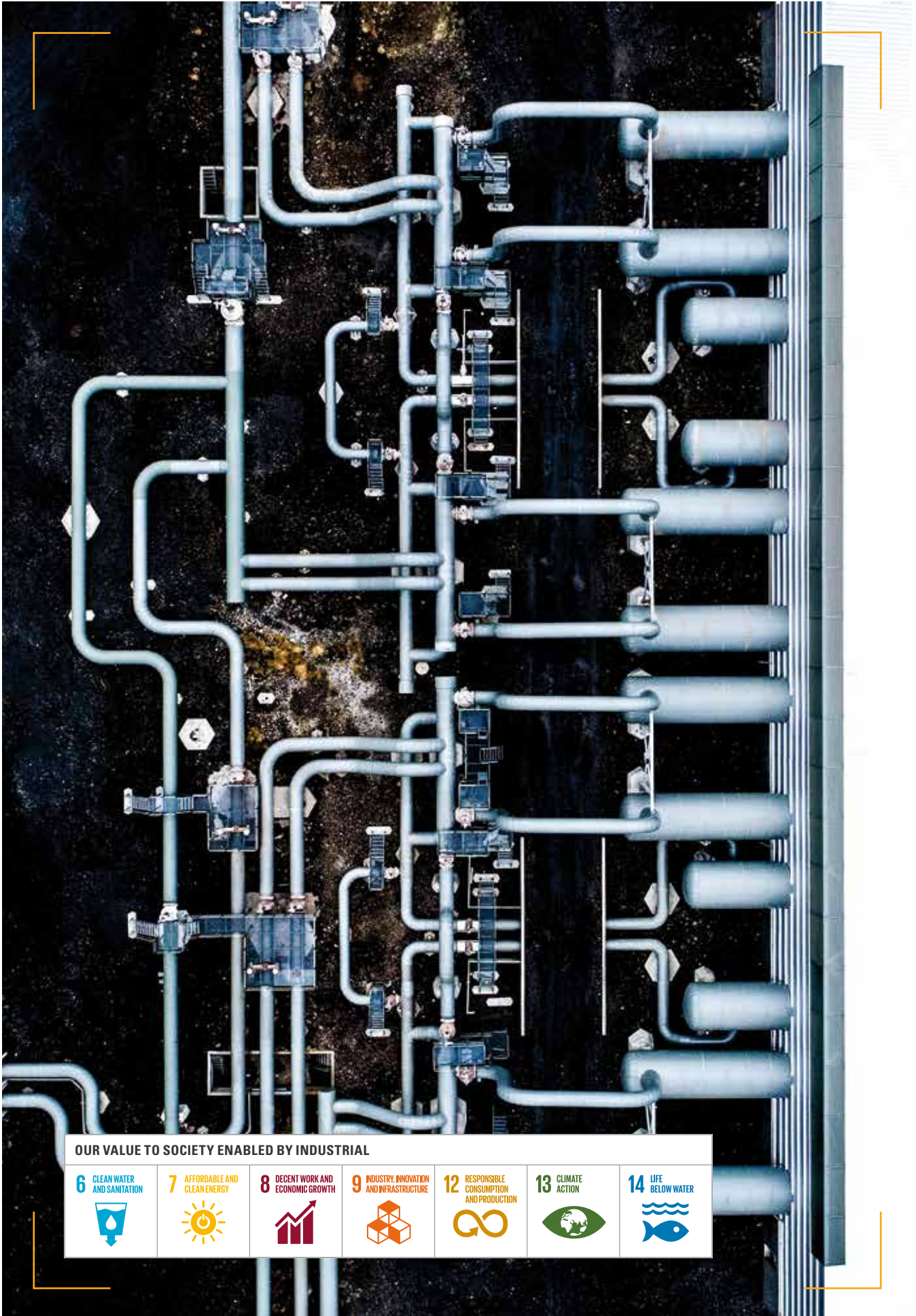
ACQUISITIONS

During the year, the Group acquired Win Services Pty Ltd and Leadership Directions Pty Ltd, both based in Brisbane, Australia with additional training facilities in Melbourne and Sydney. This transaction provides a foothold for SGS Academy in the Eastern Australian market, in addition to resources and expertise to offer new material globally.

(CHF million)	2017	2016 PRO-FORMA ²	2016
REVENUE	340.3	324.3	324.1
<i>Change in %</i>		4.9	5.0
ADJUSTED OPERATING INCOME¹	64.3	56.8	57.5
<i>Change in %</i>		13.2	11.8
MARGIN %¹	18.9	17.5	17.7

1. Before amortisation of acquired intangibles and non-recurring items (see Note 4 in section 7).

2. Constant currency basis.



OUR VALUE TO SOCIETY ENABLED BY INDUSTRIAL


6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER

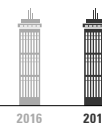


INDUSTRIAL

906.5

REVENUE
IN CHF MILLION

0.0%



GROWTH
IN 2017

Two key agreements signed with technology providers: one with i2i Pipelines in the UK to deploy disruptive, Smart Pigging solutions for pipeline inspection; and one with InoVx Solutions in the USA to deploy 3D Business Intelligence solutions for industrial facilities (digital twins).

GROWTH AND REVENUE

Industrial revenue remained flat (even with -2.6% organic) delivering CHF 906 million for the year.

Oil and gas companies continued to reduce capital investments and also to delay maintenance and shutdowns. Price competition and the loss of contracts caused revenue decline in North America. Major oil companies reduced their activities in North Africa and North East Asia. The Middle East experienced a reduction in the volume of inspections mainly in Qatar and Iraq, with political instability affecting the latter. The decline was partially offset by a large oil pipeline inspection contract

in Peru, the continuous development of maintenance inspection contracts in Brazil, and the growth in activities in Saudi Arabia and Russia.

The Power and Utility sector experienced moderate growth in Western Europe, South America and China, which was partially offset by the reduction in Wind projects and the loss of a large client in Europe, as well as the reduction in shutdown programmes in South Africa.

Infrastructure and Construction grew moderately driven by Material and Construction laboratory testing in developing countries and recent acquisitions in infrastructure testing. Results were partially offset by reduced capital investment programmes in South America and Western Europe impacting supervision and consulting services.

The manufacturing market remained slightly positive with growth in calibration laboratory activity in Asia and from Maintenance inspection activities in South America. SGS consolidated its presence in the Italian manufacturing market with the acquisition of CTR Consulting Testing Research Srl.

ADJUSTED OPERATING MARGIN

The adjusted operating margin declined from 9.3% in prior year (constant currency basis) to 8.1%. The slowdown in oil and gas revenues along with price reductions led to reduced margin in the Middle East, North America, Africa and South Korea. Infrastructure activity continued to report low margin in Supervision and Consulting activities due to intensified competition in South America. The Manufacturing, and Power and Utilities markets reported higher margins due to less competitive intensity and strong activity in laboratory testing.

ACQUISITIONS

During the year, the Group acquired BF Machinery Pty Ltd and CBF Engineering Pty Ltd in Australia, specialising in testing, maintenance and repair of pumps for the water and manufacturing industries; CTR Consulting Testing Research Srl in Italy, offering non-destructive and laboratory testing; and the assets of Geostrada in South Africa providing construction material and geotechnical testing.

(CHF million)	2017	2016 PRO-FORMA ²	2016
REVENUE	906.5	906.5	890.9
Change in %		0.0	1.8
ADJUSTED OPERATING INCOME¹	73.4	84.1	83.6
Change in %		(12.7)	(12.2)
MARGIN %¹	8.1	9.3	9.4

1. Before amortisation of acquired intangibles and non-recurring items (see Note 4 in section 7).

2. Constant currency basis.



OUR VALUE TO SOCIETY ENABLED BY ENVIRONMENT, HEALTH AND SAFETY

2 ZERO HUNGER 	3 GOOD HEALTH AND WELL-BEING 	6 CLEAN WATER AND SANITATION 	7 AFFORDABLE AND CLEAN ENERGY 	8 DECENT WORK AND ECONOMIC GROWTH 
11 SUSTAINABLE CITIES AND COMMUNITIES 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	13 CLIMATE ACTION 	14 LIFE BELOW WATER 	15 LIFE ON LAND 

ENVIRONMENT, HEALTH AND SAFETY

A new project for E-DNA and metabolomics testing was launched in 2017. The project will study the impact of potential hydrocarbon release to assess the residual impact at an off-shore oil production platform.

GROWTH AND REVENUE

Environment, Health and Safety delivered revenue growth of 3.0% (of which 1.3% organic) to CHF 486 million for the year. Laboratory services and Health and Safety services continued to drive strong growth, particularly in Europe, North East Asia and Asia Pacific. A large project completed in Europe at the end of 2016 offset this solid performance.

Ongoing network optimisation and diversification of the customer base across geographies contributed to solid results for Laboratory services. Health and Safety services grew robustly from the development of an innovative suite of services aimed at the hospitality, retail and real estate sectors. Unparalleled expertise and the reach of the network

485.8

REVENUE
IN CHF MILLION

3.0%



GROWTH
IN 2017

supported this performance.

In North America, Accutest exited non-profitable contracts and closed multiple laboratory sites. Although this created a short-term impact, these changes – in combination with a large project win near year-end – will position the business well moving into 2018. AxyS, which was also acquired in 2016, demonstrated its efficiency by quickly aligning with the Group business strategy. This rapid progression has helped the business to grow its service offering through synergies within the USA, particularly in the perfluorooctyl sulfonate market.

China and Taiwan experienced strong growth in laboratories benefiting from dioxin testing, as well as the continued enforcement of regulations in the general market. South East Asia Pacific was driven by significant performance improvement in India and Australia following restructuring measures carried out in 2016.

Brazil continues to be challenged by weak market conditions and a gap created by a reduction in dioxin testing.

ADJUSTED OPERATING MARGIN

The adjusted operating margin decreased from 11.8% in prior year (constant currency basis) to 10.0%, impacted by the completion of a large, non-repeating high-margin project in 2016, weakness in the South American market and challenging conditions in Angola.

(CHF million)	2017	2016 PRO-FORMA ²	2016
REVENUE	485.8	471.7	464.3
<i>Change in %</i>		3.0	4.6
ADJUSTED OPERATING INCOME¹	48.6	55.8	54.9
<i>Change in %</i>		(12.9)	(11.5)
MARGIN %¹	10.0	11.8	11.8

1. Before amortisation of acquired intangibles and non-recurring items (see Note 4 in section 7).

2. Constant currency basis.



OUR VALUE TO SOCIETY ENABLED BY TRANSPORTATION

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER

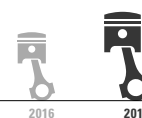


TRANSPORTATION

546.5

REVENUE
IN CHF MILLION

11.6%



GROWTH
IN 2017

SGS partnered with several industrial robot manufacturers and system integrators to create “SMART” systems; Systemised Monitored Automatic Robot Technology for repetitive and high precision fatigue testing. SMART systems improve efficiency, data integrity and automation in testing for Automotive and Aerospace customers.

GROWTH AND REVENUE

Transportation delivered solid revenue growth of 11.6% (of which 11.4% organic) to CHF 547 million for the year, with strong support from all activities of the business.

Regulated services maintained growth, particularly in Europe from compliance services supported by the driver theory testing centres in France. Safety and emissions services remained stable in the mature European market, while the transition to a new concession model in Chile and a rate freeze in Argentina negatively impacted both growth and margin in South America. In Africa, the business successfully completed

the deployment of all stations for the Motor Vehicle Inspection programme in Uganda. All other activities on the continent continued to grow in line with expectations.

Testing services saw solid growth attributed to increased requirements from automotive manufacturers for material and powertrain testing in North America, Europe and Asia. Non-destructive testing benefited from strong demand in the Aerospace industry in France along with an increase in demand for battery testing from the development of new Hybrid and Full Electric Vehicles.

Field services reported strong growth driven by increased inspection volumes for end-of-lease contracts in the USA and Europe.

ADJUSTED OPERATING MARGIN

The adjusted operating margin increased from 16.2% in prior year to 16.5% (constant currency basis). Margin improved in several regions including Europe, through increased laboratory utilisation and in the USA, thanks to a major commercial inspection contract completed in 2017.

(CHF million)	2017	2016 PRO-FORMA ²	2016
REVENUE	546.5	489.6	489.8
<i>Change in %</i>		11.6	11.6
ADJUSTED OPERATING INCOME¹	89.9	79.1	78.5
<i>Change in %</i>		13.7	14.5
MARGIN %¹	16.5	16.2	16.0

1. Before amortisation of acquired intangibles and non-recurring items (see Note 4 in section 7).

2. Constant currency basis.



OUR VALUE TO SOCIETY ENABLED BY GOVERNMENTS AND INSTITUTIONS

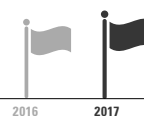
<p>1 NO POVERTY</p>	<p>2 ZERO HUNGER</p>	<p>3 GOOD HEALTH AND WELL-BEING</p>	<p>4 QUALITY EDUCATION</p>	<p>5 GENDER EQUALITY</p>	<p>6 CLEAN WATER AND SANITATION</p>
<p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>10 REDUCED INEQUALITIES</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>
<p>13 CLIMATE ACTION</p>	<p>14 LIFE BELOW WATER</p>	<p>15 LIFE ON LAND</p>	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<p>17 PARTNERSHIPS FOR THE GOALS</p>	

GOVERNMENTS AND INSTITUTIONS

268.1

REVENUE
IN CHF MILLION

0.8%



GROWTH
IN 2017

An innovative solution for remote inspections, QiiQ, operating on both iOS and Android has been successfully deployed in Q3 2017.

GROWTH AND REVENUE

Governments and Institutions reported revenue growth of 0.8% (of which 0.1% organic) to CHF 268 million for the year, with Scanning and TransitNet impacting the results.

The business successfully managed the transformation of its largest remaining Pre-Shipment inspections programme in Cameroon to a non-intrusive inspection programme including SGS DTect®, a universal remote scanning analysis, and SGS E-Valuator™, a valuation assistance solution aligning with recommendations from the World Customs Organisation and World Trade Organisation. In the same period, the business was impacted by the completion of two large mandates: Product Conformity Assessments (PCA) in Kurdistan and a valuation mandate in Benin.

Several scanning contracts were extended demonstrating a renewed commitment from existing clients. Single Window solutions continued to grow through improved import volumes and shipment values along with the implementation of a paperless administration strategy for the Government of Ghana. The contract for the provision of the inland revenue management solution was also extended in Ghana.

TransitNet delivered high double-digit growth with services expanding into new territories (Eastern Europe and Asia) and effectively capturing increased market share in several countries of operation.

During the year, Product Conformity Assessments in Nigeria and Uganda, as well as newly implemented PCA mandates in Gabon and Cameroon, delivered solid results, partially offsetting the completion of a contract in Kurdistan in the first quarter.

The new Port Solutions service began to generate revenue and Consulting activities successfully saw an increase in demand, namely from the Asia and InterAmerica Development Bank and from Non-Governmental Organisations.

ADJUSTED OPERATING MARGIN

The adjusted operating margin decreased to 21.9% from 23.3% in prior year (constant currency basis), with margin improving in the second half as SGS collected most of the outstanding accounts receivable. Digital initiatives have been implemented to further improve PCA margin and to control management costs.

ACQUISITIONS

During the year, the Group acquired Maco Custom Service in the Netherlands, offering customs compliance services to a wide range of clients. This acquisition is an ideal complement to transit services and PCA activities.

(CHF million)	2017	2016 PRO-FORMA ²	2016
REVENUE	268.1	265.9	274.7
<i>Change in %</i>		<i>0.8</i>	<i>(2.4)</i>
ADJUSTED OPERATING INCOME¹	58.7	62.0	66.6
<i>Change in %</i>		<i>(5.3)</i>	<i>(11.9)</i>
MARGIN %¹	21.9	23.3	24.2

1. Before amortisation of acquired intangibles and non-recurring items (see Note 4 in section 7).

2. Constant currency basis.

ACQUISITIONS

In addition to growing organically, SGS has long benefited from making strategic acquisitions that 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 and technological capacities. On other occasions, it also makes sense for us to focus on targets that offer similar services to SGS and where, by joining forces, we can benefit from economies of scale and technical synergies. Careful thought is given to every acquisition.

A next step towards diversification in the Government and Institutions sector proved the acquisition of Dutch-Belgian Maco Customs Service. Maco offers comprehensive customs compliance services including consultancy, import, export and transit declarations, certificates of origin,

fiscal representation and excise. The company's strong knowledge of the European customs environment is combined with innovative cloud-based software solutions that address complex cross-border processes to continue to advance the Group's digitalisation efforts.

An acquisition that will pave the way for further expansion in the fire testing industry is Govmark, an independent laboratory for fire, flammable and physical testing in the United States. Its services are recognised around the world and include transportation, textiles, public buildings as well as wire and cable. The acquisition of a leader in the fire testing industry allows us access to unparalleled knowledge of federal and state fire testing and also expands our global network of laboratories.

Increasing our local and global competitiveness in the educational sector was the main factor when acquiring an Australian education provider: Win Services Pty Ltd and Leadership Directions Pty Ltd work in partnership to provide short-course, leadership and organisational development training. This acquisition provides opportunities for the SGS Academy to not only grow in Australia by bringing resources and expertise to the market but also use the experience to advance our global SGS Academy network.

We focus on companies that allow us to realise synergies while building scale, enhancing our capabilities, filling geographic gaps and improving our financial metrics – whilst maintaining strategic significance.

SGS' TARGET IS TO REACH CHF 1 BILLION IN ACQUIRED REVENUE FROM 2016–2020.



41 transactions with Enterprise Value (EV) between CHF 0.4 million and CHF 62 million made between 2015 and 2017

87% of total EV invested in Transportation, Environmental Health & Safety, Agriculture Food & Life and Industrial business lines

SGS invested at an average EBITDA multiple of 8.4 pre-synergies and a weighted average EBIT multiple of 12.8

2017 ACQUISITIONS



**BIOVISION SEED RESEARCH LIMITED
(BIOVISION)**

Canada



**WIN SERVICES PTY LTD AND
LEADERSHIP DIRECTIONS PTY LTD**

Australia



**THE GOVMARK TESTING
SERVICES, INC.**

USA



GEOSTRADA

South Africa



**CTR CONSULTING TESTING
RESEARCH SRL**

Italy



MACO CUSTOMS SERVICE

The Netherlands



**CENTRAL ILLINOIS GRAIN
INSPECTION, INC.**

USA



SGS LEICESTER LTD.

United Kingdom



**HARRISON RESEARCH
LABORATORIES, INC.**

USA



ILC MICRO-CHEM, INC.

Canada



**BF MACHINERY PTY LTD AND
CBF ENGINEERING PTY LTD**

Australia



LABORATOIRE LCA

Morocco

INNOVATION

THE WORLD CHANGES. PEOPLE MOVE ON. MARKETS EVOLVE. AND WORLD-CLASS BUSINESSES, LIKE SGS, NEED TO STAY AHEAD OF THE CURVE IN ORDER TO RETAIN THEIR POSITION AS MARKET LEADERS.

Innovation is the engine that drives us forward. In a fiercely competitive world defined by tight margins and marginal gains, it is the difference between leading the disruption and being disrupted.

At a time of rapid digitalisation, when traditional thinking and structures are being constantly challenged on both a micro and a macro scale, our ability to innovate keeps SGS and our customers ahead of the curve and the competition.

Our investment in innovation gives us a platform to increase productivity, accelerate growth and ensure sustainability. Our targets in this area alone include increasing Group margin and revenue by 0.3% and CHF 300 Mio by 2020, respectively. Whether we achieve this internally or externally, through employee idea generation, acquisitions, partnerships, technology providers or suppliers, this capability benefits SGS, our customers and the world in which we live.

The advances we are pioneering in remote inspection are a good example. Our remote inspection app is putting experts on site no matter where our customers are located. As a result, our technology is speeding up work processes, reducing travel costs, lowering carbon emissions and helping trade move more quickly.

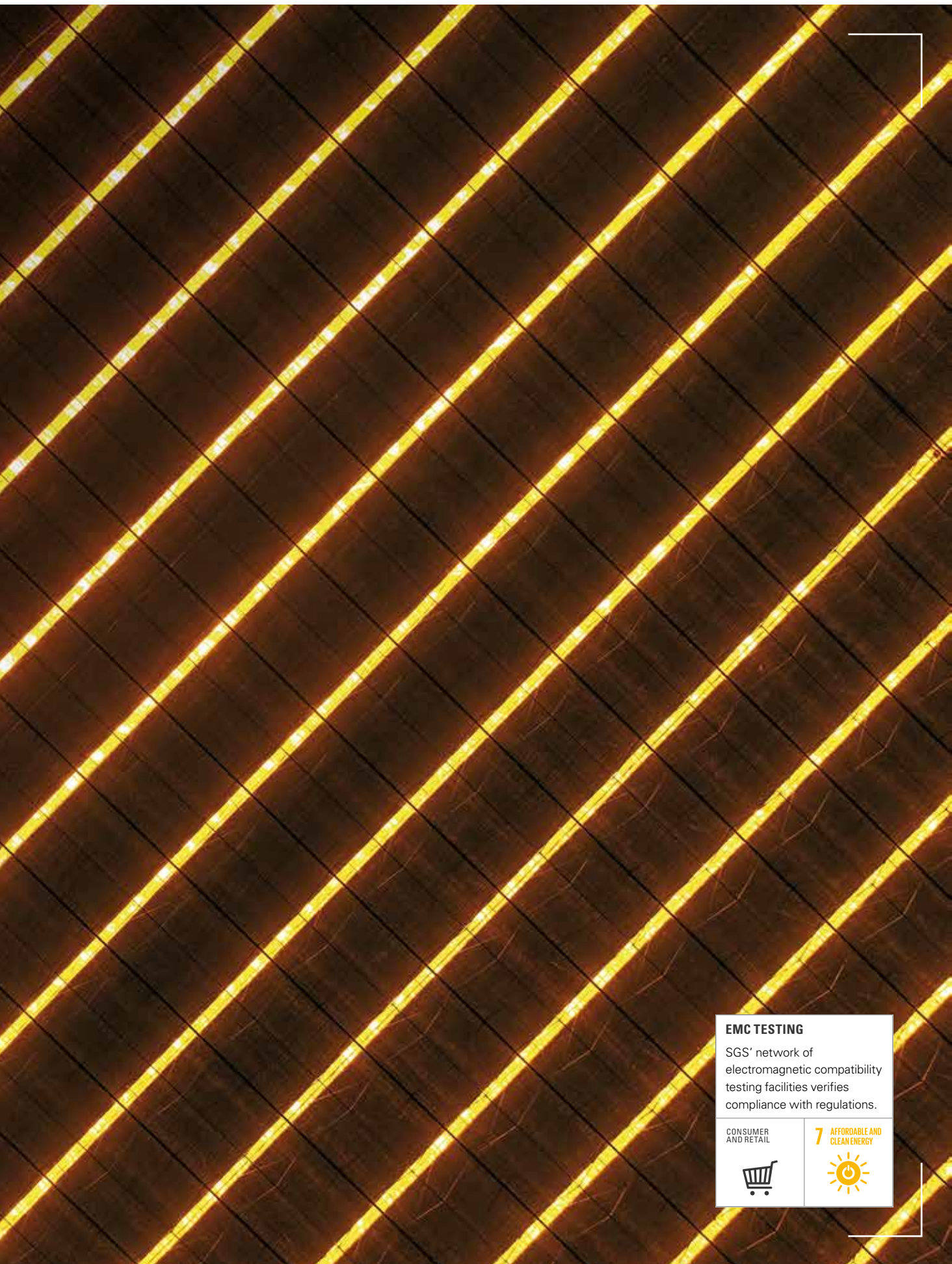
Our work in natural resources monitoring is another way in which

we are having a positive impact. Through the development of satellite-based monitoring technology, we are making the inspection and monitoring of activities such as illegal logging and land clearance, easier and more effective.



The acquisition of Digicomply is part of our strategy to establish the leading global digital platform for information relating to the food industry. Using chat-bot technology that offers access to data on standards, regulations and early warning notifications from every market, our platform has the power to make our customers' to-market journey much more efficient, which in turn has the potential to positively impact retail pricing.

Cybersecurity is a topic that resonates throughout society, and our new Cyber Labs are helping tackle this growing threat. Our work includes penetration testing of customers' digital platforms in order to strengthen their cyber-defence systems. This hacking-based testing and our support in European Union regulatory development will improve cybersecurity not only for our customers but at every office and home around the world.

Innovation is the lifeblood of SGS. For our Group and our customers, it is the difference between leading from the front and having to settle for a place in the pack. It gives us the impetus to evolve and deliver value to society.



EMC TESTING
SGS' network of electromagnetic compatibility testing facilities verifies compliance with regulations.

CONSUMER AND RETAIL 	7 AFFORDABLE AND CLEAN ENERGY 
--	---

EXPERTISE

OUR ABILITY TO OFFER WORLD-CLASS EXPERTISE IS DIRECTLY LINKED TO THE QUALITY OF OUR PEOPLE.

Expertise is the reason that SGS is trusted around the world. Expertise fuels our operations, innovation and achievements in every market and in every industry.

Our experience, knowledge and our commitment to recognising, retaining and growing our talent are what sets us apart for our customers.

From inspectors to scientists, our people are experts in their fields. They ensure that we remain a global market leader. They do this by increasing efficiency, improving quality and productivity, reducing risk, verifying compliance and accelerating speed to market.

Our customers appreciate the level of knowledge and service that we bring to the table. For example, we received the coveted Cummins US New Product Development Award in 2017 in recognition of our exemplary service and support in the area of developmental chassis dynamometer capabilities. The award was presented at the American Fortune 500 company's annual supplier conference. In Geneva, we won the

Quality Control Award at the Global Grain Awards. At the same event, AgFlow, an SGS strategic investment, was nominated as a finalist for the Innovation Award.

Our local HR teams often earn recognition in their own right. For example, in Peru, SGS won the prestigious Premio ABE Award in 2017 for its performance management programme. In China, SGS was recognised as a leading employer, winning the 2017 Excellence in Human Resource Management Award from 51job, a leading human resources service provider in the country.

We are who we are because of our expertise; because our people have the skills and ability, the passion and energy and the confidence in themselves and in our network that we need to excel. Our people thrive because they work in an environment that encourages development, nurtures ambition and values their expertise.

As we evolve and strive to achieve more for ourselves, our customers and society, it is our experts who are responsible for pushing us forward, stimulating development and keeping us out in front.



**QUALITY ASSURANCE
AND QUALITY CONTROL**

SGS controls the materials, structures and systems used to construct and operate industrial facilities.

INDUSTRIAL



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



INVESTMENT

**WE MUST
CONSTANTLY
ADAPT TO
CHANGING
CUSTOMER
DEMANDS
AND MARKET
CONDITIONS.**

Investment is vital. The right talent, assets, technology and development capabilities are fundamental to the long-term success and profitability of any organisation.

This is particularly true for SGS. It is crucial that we stay ahead of the curve in the TIC industry and are alert to how the wide range of industries we serve are changing in terms of new markets, technologies and regulations.

This innovation and awareness, and the dynamism they inject, are critical to our position as a global market leader and to our ability to offer our customers an unparalleled service.

One of the ways in which we are achieving this goal is by evolving our IT infrastructure. We are doing this through the new SGS Enable 2020 IT Transformation Programme. The initiative has a wide scope and is designed to facilitate interactions with our customers, add value to our employees and support our 2020 Sustainability Ambitions.

Data centre consolidation is an example of how we are putting this planning into practice. We are adopting a cloud-first strategy with the aim of having 80% of our workflow on a cloud-based computing framework by 2020. This migration will create a more secure and sustainable operations model and significantly reduce our costs.

It will also mean that as a business, we produce 4.5 million fewer kilograms of CO₂ every year, which

is equivalent to cutting almost 2 000 single-person round-trip flights between Geneva and New York. As well as reducing the amount of hardware we need, our efforts to maximise the equipment we have continues to yield results. The second year of our EquipNet (web-based equipment redeployment tool), through which SGS teams can save money by buying equipment from other areas of the business, has been a continued success.

Of course, technology is not our only area of investment. We invest in our people, their onboarding and ongoing learning and development. We also invest in acquisitions and partnerships with an emphasis on supporting new business areas with long-term growth potential. In addition, we invest in the communities around the world as part of our sustainability work (see pages 105–107 for more details). In 2017, this investment reached CHF 1.27 Mio.

Naturally, despite being in a strong financial position, SGS will only invest in areas where we feel we will see significant returns. Thus, our investments are focused on the strongest areas of the business, and those with the best growth record or long-term growth potential. Our capital allocation strategy prioritises investment in projects that promote organic growth and are technology driven, along with bolt-on acquisitions with attractive business synergies. We also focus on maintaining a solid investment grade credit rating and an attractive shareholder return policy.



**FOREST MANAGEMENT
CERTIFICATION**

SGS' forest management certificate evaluates social, economic and environmental standards.

AGRICULTURE,
FOOD AND LIFE



15 LIFE
ON LAND



OPERATIONAL EXCELLENCE

HOW DO BUSINESSES ENSURE WORLD-CLASS PERFORMANCE? BY ASSURING GENUINE OPERATIONAL EXCELLENCE AND EVOLVING STRATEGY AS MARKET CONDITIONS CHANGE. THIS IS HOW SGS PUSHES FORWARD. THIS IS HOW WE LEAD FROM THE FRONT.

Our commitment to operational excellence, and maintaining the best-in-class quality on which our reputation is based, is why we are a global market leader.

SGS has developed rapidly over the last decade amid unique market conditions, and how we frame operational excellence has evolved in line with the changes we have seen in the landscape.

Changing market conditions mean we are now focusing on doing what we do more efficiently so that we can optimise how we use our resources, augmenting our ability to do more added-value and higher-margin work.

One of the ways in which we are achieving this goal is through a realignment of our regional business infrastructure as part of a streamlining initiative. The introduction of SGS North East Asia, following a merger of our East Asia and China and Hong Kong regions, is allowing us to create synergies and improve our operating performance in a fast-growing regional market. The new region has started brightly, posting double-digit growth in its first year.

Shared Service Centres are another way we are targeting greater efficiency. A well-established model at SGS, the way the Centres benefit the

Group continues to evolve, and today, they are at the forefront of our efforts to increase productivity. The Centres are allowing our affiliate employees to focus on higher-value tasks while creating hubs of excellence for certain back-office tasks.

Our increased focus on automation and robotics is part of a wider drive to leverage technology to improve how we do things. From a digital perspective, we have three main objectives as we move forward: ensure sustainability, increase productivity and accelerate growth.

Health, safety and environmental standards are also critical to operational excellence. Although what we do in this area has obvious legal and business aspects, our work is primarily culture driven: CEOs, including ours, have a personal obligation to their employees to ensure a healthy and safe workplace, and by helping business leaders fulfil this duty, we bring value to society.

SGS continues to push forward, raising the bar in the TIC industry as we advance, and our operational excellence ensures that we can make such progress. By recognising what our customers and society need, and adapting to how these needs change, SGS is leading from the front.



ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT

SGS' environmental and social impact assessments help businesses protect biodiversity.



PROFESSIONAL EXCELLENCE

Our success is built on the trust our customers place in us. To maintain this trust, we expect our employees to embody SGS' values in everything they do. Whether it is through the way they conduct themselves, the way they treat those around them or the way they work with suppliers and customers, our employees strive to exceed expectations every day. We call this professional excellence. As an industry leader, we believe our behaviour inspires other businesses to act in the same way, creating a better working environment for all.

ROAD CONSTRUCTION SERVICES

SGS tests the performance and durability of materials and components to ensure durable roads.

TRANSPORTATION



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



COMPLIANCE AND INTEGRITY

SGS does not engage in any form of bribery or corruption and we adhere to the legal requirements of every country we operate in. We hold anyone acting on behalf of, or representing SGS, to the highest standards of professional integrity, at all times – as defined by the SGS Code of Integrity (the “Code”). The Code applies to all SGS employees,

as well as affiliated companies, contractors, subcontractors, joint-venture partners and agents. Our shared values on individual and organisational professional conduct keep us from seeking business advantage by means that threaten our assets, brand, people or intellectual property.

Compliance with Local Laws and Regulations



See page 35 for complete matrix.

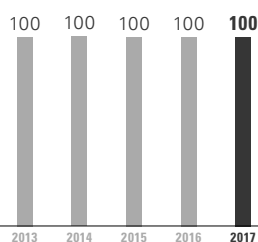
SGS CODE OF INTEGRITY RESPONSIBILITIES

BODY	RESPONSIBLE FOR	COMPRISES/INCLUDES
PROFESSIONAL CONDUCT COMMITTEE	<ul style="list-style-type: none"> Ensuring implementation of the Code of Integrity Advising Management on all issues of business ethics 	<ul style="list-style-type: none"> Chairman of the Board of Directors Two other Board members Chief Executive Officer Chief Compliance Officer
CHIEF COMPLIANCE OFFICER	<ul style="list-style-type: none"> Implementing procedures governing ethical behaviour and conducting investigations on alleged staff misconduct 	
CORPORATE SECURITY TEAM	<ul style="list-style-type: none"> Ensuring that security arrangements adequately protect our people and assets and respect human rights 	<ul style="list-style-type: none"> Continuous evaluation of assets and businesses
HUMAN RIGHTS COMMITTEE	<ul style="list-style-type: none"> Overseeing implementation of human rights commitments Supporting human rights as defined in the Code and Business Principles 	<ul style="list-style-type: none"> Chief Executive Officer Chief Compliance Officer Vice President Corporate Sustainability

PERFORMANCE

100%

% OF EMPLOYEES SIGNING THE CODE OF INTEGRITY

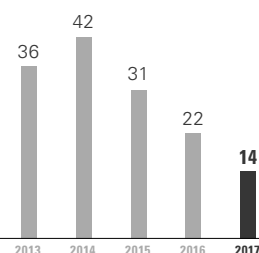


EMPLOYEES SIGNING THE CODE OF INTEGRITY

14

TOTAL NUMBER OF BREACHES OF THE CODE OF INTEGRITY IDENTIFIED THROUGH CORPORATE INTEGRITY HELPLINES

“Helplines” means channels used by employees and external parties to report suspected violations of the Code of Integrity. The reports can be submitted online or by phone, email, fax or post.



CODE OF INTEGRITY NON-COMPLIANCES

4. INTEGRATED LEADERSHIP

TRAINING

SGS conducts mandatory Annual Integrity Training (AIT) for all employees based on the Code. All new hires must complete this training and an additional e-learning module within three months of joining the Company. This ensures clarity on SGS' integrity expectations and standards, with violations leading to possible disciplinary action, termination and/or criminal prosecution.

ACHIEVEMENTS

The SGS Human Rights Policy, which was developed in 2016, received formal approval from the Operations Council at a meeting of the Human Rights Committee in early 2017.

An additional module on human rights was incorporated into the AIT in 2017, which is expected to result in more visibility and understanding of the matter within the Company. Recognising an increasing need for businesses to focus on compliance and integrity, the CEO made it a condition in 2017 that human rights should always be included in regional management level meetings.

OUTLOOK 2018

For 2018, our annual integrity training will evolve from the current PowerPoint approach to a more structured and tailored delivery. Generic e-learning will be given to all employees and will be supplemented by face-to-face specialist training on core business aspects for relevant employees.

CASE STUDY: INTEGRITY TRAINING IN BANGLADESH

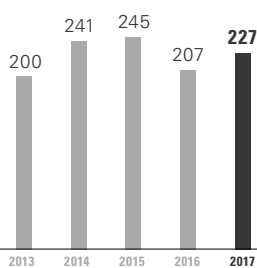
As with all SGS affiliates, SGS Bangladesh embraces the Annual Integrity Training, ensuring all employees are trained on new modules such as human rights. Throughout the year, 660 employees, both permanent and contractual, across all five SGS sites underwent the training. The training was rolled out from the top. Our country Managing Director delivered face-to-face training to his managers, who in turn passed the learning down to their teams.

PERFORMANCE

227¹

TOTAL NUMBER OF INTEGRITY ISSUES REPORTED THROUGH CORPORATE INTEGRITY HELPLINES

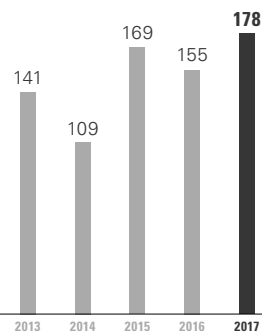
"Helplines" means channels used by employees and external parties to report suspected violations of the Code of Integrity. These reports can be submitted online or by phone, fax, email or post.



CODE OF INTEGRITY REPORTS

178

TOTAL NUMBER OF VALID REPORTS INVESTIGATED CONCLUDING IN NO BREACHES



CODE OF INTEGRITY INVESTIGATIONS

1. As of 2017, the figure includes pending cases which are still under review at the time of reporting.


PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

61

NEW SAVINGS (CHF MILLION)

19%

REDUCTION IN THE NUMBER OF SUPPLIERS



Sustainable Procurement and Supply Chain

See page 35 for complete matrix.

The Procurement and Supply Chain Management strategy at SGS is built on three pillars: deliver value, optimise processes and enhance supply chain management. We deliver these goals through structured sourcing programmes, Source to Pay standardisation and automation, centralised category management and global processes, which are implemented by our local procurement teams.

ACHIEVEMENTS

In 2017, Procurement and Supply Chain Management reported CHF 61 million in new savings, successfully delivering the CHF 160 million target defined for the 2015–2017 savings programme. Ties have been strengthened with core suppliers, resulting in a 85% growth in the supplier incentive programme versus 2016 by bundling procurement volumes.

In 2017, the number of suppliers worldwide was reduced by 19%, while the use of internal purchasing catalogues increased by 17%. Together, this has generated higher savings and created process efficiency.

2017 also heralded the launch of several key transformation projects. In the US and Spain, a supplier portal was launched that supports electronic invoicing. This will be rolled out globally in early 2018, creating significant process automation. In China and France, an e-sourcing tool was successfully launched. 80% of new negotiated spend and over 60 online auctions were sourced through this.

A pilot for the new SGS Transportation Management tool was also successfully completed in France, leading to plans for a further rollout in 2018. The Transportation Management tool increases distribution efficiency and decreases transport-related costs and carbon emissions.

SGS has continued to partner with leading suppliers as part of the Supplier Innovation Programme, allowing the Group to benefit from the innovation power of our supplier ecosystem. To optimise the effectiveness of the programme, it has been fully integrated into our 'Inno 2020' Global Innovation initiative. The programme is on track to deliver additional revenue as of 2018.

Procurement has also actively contributed to SGS' sustainability initiatives. The SGS Supplier Code of Conduct has been issued in seven countries to date as a pilot, with 22% of SGS suppliers in these countries having signed the commitment at the time of writing. Finally, EquipNet

(SGS' web-based equipment redeployment tool) has grown by 92% compared with 2016 (with 123 assets redeployed or sold externally), generating CHF 1.9 million savings and allowing us to optimise the use of assets across the SGS network.

OUTLOOK 2018

The new Vice President of Global Procurement is reviewing plans for the next three years. Our ambition is to develop a best-in-industry procurement organisation that will contribute to SGS' Mission 2020. The procurement strategy will focus on maximising value in areas such as supplier innovation, operational excellence, digitalisation and forging deeper partnerships with suppliers and internal stakeholders.

The global operating model will be further enhanced to drive efficiency through the standardisation and automation of our end-to-end Source to Pay and Demand to Supply processes.

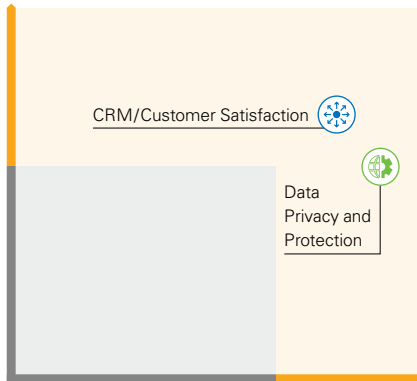
Successful ongoing projects, such as the global rollout of our e-sourcing tool, electronic invoicing programme and EquipNet will be further pursued. Over the next three years, 60% of all tender processes are expected to be completed online, while the electronic invoicing solution is aiming to automate 40% of all SGS invoices. The broad use of these platforms increases transparency, enforces compliance and drives operational excellence.

Our Sustainable Supply Chain strategy will be focused on supply chain risk assessment. Starting from early 2018, the SGS Supplier Code of Conduct will be deployed throughout the global supply chain, following the conclusion of the 2017 pilot.

CASE STUDY: VERIFIED SUPPLIER CERTIFICATION PROGRAMME

In China, SGS has created its own supplier certification programme called Verified Supplier Mark. It targets the top 350 suppliers in the region. In 2017, 53 SGS suppliers successfully went through the qualification programme required to meet SGS standards. The Verified Supplier Mark represents a significant competitive advantage for suppliers in the Chinese market.

CUSTOMER RELATIONSHIP MANAGEMENT, DATA SECURITY AND BUSINESS CONTINUITY



See page 35 for complete matrix.

Customer relationship management is integral to the quality of service that we provide. It is critical that we remain responsive to customer needs and expectations for service quality, privacy and data protection.

CUSTOMER RELATIONSHIP MANAGEMENT

Strong relationships underpin customer loyalty and consequently, business stability. Ultimately, if our customers are satisfied, the business success of both parties is more assured.

In 2014, a Customer Relationship Management System – Sales Pipeline – was deployed across the Group. This system gives us better visibility on customer information, sales, operational activities and business opportunities.

Informal mechanisms such as surveys, face-to-face meetings, seminars and workshops support this system as important parts of our daily interactions with our customers, as do direct social media communications and the efforts of our dedicated back office team, dealing with web enquiries.

A new IT transformation initiative called SGS Enable will also help support direct online collaboration with our customers on certain projects, helping to speed up response times, and facilitate working processes (see Achievements below for more details).

DATA SECURITY AND PROTECTION

Security of customer data is integral to our customer relationship management. We use state-of-the-art security software and robust management processes, including dedicated customer databases, where appropriate, to ensure that customer data remain secure at all times.

We conduct mandatory employee training on cyber security and risk, which includes topics on protecting customer privacy and data security. We have also introduced penetration testing and vulnerability management processes to highlight potential threats to our IT systems and ensure that appropriate remediation measures are implemented.

From 25 May 2018, the new EU General Data Protection Regulation will come into force. We are actively engaging with our business lines and functions in Europe to ensure compliance. The project includes an assessment of both the data itself and our data storage and handling practices to ensure that we are implementing the necessary enhanced processes. We will also update our privacy policies on or before May 2018 and a dedicated e-learning programme will be provided to employees who are working with personal data on a daily basis. A dedicated project team, supported by privacy officers and external consultants, has been established to guide this work.

BUSINESS CONTINUITY

A business continuity plan is a document that explains exactly what to do in the case of a major crisis or disaster. By having a detailed plan in place, any such event can be responded to as efficiently as possible – minimising business disruption.

Whilst it is inherently impossible to plan for black swan events and every other feasible sort of business disruption, SGS has identified four core scenarios it may be forced to deal with. These relate to disruption to people, buildings, IT and suppliers. With 'people' this could include the loss of a key person, temporary or otherwise, at any level of the organisation. For 'buildings', this could be when there is an inability to access an SGS building or facility (e.g. as a result of a severe weather-related event). The other areas include times when IT systems cannot be accessed and when SGS is unable to receive services from key suppliers for whatever reason (e.g. supplier insolvency, supplier impacted by logistics issues, etc.).

SGS is now implementing a Business Continuity Management Process, which is managed with Group support at a country level. The above-mentioned scenarios are studied locally in this context. This includes the creation of local crisis management teams and the development of training

exercises to simulate a crisis. In some countries, such as Australia, where business continuity planning is a legal requirement, SGS has long had very advanced plans in place. This experience is helping rollout on a broader basis.

ACHIEVEMENTS

In 2017, we deployed SGS Enable, a strategic and collaborative initiative managed by our Strategic Transformation, Group Finance and Corporate IT functions. The high-level project enhances the value we offer our customers by delivering significant productivity improvements through enhanced analytics and automation.

Penetration testing and vulnerability management processes were also introduced in 2017 to proactively highlight potential threats to our IT systems and make sure that appropriate remediation measures are implemented.

OUTLOOK 2018

Customer relationship management will remain integral to SGS' business strategy in 2018. We will develop a core set of global indicators to enhance the visibility of Group-level financial and non-financial performance, and the SGS Enable customer portal will be tested in a pilot phase before becoming available to customers across different business lines.

Employee training on cyber security and risk will continue to be deployed through the onboarding programme and further targeted training for employees as required. The ongoing testing of employee readiness to cyber threats and simulated attacks will also further contribute to our data protection and security initiatives.

The Global Business Continuity Team will keep on training business continuity managers for our regions to strengthen procedural awareness across SGS.

CASE STUDY: IT AND BUSINESS CONTINUITY

SGS' IT transformation programme, SGS Enable, will include data centre consolidation, resulting in around 80% of all workflow being run in the cloud by 2020. Not only will this result in an annual reduction of 4.5 million kilogrammes of CO₂ (which is equivalent to almost 2 000 single-person round-trip flights from Geneva to New York), it will also be inherently supportive of our business continuity efforts. For example, in the event of an incident, (such as a fire) destroying or shutting down the local servers, users will in theory only lose a maximum of a few hours of work – depending on when the servers were last automatically backed up to the cloud.



PEOPLE

Our employees are our most important asset. We empower them to succeed in a safe, diverse and inclusive workplace that treats everyone fairly and with respect. With more than 95 000 people working for SGS across the world, our business has a big impact on the communities in which it operates, which is why we seek to employ local talent and build individual and collective capabilities within our teams.

PRODUCT RISK ASSESSMENT

SGS identifies product risks and provides performance testing for sports and leisure products.

CONSUMER AND RETAIL 	3 GOOD HEALTH AND WELL-BEING 
--	--

TALENT ATTRACTION AND RETENTION

68%¹

1. As measured in the 2017 Catalyst survey.

ENGAGEMENT INDEX

70%²

2. As measured in the 2017 Catalyst survey.

ENABLEMENT INDEX

Talent Acquisition and Retention



See page 35 for complete matrix.

A business with a structured workforce that has the right skills, motivation and ambition to succeed is ultimately in the best position to achieve its goals. We recognise that our strength lies in the quality of our people and we constantly aim to attract and retain the best talent. Managing employee turnover in a dynamic and volatile employment market is a challenge, which is why we give SGS employees every opportunity to reach their full potential, moving between countries, business lines and functions to enhance their skills.

With the global workforce becoming more diverse, our talent-sourcing strategy focuses on e-recruitment, competency-based assessments and efficient onboarding related to our values, culture and business processes. Digital tools and social media platforms contribute to fostering connections with future employees around the world.

Complementing these programmes, our employer branding campaign, Be 100% You, engages millennials while also supporting our 2020 business plan. So far, the campaign has been deployed in the following countries: Australia, Brazil, Canada, Chile, Colombia, France, India, Italy, Mexico, Portugal, Romania, South Africa, South Korea, Switzerland and the United States.

EMPLOYEE ENGAGEMENT AND WELL-BEING

SGS has kept a strong focus on performance management by collaborating with leaders to develop and engage employees. Catalyst, our employee survey, supports this approach by investigating how engaged and enabled employees feel at the company. To encourage participation in the survey, we ran an internal communication campaign featuring employees entitled 'We are the CATALYST for improvement'. The redesigned survey was completed in September 2017, across all geographies. It now includes new topics of interest, such as agility, while keeping a stable base of questions to follow year-on-year trends.

Results were released at the end of October to managers, who then in turn invited their teams for individual feedback sessions. Based on the outcomes, managers and employees work together to improve performance by implementing qualitative action plans. Ambassadors and our Human Resources function are trained to act as

facilitators, providing support through the action planning phase and follow-up on progress.

SGS provides a range of well-being initiatives tailored to the specific needs of local affiliates. These range from flexible working hours to partial retirement plans. In some instances, the programmes are outcome-based health promotions, while in others they are campaigns to encourage positive behaviour change (e.g. cycle-to-work schemes). Where possible, remote IT connections and teleconferencing facilities enable employees to work from home and save them from having to travel to and from meetings.

REWARD AND INCENTIVES

Reward plays a key role in attracting, motivating and retaining talent at SGS. Our remuneration framework rewards our employees for their performance, competencies and experience, based on local competitive conditions, and encourages profit-sharing through appropriate variable compensation plans, both long-term and short-term. We offer benefits, such as pension and healthcare plans, in accordance with local market practices. We regularly benchmark our compensation packages to confirm they are competitive in all locations around the world.

Group-wide job architecture classifies positions using 'generic jobs' and 'job grades'. The generic jobs (around 120) contained in the SGS Job Catalogue are organised into 23 job families across five categories. Each captures the basic nature of the job performed and the typical skills and competencies needed. A job grade represents the relative weight of a job within the organisation. This is determined using a standard and globally recognised external methodology (the Willis Towers Watson Global Grading), which calculates the grade of a job based on different factors, such as management responsibility, knowledge required and impact on financial results. Classifying positions facilitates a common language that allows us to benchmark our compensation practices against the external market in different geographies, and internally between different organisations.

ACHIEVEMENTS

The 2017 Catalyst survey achieved an 84% response rate across 39 countries and three global teams. The results show that 68% of participating employees feel engaged – the same

4. INTEGRATED LEADERSHIP

level as in our previous survey in 2015. The survey also reveals that 70% feel enabled, which has not been measured before as a variable in SGS. Using a new online reporting tool, managers can access easy-to-understand analytics that support them in planning and implementing changes based on these outcomes. All participating employees can also access individual reports that provide specific actions, based on their results, to improve their work experience.

CASE STUDY: CHINA – COOPERATION WITH VOCATIONAL SCHOOL

SGS took a new approach to attracting qualified talent in China and initiated a SGS diploma programme at the Changzhou Vocational Institute of Engineering. The three-year programme combines classes with a year-long internship at an SGS site. Currently, there are about 160 students enrolled in the programme and the first students will graduate in June 2018.

Throughout the year, the SGS enterprise social network rollout continued, encouraging employees to learn, collaborate and innovate with each other in real time. Employees from around the world discussed various topics, shared expertise and participated in multiple campaigns, such as how to reflect on their own leadership styles.

To drive a culture of ongoing performance feedback in SGS, five certified SGS coaches delivered 90-minute training sessions to 200 employees and managers on giving and receiving feedback. This programme will be expanded in 2018. Several countries have launched or continued talent attraction and employee development programmes. For example, SGS Philippines started a mentoring programme to fast track the development of new leaders. Beginning with a three-month pilot, senior business leaders, including the country Managing Director, were partnered with mentees to exchange ideas and share insights. Meanwhile, the Caspian region offered sales and business development training to 19 high-potential employees. The two-day course, delivered by an external provider, included modules on sales, negotiation and client attraction.

In South Africa, SGS has developed and launched a number of programmes designed to make a tangible difference to the local community while bringing talent into the SGS business. One such programme that started in 2017 offers unemployed young people the chance to work in SGS and gain a national education certificate. Of the initial intake of 53 young people, 72% completed the course. Of this total, 98% were offered contracts at SGS. In terms of gender, 64% of the young people that passed the course were female, giving these women the opportunity to enter a currently male-dominated industry. Finally, SGS was named among the leading employers in China in the 2017 Employer Excellence Awards and won the 2017 Excellence in Human Resource Management Award. Both prizes are sponsored by 51jobs, a leading integrated human resources provider in China.

CASE STUDY: BEST PERFORMANCE MANAGEMENT PROGRAMME AWARD

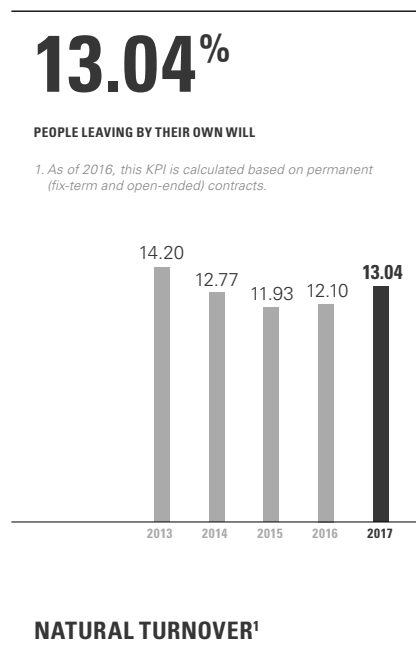
Inspectors make up almost 50% of our workforce in Peru. Setting them specific goals is an important part of ensuring engagement, reducing turnover and maintaining a high level of customer satisfaction. SGS Peru developed a programme to recognise performance excellence according to five key indicators, with a bonus for

exemplary customer survey results. The programme has resulted in 273 inspectors being rewarded for their achievements and has led to external recognition for SGS in the form of an American Chamber of Commerce award.

OUTLOOK 2018

Our strategies moving forward will be defined by the newly appointed Senior Vice President of Human Resources. This process is underway, and includes a complete review of all Human Resources key performance indicators. A new global strategy will be presented in the first semester of 2018 and will be disseminated throughout the Human Resources function, with more detailed strategies and plans being defined for each area. Key programmes, such as developing management feedback processes and implementing employee engagement actions based on the 2017 Catalyst survey, will continue, complemented by regional and local activities.

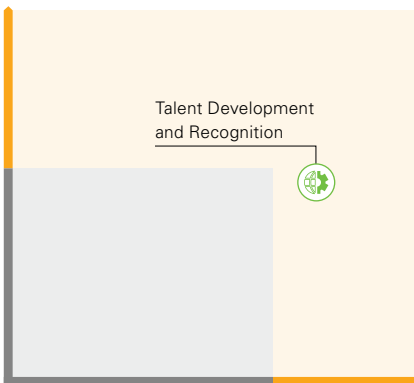
PERFORMANCE



HUMAN CAPITAL DEVELOPMENT AND LABOUR PRACTICES

26.16%

WOMEN IN LEADERSHIP POSITIONS (CEO -3)



See page 35 for complete matrix.

SGS is a diverse and inclusive organisation that supports all employees in realising their potential. We strive to treat everyone fairly and without discrimination, while providing employees with career development training that enables them to meet customer requirements and our own standards.

The SGS Business Principles, Code of Integrity and new Human Rights Policy all underline our commitment to diversity, inclusion and equal opportunities, and our employees and managers are trained annually in the principles of non-discrimination.

SGS employees, subcontractors, business partners and suppliers are entitled to work in an environment and under conditions that respect their rights and dignity. We also respect freedom of association and we cooperate in good faith with trade unions and work councils that our employees collectively choose to represent them within the appropriate national legal frameworks.

All SGS policies and codes are informed by the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Children's Rights and Business Principles, the United Nations Women's Empowerment Principles and the United Nations Global Compact.

DIVERSITY AND EQUAL OPPORTUNITIES

As a global business, with more than 95 000 employees worldwide, SGS is a business with a diverse workforce. Our employees span nationalities, cultures, religions, generations and genders, and we recognise the contribution that diversity brings to our business success. Our approach to diversity is grounded in our Business Principles where respect is defined as 'making sure we treat all people fairly' (see page 43 for more details).

LEARNING & DEVELOPMENT

Each affiliate manages its own training programmes locally, based on the precise needs to the SGS business, employees and community in that specific location. The programmes range from initiatives designed to give high-performing employees the opportunity to develop into management roles to health and safety and technical skills training. These programmes help keep employees at the top of their fields.

ACHIEVEMENTS

In 2017, SGS had a 67% males and 33% females in the global workforce, displaying a stable year-on-year equal opportunity ratio of 0.89. The number of women in leadership roles, which is categorised as all positions up to three levels below the CEO (CEO -3), was 316, representing 26.16% of all CEO -3 management positions occupied. SGS also has a broad range of nationalities in senior leadership roles. Across the SGS Management Board and Operations Council there are 16 nationalities represented.

SGS' training hours have increased 5.6% in 2017; however, our training ratio has decreased in 2017 from 2.09 to 1.97. These results are mainly due to the increase in training given through e-learning resulting in a cost reduction, and by hence a reduction in the training ratio.

OUTLOOK 2018

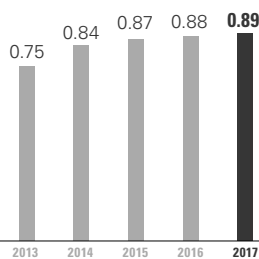
A new global human resources strategy is expected to be agreed in the first semester of 2018. Following this, specific area strategies and action plans will be defined in more detail.

In 2018, SGS will focus on creating the best opportunities to promote and recruit a wide and diverse range of employees into the available roles across the SGS Group.

PERFORMANCE

0.89

(FEMALE MANAGERS/FEMALE EMPLOYEES)/(MALE MANAGERS/MALE EMPLOYEES)

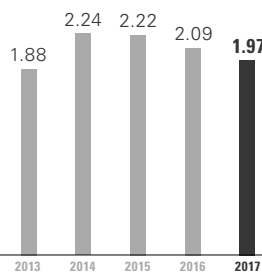


EQUAL OPPORTUNITY RATIO

1.97%

TRAINING COST (INCLUDING HOURS) AS A PERCENTAGE OF EMPLOYMENT COST

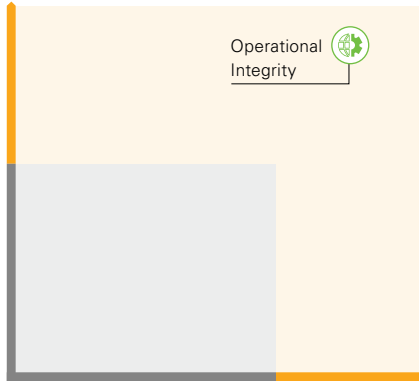
2. On a constant currency basis.



TRAINING RATIO²

OPERATIONAL INTEGRITY

Operating safely is synonymous with business success. At SGS, we consider safety as critical across all our activities. With more than 95 000 people working in the SGS Group, we promote a 'no harm' approach towards our employees and the environment, the strategy for which is defined by SGS' Operational Integrity (OI) function. By creating a working environment that is as safe and healthy as possible we add value to the communities in which we operate.



See page 35 for complete matrix.

OPERATIONAL INTEGRITY STRATEGY

SGS promotes a global company culture that prioritises employee health and safety, along with environmental protection. Our goal is to be best in class in Operational Integrity, with zero incidents. To achieve this, our OI strategy is based on seven pillars (see pages 97–98) and is underpinned by an OI management system aligned to internationally recognised standards. Each year, global strategic input is gathered and annual OI objectives are set, which clarify the OI vision for the following 12 months, while ensuring the visibility of results.

The OI team reports directly to the CEO and deploys its strategy and objectives through a Top-Page process, based on the European Foundation for Quality Management Model. This structure allows SGS to focus on key programmes, including incident investigations, risk assessments, leadership visits and best practices.

THE OPERATIONAL INTEGRITY GLOBAL MISSION

Protect SGS employees and stakeholders, our physical assets, the environment and communities in which we work and live

Accelerate our cultural change and journey towards HSE excellence

Leverage HSE ownership, leadership and stakeholder involvement

Improve SGS performance by providing HSE expertise and guidance through the deployment of OI strategies, programmes and tools

Support full compliance with legal, regulatory, customer and Group HSE requirements

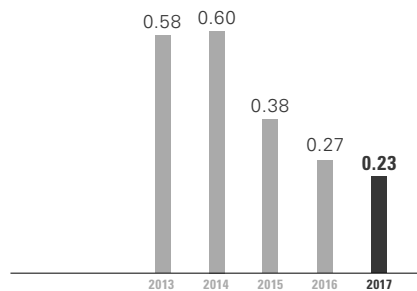
Leaders and managers receive specific OI training, and regular webinars on OI management systems and procedures are provided for all employees. Indicator targets and our Behavioural-Based Safety (BBS) peer-to-peer observation programme are also driving behavioural change across the organisation.

INDUSTRIAL HYGIENE AND OCCUPATIONAL HEALTH

With a newly defined vision for SGS employees to achieve 'goal zero', whereby every employee strives to have zero health, safety or environmental issues, and our global OI mission, SGS

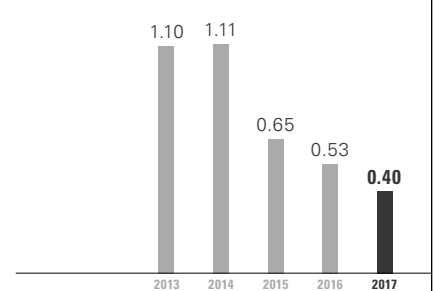
PERFORMANCE

0.23



LOST TIME INCIDENT RATE (LTIR)
(200 000 HOURS)

0.40



TOTAL RECORDABLE INCIDENT RATE (TRIR)
(200 000 HOURS)

Industrial Hygiene (IH) and Occupational Health (OH) is focused on implementing a comprehensive scope of work to ensure these are successful.

To facilitate compliance, improve IH and OH data management and provide the OI team with a detailed overview of IH and OH performance across the Group, a process map is being introduced. This new software solution, accessible in 12 languages, facilitates IH and OH data storage and privacy related to employee monitoring samples. SGS also continues to standardise the Personal Protective Equipment (PPE) that is used across all locations. This programme collaborates with local procurement to acquire equipment that is aligned with global purchasing requirements and local regulations.

ACHIEVEMENTS

By 2016, SGS had already achieved its Sustainability Ambition 2020 to have Lost Time Incident Rate (LTIR) and Total Recordable Incident Rate (TRIR) figures, against a 2014 baseline. In 2017, we have reduced them by 14.5% and by 24.8% respectively against 2016.

Operational Integrity objectives, which are incentivised down to one level below Managing Directors, are becoming part of everyday processes and are often being extended to include two levels below Managing Directors.

Another achievement in 2017 was the development of Incident Compliance Scores for all incidents reported across the SGS Group. These scores help us

identify countries where OI resources need to be improved. Once identified, improvements are made by training Root Cause Analysis (RCA) Experts to conduct both incident and health and safety investigations. Additionally, our risk assessment process continues to be enhanced through the adoption of learnings from our assessment of our standard operating procedures. In 2017, these covered the top operational risks for each of our main line of business. Likewise, our OI management system processes are extended and updated regularly. During the year, 20–30 procedural documents were reviewed, and new procedures for internal audits and Behavioural-Based Safety (BBS) schemes were launched.

OUTLOOK 2018

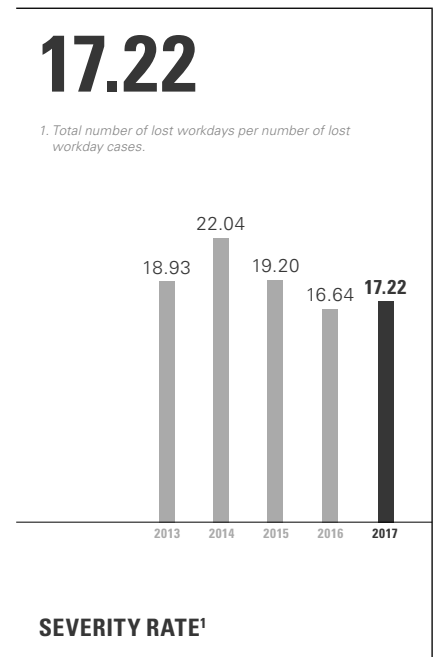
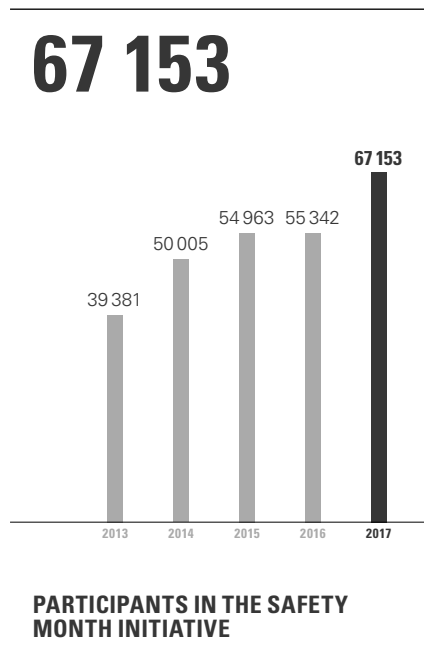
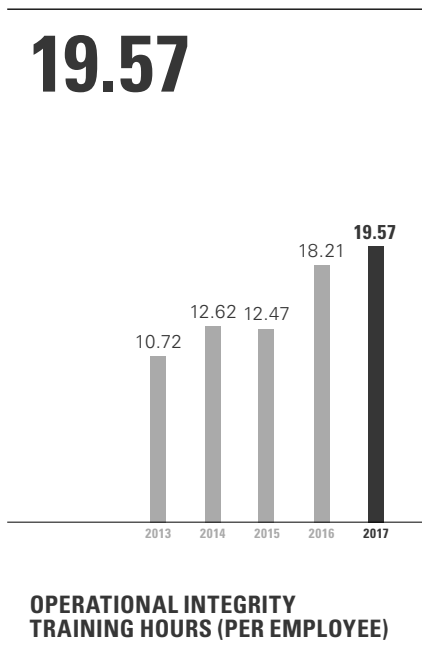
In 2018, our programme of leadership visits across all SGS sites will continue. This will be complemented by the revised app, OI Lead Adviser, that provides information allowing leaders to review OI performance. These results will be enhanced through the deployment of the new SGS OI Culture Index that measures the development of the safety culture across the company. Version 2.0 of Stellar, our self-assessment audit tool, will also be rolled out, with better alignment to our latest OI processes, procedures and management requirements.

SGS will continue to push OI objectives through the incentive plans to more managers and increase the number

of global OI employees to develop our OI skills and resources. SGS also aims to train a total of 40 auditors across the network to improve the volume and quality of our internal audits. The ongoing deployment of BBS processes across the network will complement these audits. Incident investigations and risk assessments will continue to be developed, with the further improvements being used to update our standard operating procedures.

CASE STUDY: APPLYING OI SAFETY TRAINING IN REAL LIFE

The value of conducting regular OI training has perhaps never been more clearly demonstrated than by our OI team in Mexico City. On 19 September 2017, within an hour of SGS completing its annual earthquake evacuation drill, Mexico City was hit by an earthquake with a magnitude of 7.1 on the Richter Scale. SGS immediately put the training into practice, safely evacuating all employees, who were then sent home to check on their families. With all families thankfully accounted for, our employees then began to regroup at the office, before leaving en masse to support communities in areas that were harder hit, applying their safety knowledge, an first aid and PPE skills in the rescue efforts.



SGS SEVEN OPERATIONAL INTEGRITY PILLARS

PILLARS	APPROACH	2017 ACHIEVEMENTS
LEADERSHIP	<ul style="list-style-type: none"> Operational Integrity (OI) strategy and performance is reviewed quarterly by the Executive Operational Steering Committee, chaired by the Chief Executive Officer OI management across the network is guided by the Extended OI Steering Committee, composed of OI, business and regional managers 	<ul style="list-style-type: none"> 21 leadership visits were conducted per 100 employees Leaders visited on average 7 sites each, spread over the year OI Lead Adviser app (launched in 2016 to guide leaders through visits) was made available across the business and synchronised with the SGS Crystal management tool
COMMUNICATION	<ul style="list-style-type: none"> Employee awareness is raised through a number of initiatives: the Global Operational Integrity campaign; 15 Rules for Life; quarterly campaigns on specific OI topics; and an annual themed 'Safety Month' Outcomes for the 15 Rules of Life and Safety Month initiatives are systematically tracked 	<ul style="list-style-type: none"> The 15 Rules for Life are now available in 14 languages A global behaviour-change campaign was rolled out with a suite of emotional motivational messages New quarterly campaigns were launched, starting with the topic of fire safety 'Your behaviour keeps you safe' was the theme for Safety Month in September
TRAINING AND AWARENESS	<ul style="list-style-type: none"> Chief Operating Officers and Executive Vice Presidents are briefed for leadership visits 15 Rules for Life training is delivered as e-learning and face-to-face sessions OI awareness training for managers comprises 12 modules of e-learning Safety talks communicate best practices on specific topics across businesses and operations The operational, safety and efficiency benefits of In-vehicle Monitoring Systems (IVMS) are shared with the regions to encourage installation 	<ul style="list-style-type: none"> 21 was the average training hours per employee, in line with our target of 15 hours More than 80 000 employees completed the Rules for Life e-learning since its launch in 2015 Since Q4 2016, around 2 500 managers completed the e-learning awareness training for managers, with a further 1 400 working through the modules 3 500 SGS fleet cars are now equipped with IVMS The number of kilometres driven by company vehicles are being measured to identify and prioritise high-risk countries for IVMS installations

PILLARS	APPROACH	2017 ACHIEVEMENTS
RESOURCES AND SKILLS	<ul style="list-style-type: none"> • Company-wide, the number of Operational Integrity professionals is being increased • The skillset of OI professionals is under review and a competency framework is being developed 	<ul style="list-style-type: none"> • The Root Cause Analysis (RCA) Experts network was extended in 2017 to include 23 countries and 72 experts
KEY PERFORMANCE INDICATORS	<ul style="list-style-type: none"> • All incidents and hazards are captured through a data-driven, multilingual interface that delivers regulatory and client-mandated reports • A Safety Data Sheet Management System provides up-to-date information on chemical hazards in laboratories 	<ul style="list-style-type: none"> • Our Lost Time Incident Rate (LTIR) and Total Recordable Incident Rate (TRIR) both dropped to 14.5% and 24.8% respectively • 42 283 new Safety Data Sheets were produced in 2017
AUDITS AND COMPLIANCE	<ul style="list-style-type: none"> • SGS laboratories, offices and facilities are audited for health and safety risks as well as environmental and chemical impacts 	<ul style="list-style-type: none"> • 38 internally certified Health, Safety and Environment auditors carried out 44 audits
HEALTH, SAFETY AND ENVIRONMENTAL SELF-ASSESSMENTS	<ul style="list-style-type: none"> • Regular self-assessments of SGS sites provide an overview of potential risks and controls • Sites work through 400 questions, broken down into 15 categories and as a result are classified as low, medium or high risk 	<ul style="list-style-type: none"> • 590 sites completed or updated the self-assessment • Feedback from sites has been collated to develop a clearer, more consistent set of questions and online inputting tool that will be launched in 2018

ENVIRONMENT

To protect our planet for future generations, it is essential that businesses reduce their environmental impact. SGS does this by following a carbon-neutrality strategy, seeking to use resources efficiently and continually working to deliver sustainable value for society.

ISO 14064 – GREENHOUSE GAS ACCOUNTING AND VERIFICATION

Our climate change programme helps with the verification, reporting and trading of greenhouse gas emissions.

ENVIRONMENT,
HEALTH AND
SAFETY



13 CLIMATE
ACTION



ENERGY

Energy and Climate Change

See page 35 for complete matrix.

Climate change has widespread economic, political, and social consequences that affect not only individual communities but also the way SGS does business. In 2017, we saw a number of tropical cyclones hit the Caribbean, as well as North and Central America. While weather patterns such as these are not uncommon in this region, the intensity of the storms is believed to be connected with climate change. As is the extent of the 2017 flooding in South East Asia.

As a global company, SGS is concerned about the potential impact of climate change and conscious of our role in contributing to international mitigation efforts by reducing our carbon emissions and guiding other businesses in doing the same. Our target of reducing our CO₂ emissions (per full-time employee and by revenue) by 20%*, as part of our Sustainability Ambitions 2020, demonstrates our proactive approach in this area.

Our strategy for achieving our targeted CO₂ reductions begins with reducing our energy consumption at the source. The main sources of SGS' emissions are electricity (19% of total emissions), transport fuels (67% of total emissions) and non-transport fuel (14% of total emissions). Any energy that we still consume after the reductions is then compensated by our offsetting strategy.

ELECTRICITY AND NON-TRANSPORT FUELS

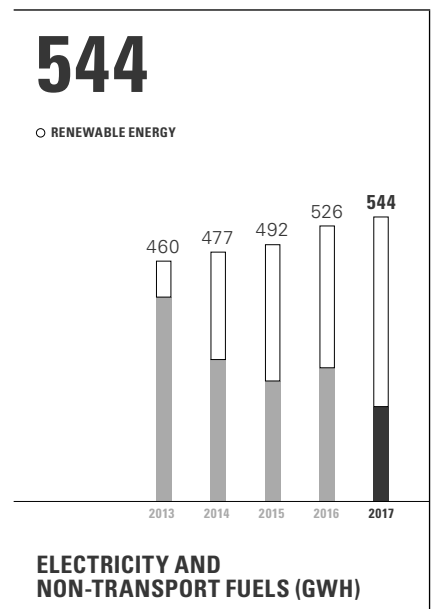
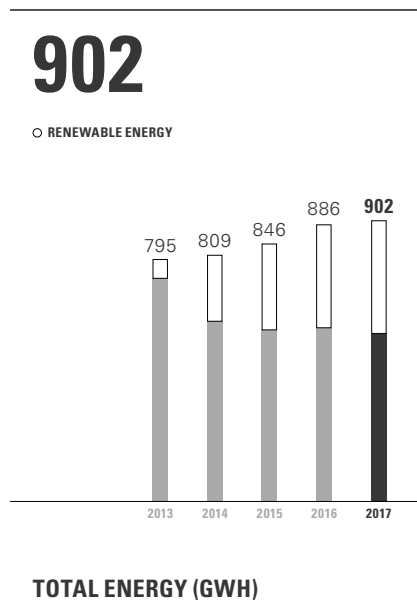
The energy used in the over 2 400 SGS offices and laboratories worldwide accounts for about 60% of our global consumption. The SGS Energy Efficiency in Buildings (EEB) programme defines the process through which we evaluate and improve the energy efficiency of buildings that are owned or leased by SGS. There are two parts to the approach: (i) the review and development of an energy-efficiency action plan for existing SGS premises, and (ii) an environmental assessment applied to the design, construction and/or refurbishment of SGS buildings.

The SGS Green Building Guidelines, developed by SGS, provides a rating tool to assess new or existing buildings. The Guidelines have an expanded range of KPIs covering energy, waste and water and define the minimum requirements in areas such as lighting-system energy performance and water consumption.

Through the on-going Spot the Orange Dot campaign, employees are also encouraged to exhibit environment-friendly behaviours. Since the campaign began in 2013, around 40 500 employees have improved their energy efficiency and waste management impact.

*Against a 2014 baseline.

PERFORMANCE



4. INTEGRATED LEADERSHIP

Limiting our IT energy consumption is the third focus area in our efforts to reduce our electricity consumption. By rationalising the number of data centres we have in the SGS Group, we are reducing the CO₂ emissions associated with our electricity consumption by approximately 2%. The Group currently operates 180 data centres, which house 3 500 servers. By 2019, 80% will be moved to the cloud.

VEHICLE FUELS

SGS strives to continually reduce company car fleet emissions. Our Vehicle Emissions Policy, which set a diminishing annual CO₂ emission limit for the 2016–2020 period for our car fleet, Ensures that all newly purchased or leased cars emit fewer average grammes of CO₂ per km annually than in the prior year. By 2020, average CO₂ emissions per km for our worldwide fleet shall not exceed 95 grammes. This policy promotes the use of vehicles that qualify as low CO₂-emitting and that achieve maximum fuel efficiency.

ACHIEVEMENTS

The SGS Energy Efficiency in Buildings (EEB) programme, which was redefined in 2017, is now focused on the top 50 SGS countries for buildings of more than 1 000m². This equates to almost 400 buildings in total. From this, a pilot group

of 100 buildings across 30 countries, each larger than 3 000 m², was identified and assessed in terms of energy consumption. Further energy audits are being performed on 46 of them.

As a result, SGS has implemented energy conservation measures in buildings around the world. For example, in Madrid, Spain, reflective films have been installed on windows, aiming to reduce the cooling consumption. In India, SGS is working on improving heating, ventilation and air conditioning energy efficiency, while in Chile, we are investigating an increase in the use of renewable energy options. In China, we continued to improve our electricity usage by switching to LED bulbs, while a Green Building Certification for existing buildings in emerging countries (EDGE certificate) is currently being piloted in Accra, Ghana.

Similarly, new buildings in Indonesia and South Korea were assessed against the SGS Green Building Guidelines and were then designed accordingly to meet our energy efficiency requirements.

The US and Canada were two of the three new countries that rolled out the Spot the Orange Dot behaviour change campaign in 2017, with employees across five sites embracing the initiative in their actions both at work and at home.

This year, we are going to invest 353.6 GWh of renewable energy mechanisms (Guarantees of Origin and International Renewable Energy Certificates).

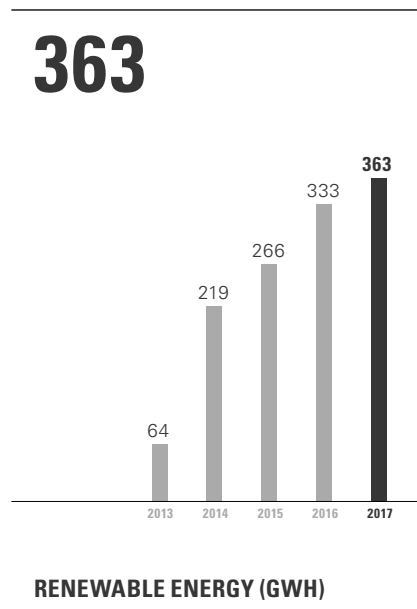
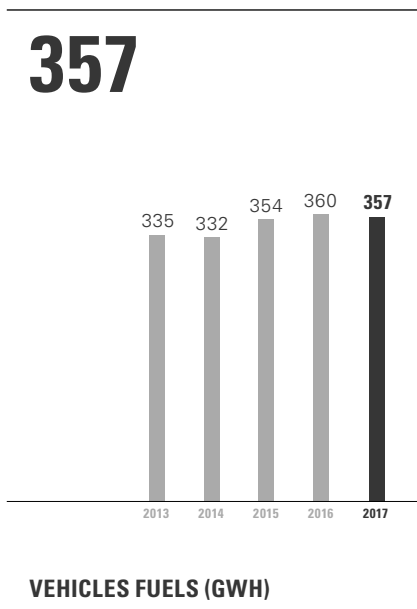
Additionally, our data centre rationalisation project was successfully piloted in Thailand, Benelux and Chile in 2017, with all servers in these locations being moved to the cloud.

OUTLOOK 2018

SGS is continually improving its energy efficiency by switching to renewable energy sources, deploying low-emission fleet cars and making sure both new and existing buildings meet the high standards outlined in the Green Building Guidelines.

The scope of our EEB programme will be widened further, with an increased number of energy audits performed to support building analyses. Once the pilot phase is complete, the programme will be extended over the coming years to all the 400 focus buildings. The Spot the Orange Dot campaign will be rolled out to a further three to five countries, with quarterly technical notes completing the suite of activities designed to drive the energy-efficiency culture across the network. All of these measures are steps towards SGS' environmental Sustainability Ambitions 2020. As a signatory of the RE100 initiative,

PERFORMANCE



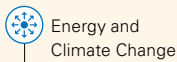
SGS is also committed to using 100% renewable electricity in all facilities by 2020.

From an IT point of view, it is estimated that the data centres and servers that will be moved to the cloud over the next two years will cut almost 4 500 tonnes of CO₂ emissions.

**CASE STUDY:
IMPROVING ENERGY CONSUMPTION
IN NORTH AMERICA**

The SGS Energy Efficiency in Buildings programme helped six SGS North America locations to improve their energy consumption. After on-site assessments, recommendations were made for easy-to-implement actions. For example, four sites are now evaluating options for new energy efficient lighting systems. Encouraged by the positive feedback from employees and site managers, further buildings will be assessed in 2018.

CARBON OFFSETTING



See page 35 for complete matrix.

Since 2014, SGS has been aiming to reduce CO₂ emissions at source with its Energy Efficient Buildings (EEB) programme and offsetting any remaining or unavoidable emissions. This carbon neutral strategy bridges the gap between the current reality and a more sustainable future.

CARBON-OFFSETTING PROJECTS

Pursuing carbon neutrality allows us to assign a clear cost to carbon and ensures that each affiliate takes responsibility for their emissions, by requiring them to pay for their carbon offsetting. We look for Clean Development Mechanism (CDM) approved carbon-offsetting projects that directly benefit communities where we have an impact. This also supports our community investment strategy, allowing us to bring positive benefits to local communities around the world. At the same time, we are able to support sustainable economic growth, supply clean energy at a local level and protect the environment by reducing reliance on fossil fuels.

ACHIEVEMENTS

Investment in renewable energy projects, energy efficiency measures and green electricity supply continued in 2017. In addition to the renewable energy and carbon credits purchased in 2017, SGS also invested in five voluntary offset schemes – in China, India and Zimbabwe – and purchased a

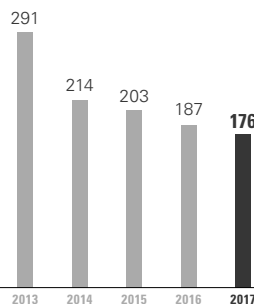
total of 187 000 credits. In China, 50 000 credits were gained supporting a group of hydroelectric power plants in the Chongqing, Yunnan, Sichuan and Guizhou provinces. The project contributes to mitigating greenhouse gas emissions by supplying clean energy across rural south-western China. 42 000 credits were obtained through an investment in the Nueva Aldea Biomass Power Plant in Chile and a further 5 000 credits were purchased through the Danjiang River Solar Cookers. The latter project has far-reaching benefits, improving the indoor air quality and living conditions of 100 000 rural Chinese households. In China as well, SGS invested 89 000 credits by supporting a Biomass Cogeneration Project in Hubei Province, while in Zimbabwe 1 000 credits were purchased through the Kariba REDD+ Project.

OUTLOOK 2018

SGS will continue its carbon offsetting programme to neutralise any remaining emissions. Besides the credit purchases, we encourage our affiliates to continue reducing their carbon footprint associated with business travel by choosing teleconferences and video calls whenever possible. Working with suppliers to ensure all procurement activities are conducted in an environmentally and socially responsible manner is another activity that will further contribute to our ongoing commitment to carbon neutrality.

PERFORMANCE

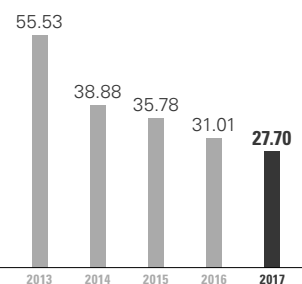
176



TOTAL GHG EMISSIONS (THOUSAND TONNES CO₂e)

27.70

1. On a constant currency basis.



CARBON INTENSITY BY REVENUE¹ (TONNES CO₂e/MILLION CHF)



COMMUNITY

Creating a positive, measurable and lasting impact on the local communities where you operate is synonymous with good business practice. SGS achieves this by welcoming local talent and engendering a company culture of giving back. Through projects that are aligned with the United Nations Sustainable Development Goals and focused on education, empowerment and environmental sustainability, we encourage our employees to volunteer and act in ways that support the growth of society.

E-GOVERNMENT PLATFORMS

SGS develops e-Gov platforms that promote access to and transfer of information.

GOVERNMENTS AND INSTITUTIONS



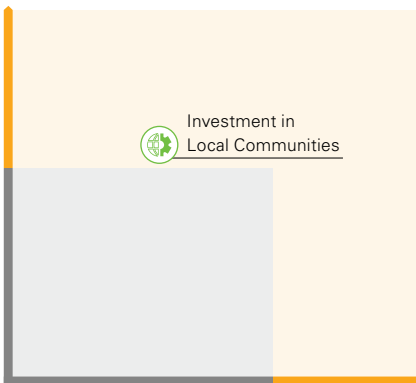
16 PEACE, JUSTICE AND STRONG INSTITUTIONS



COMMUNITY PROGRAMMES

17 086

COMMUNITY HOURS



See page 35 for complete matrix.

Increasing our investment in communities around the world by 30%* is one of our Sustainability Ambitions 2020. In working towards this goal, we are facilitating responsible business operations and helping to address development challenges.

SGS' community programmes are divided into three core pillars: empowerment, education and environmental sustainability. They are selected and managed in line with the Group Community Policy and Guidelines and are managed at a global and local level. The majority are led by our affiliates through collaborations with local organisations.

To evaluate the effectiveness of our programmes, we use our Group Community Survey, which aligns with the London Benchmarking Group criteria. This survey serves as our impact measurement tool and includes KPIs that measure the type of philanthropic activities covered as well as the project duration, hours of volunteering, type of beneficiaries and number of people impacted by the projects, among other items.

ACHIEVEMENTS

In early 2017, the Community Policy and Guidelines were revised to align with the SGS Business Principles, Human Rights Policy and our Sustainability Ambitions 2020. During the year, there were more than 305 SGS community projects in 45 countries. Of these, 28 involved working with customers and 4 involved suppliers.

Employee volunteering is an important part of SGS community programmes. Every employee can take one volunteer day per annum. As a result, in 2017, many employees engaged in social projects in the communities or sites where they worked and volunteered for more than 17 000 hours.

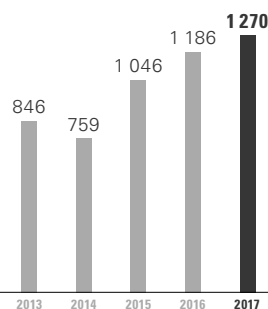
For example, a targeted programme at our head office in Geneva introduced monthly charity lunches focused on stopping child trafficking and exploitation in Cambodia. Contributing employees paid a little extra for their lunch to support 19 children between the ages of 7 and 18 through school, offering them a way out of poverty and exploitation. In Portugal, SGS ran a programme to help empower vulnerable girls by setting up a reading space at an emergency shelter, while in Mexico, SGS delivered social responsibility programmes in schools.

*Against a 2014 baseline.

PERFORMANCE

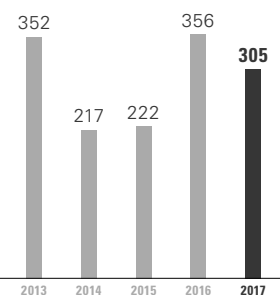
1 270

1. Including cost of volunteering hours (on a constant currency basis).



INVESTMENT IN COMMUNITY¹
(THOUSAND CHF)

305



COMMUNITY PROJECTS

113

EMPOWERMENT PROJECTS

Broader programmes, covering a range of activities, took place in Chile, where an initial sustainability workshop kicked off a series of volunteering efforts alongside NGOs such as supporting in environmental emergencies and promoting education for at-risk youths. In South Africa, employees volunteered at least 67 minutes of their time on Mandela Day – one minute for each year of Nelson Mandela’s public service.

87

EDUCATION PROJECTS

**CASE STUDY:
SUPPORTING HOUSTON**

In the aftermath of Hurricane Harvey, SGS North America helped employees in Houston, Texas clean up and rebuild. The efforts on the ground were accompanied by fundraising in partnership with the Giving Circles Fund, a non-profit organisation focused on disaster relief. With the money raised, a volunteer base of SGS employees spent two weeks supporting their Houston-based colleagues and their communities.

86

**ENVIRONMENTAL
SUSTAINABILITY PROJECTS**

OUTLOOK 2018

SGS will continue advancing the Sustainable Development Goals by promoting projects that support education, empowerment and environmental sustainability. A further SGS community goal for 2018 is to encourage more local volunteering. Community managers around the world will continue to promote activities, events and initiatives through the SGS internal social network. An internal campaign will also help raise awareness about existing volunteering programmes across the SGS global network.

EMPOWERMENT

Our empowerment programmes support physical, emotional, intellectual and economic empowerment by providing access to healthcare, counselling, mentoring, microcredit and enterprise schemes.

**CASE STUDY:
MICROCREDIT IN INDIA**

An example of our empowerment programmes this year included participating in the Terre des Hommes’ Solidarcomm campaign, at our head office in Geneva. During this campaign, 190 used mobile phones were collected, refurbished and sold, with the proceeds going to a microcredit programme in India that SGS has supported since 2014.

EDUCATION

Our education projects improve access to all levels of schooling and promote informal learning in the form of employment training schemes and skills workshops.

**CASE STUDY:
SGS ACADEMY TRAINING FOR
UNEMPLOYED YOUNG PEOPLE**

In South Africa, we initiated a programme to train unemployed young people. The students started by taking a two-day SGS Academy training course: the SGS RISKSTAR qualification in safety, health and environment. They then entered an assessment phase and finally the trainees were offered a three-month work experience placement at the Eskom Grootvlei power plant. 24 trainees were identified and enrolled in the programme, with 20 being offered the final internship, following successful completion of the SGS Academy course.

ENVIRONMENTAL SUSTAINABILITY

Our environmental initiatives help reduce or eliminate reliance on non-renewable and scarce resources, such as fossil fuels and water.

**CASE STUDY:
ENVIRONMENTAL MONITORING**

In Turkey, working together with the Protection and Promotion of the Environment and Cultural Heritage Foundation, 25 SGS volunteers learnt how to train others in nature awareness and natural heritage. Using these skills, the volunteers visited schools and ran four workshops attended by a total of 100 children. The volunteers showed the children how they could find different colours and textures in nature, discover plants and trees, and locate animals using animal footprints and other methods.



MATERIAL TESTING
SGS tests the chemical, mechanical and physical properties of sport and leisure products.

CONSUMER AND RETAIL 	3 GOOD HEALTH AND WELL-BEING 
--	--

OPERATING OUTCOMES



SOIL FERTILITY TESTING
SGS tests soil for nutrients, pH or salinity to increase yield and protect the environment.



Having moved through the transformative phase of our business activities, our impact on our capitals can now be measured as outputs and outcomes.

We measure the value of our supply chain, direct operations and services to society.

HOW WE MEASURE OUR VALUE TO SOCIETY

Our direct operations are assessed by the flow of our capital stocks. These are identified and described on pages 48–50. Each stock is conceived as a store of economic benefits. Throughout the year, the capitals (and their store of benefits) undergo change, according to levels of use and investment flows. This determines whether a capital stock appreciates or depreciates. For example, if employees (human capital) work excessive hours (use), fatigue (depreciation) sets in, which eventually leads to reduced labour productivity. Separate methodologies are used to measure the value we create for society through our supply chain and services.

Since each capital flow can be distilled into measurable indicators, we can theoretically assign an economic valuation to our capitals to consistently translate indicator performance into financial terms. Negative flows (i.e. depreciation) can then be translated into costs and positive flows (i.e. investment and appreciation) translated into benefits.

The sum of all investments and the appreciation of the indicator values minus all the depreciation results in our Value to Society (V2S) figure. More detailed technical information on how the calculations are performed is supplied in our Sustainability Report (www.sgs.com/cs-report2017).

The translation of indicator performance into financial terms allows for comparison, aggregation and integration with conventional management methods and, potentially, with financial accounting systems. We believe this will prove extremely supportive of our integrated leadership approach and consequently, our strategic decision-making in future years.

At present the model is not intended to be a financial accounting tool. Instead, it will help us understand and monitor our path towards achieving our ambitions in a comprehensive way. With this new approach, we are also embracing the strategy encouraged by the International Integrated Reporting Framework to create a cohesive and comprehensive view on how our material factors generate value over time.

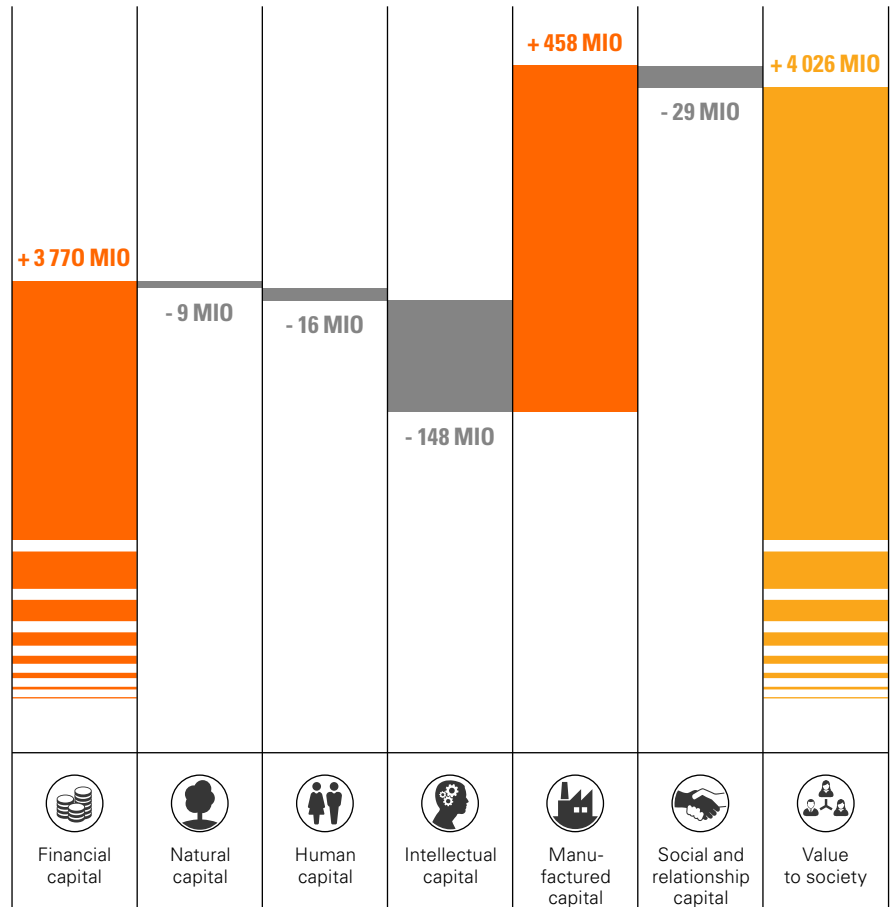
MEASURING OUR DIRECT OPERATIONS

SGS' sustainability efforts have long been based on strategic KPIs, which were developed following a study of our material topics (see pages 49–50).

These KPIs allow us to measure our success over time, and we have used them to develop the relevant value to society indicators for our direct operations. Subsequently, by using methods such as value transfer, replacement costs, social ROI and social cost of carbon, we have been able to develop a mechanism that apportions a monetary value to them.

While our long-term aim is to offer a holistic picture of the flows of all capitals, for now, we have focused on those material topics with the available data and research literature to develop the monetisation model. Our materiality principles will guide the inclusion of new indicators in the future.

OUR VALUE TO SOCIETY FROM DIRECT OPERATIONS*



* Based on 2016 figures.

MEASURING OUR SUPPLY CHAIN AND SERVICES

1 068

ESTIMATED ECONOMIC VALUE TO
SOCIETY OF OUR SUPPLY CHAIN
(CHF MILLION)*

352

ESTIMATED VALUE TO SOCIETY
OF OUR SOCIAL RESPONSIBILITY
AUDITS (CHF MILLION)*

248

ESTIMATED VALUE TO SOCIETY
OF OUR ENERGY MANAGEMENT
CERTIFICATION (CHF MILLION)*

SGS' value to society extends beyond our direct operations. We also have an impact through our supply chain and services. We call this our 'enabled value to society'.

Through our procurement of products and services, we indirectly contribute to our suppliers' positive and negative impact, for example, their payments of taxes and release of greenhouse gas emissions. To quantify these indirect impacts and their associated economic costs and benefits, we employ extended input-output analysis. This extended model enables us to calculate additional parameters such as the risk of modern slavery and child labour within the global supply chain. More information about the indicators used to model our impact in each capital and our valuation techniques is provided in our Sustainability Report (www.sgs.com/cs-report2017).

Another important value to society comes from the services we deliver. Consequently, we are working on the development of a methodology that can capture the total net impact that SGS enables through its services. We are already estimating some of our services with the intention of calculating the value generated from our goods and services.

Mirroring the economic attribution method used with suppliers, the proposal is that SGS will take credit for a customer's contribution equivalent to the economic value of the service it provides (relative to the economic value of all other customer inputs). We have commissioned several case studies to develop our approach to these figures (see right) but we cannot yet provide full results across all services.

HUMAN CAPITAL CASE STUDY: SOCIAL RESPONSIBILITY AUDITS

Social Responsibility Audits detect and assess the controls in place to prevent issues such as forced labour, discrimination and sexual harassment in the workplace. They include audits against third-party standards and corporate codes of conduct, corrective action monitoring and other tailored audits. SGS analysed the socio-economic benefits of reducing the prevalence of forced labour, exploitation, discrimination and sexual harassment. The avoided social costs equate to a value to society of CHF 352 million*.

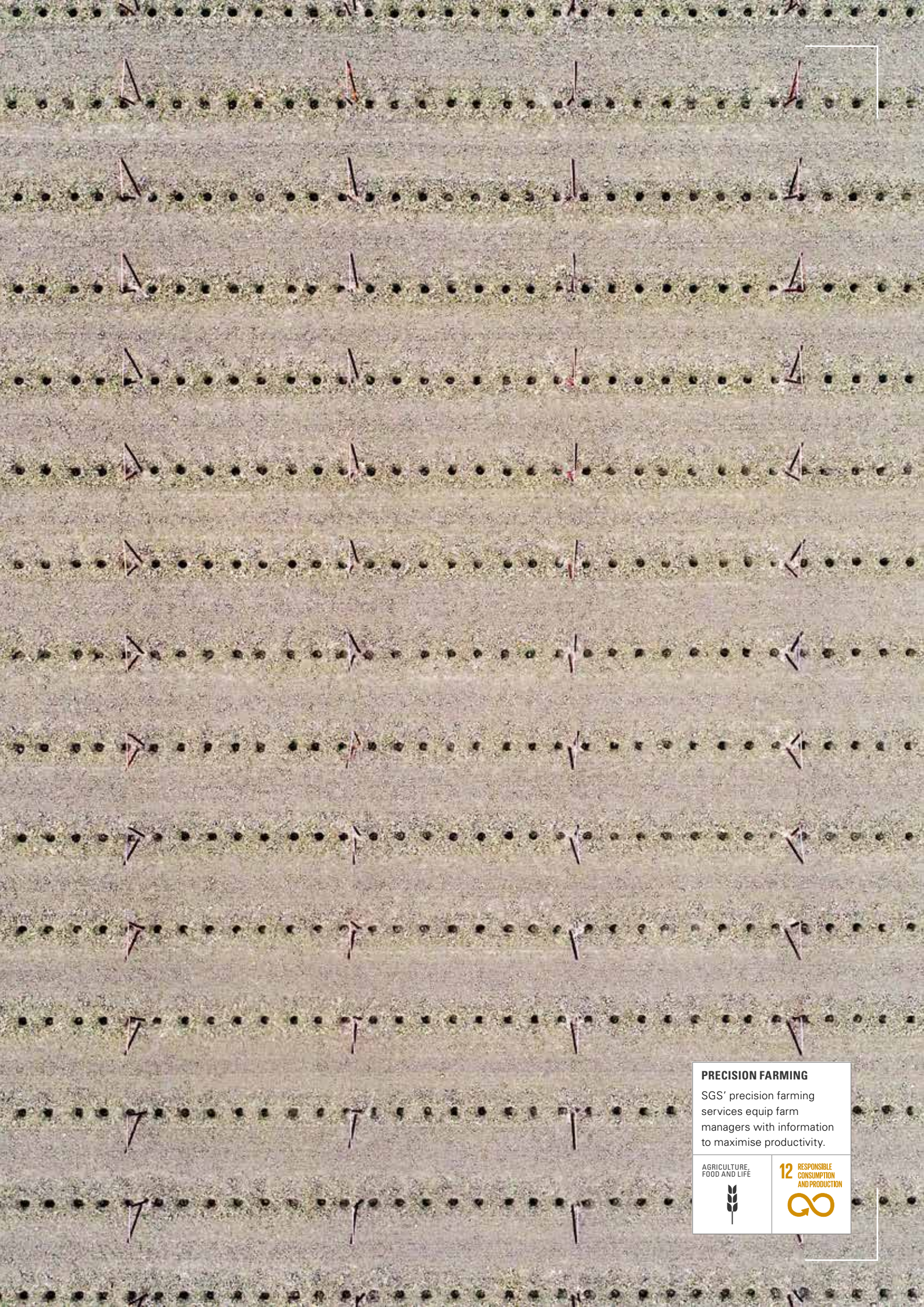
NATURAL CAPITAL CASE STUDY: ENERGY MANAGEMENT CERTIFICATION

ISO 50001 Energy Management certification helps organisations save money and conserve resources while tackling climate change through energy efficiency and the development of an energy management system. SGS has helped around a thousand companies achieve ISO 50001 certification, resulting in an estimated reduction in CO₂ emissions that equates to an estimated value to society of CHF 248 million*.

More case studies are available in our Sustainability Report (www.sgs.com/cs-report2017).

* Based on 2016 figures.

BUSINESS SUCCESS



PRECISION FARMING
SGS' precision farming services equip farm managers with information to maximise productivity.

AGRICULTURE FOOD AND LIFE 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 
---	---

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

The Testing, Inspection and Certification (TIC) industry is not widely understood by the general public, yet our activities as members of this 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 it is not just individuals 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.

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. Thus our services become a cornerstone of innovation and operational excellence for our clients, as well as giving them greater control over their risk.

**THE TIC MARKET IS
WORTH AN ESTIMATED
USD 200 BILLION.
BY GROUP REVENUE
AND MARKET SHARE,
SGS IS THE LARGEST
INSPECTION, VERIFICATION,
TESTING AND CERTIFICATION
COMPANY IN THE WORLD.**

THE BUSINESS BENEFITS WE DELIVER

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 with 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' workforce.

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.

THE EXPERT SERVICES WE OFFER

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 to reduce risks, speed up time to market and to demonstrate the quality and safety of raw materials, components and products.

VERIFICATION

Whatever the 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 their 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 the 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 input and analysis. We manage streams of big data, using it to provide our customers with innovative insights and ideas. We also create cutting-edge predictive operations tools, increasing transparency and efficiency across all the industries we operate in.

NETWORK

The scale of our global footprint is a critical competitive advantage for SGS. We have expertise everywhere our customers need it. We use our business and industry knowledge, combined with our local country insights, to present a single global network to our customers.



**NORTH AND
CENTRAL EUROPE**

**SOUTH EAST
ASIA PACIFIC**

**EASTERN EUROPE
AND MIDDLE EAST**

AFRICA



VALUE TO SOCIETY

The value we create for society through our integrated leadership model is a major source of our success. What do we mean by society? Specifically, it is the value created both for and through our stakeholders.



EMPLOYEES AND SUPPLIERS

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 our suppliers financial strength that adds stability to their businesses and brings indirect benefits to society.



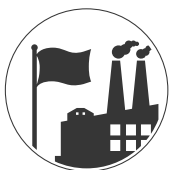
INVESTORS

We create value for our investors by being a robust, sustainable business with a 140-year track record. Our transparency, strong leadership and commitment to long-term sustainability make us a sound investment.



CUSTOMERS

We provide our customers 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.



GOVERNMENTS AND INDUSTRIES

We add value to the industries we operate in by driving supply chain innovation. We provide governments with tax revenues, create employment and train local people. We also provide services that directly support governments around the world.



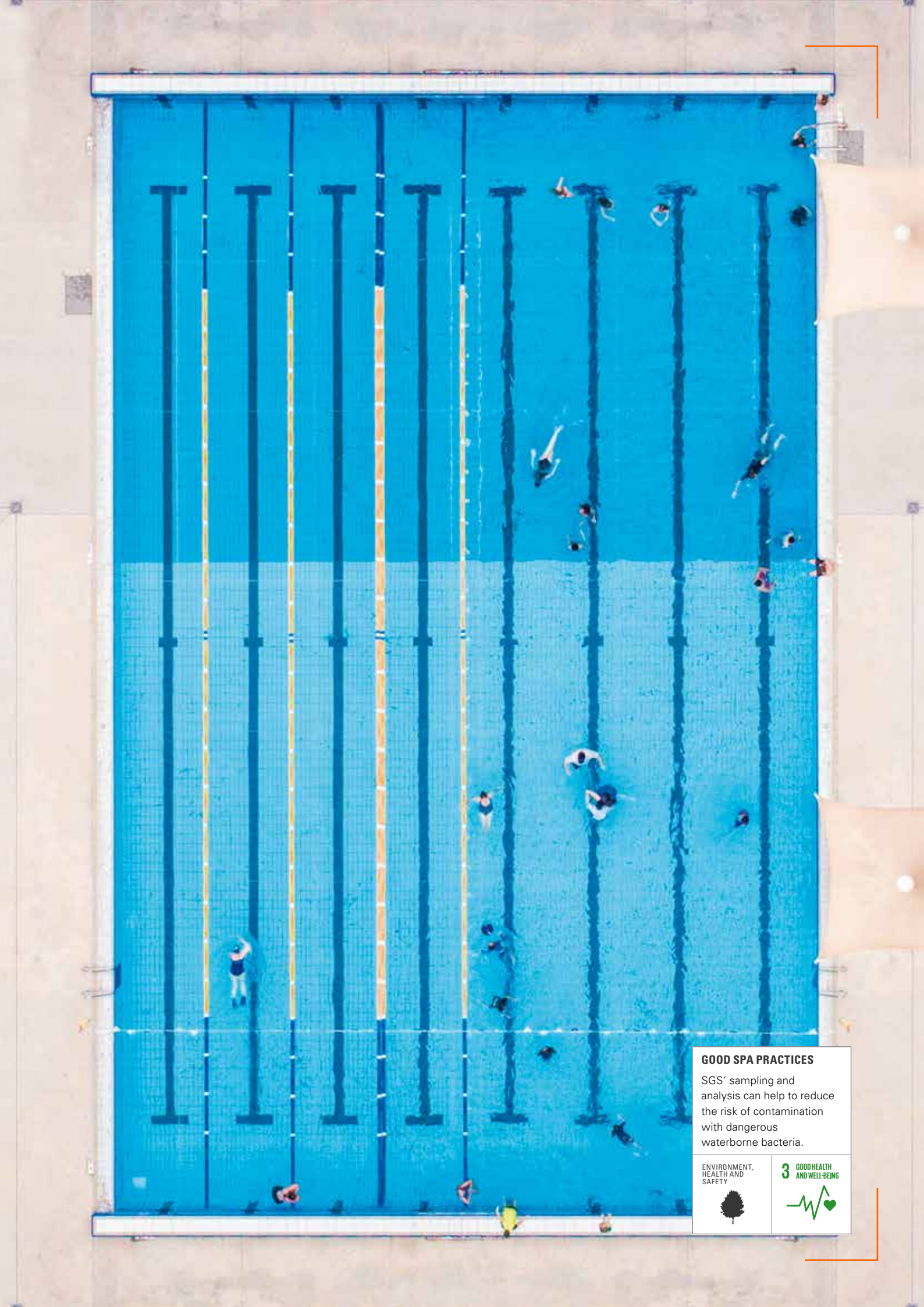
CONSUMERS

Consumers benefit from the services we provide our customers because they are able to trust the products and services they buy. From a product's quality and safety to its authenticity, our services help protect consumers.



COMMUNITIES AND THE PLANET

We help nurture the communities we operate in and strongly support disaster relief efforts. Our sustainability endeavours are recognised as being among the very best – both regionally and in the TIC industry.



GOOD SPA PRACTICES

SGS' sampling and analysis can help to reduce the risk of contamination with dangerous waterborne bacteria.

ENVIRONMENT,
HEALTH AND
SAFETY



3 GOOD HEALTH
AND WELL-BEING



ADDING VALUE TO SOCIETY

Traditionally, acts such as creating employment, paying taxes, serving customers and making returns to investors were perceived to be at the heart of a company's interaction with society. Increasingly, businesses have begun to acknowledge that their engagement with society is now much broader and includes issues such as their impact on local communities and the natural environment.

SGS takes a very proactive approach to this point. Rather than working to minimally acceptable standards, we actively seek to have a positive impact through our activities. Value to Society is how SGS describes the value that it creates beyond its financial return. It is a notion which will increasingly become part of our daily approach to doing business.

HOW SGS ADDS VALUE

SGS can add value to society in three principal ways. It can create direct value through its own operations and 'enabled' value through both its supply chain and services.

Our own operations can benefit society in a number of ways, for example by creating employment and training, by being carbon neutral, by giving staff time off to volunteer for community projects and by providing solid returns to investors. On occasions in 2017, we have undoubtedly created value, simply by being a good neighbour in times of difficulty (see Mexico City and Houston case studies on pages 96 and 107).

SGS also adds value through its supply chain, for instance by creating indirect employment, prioritising 'green' or local suppliers, or ensuring suppliers match our own standards of integrity through our Supplier Code of Conduct. Our greatest impact almost certainly comes through the multiplier effect that is generated by our services to our customers.

SGS' VALUE TO SOCIETY MULTIPLIER EFFECT

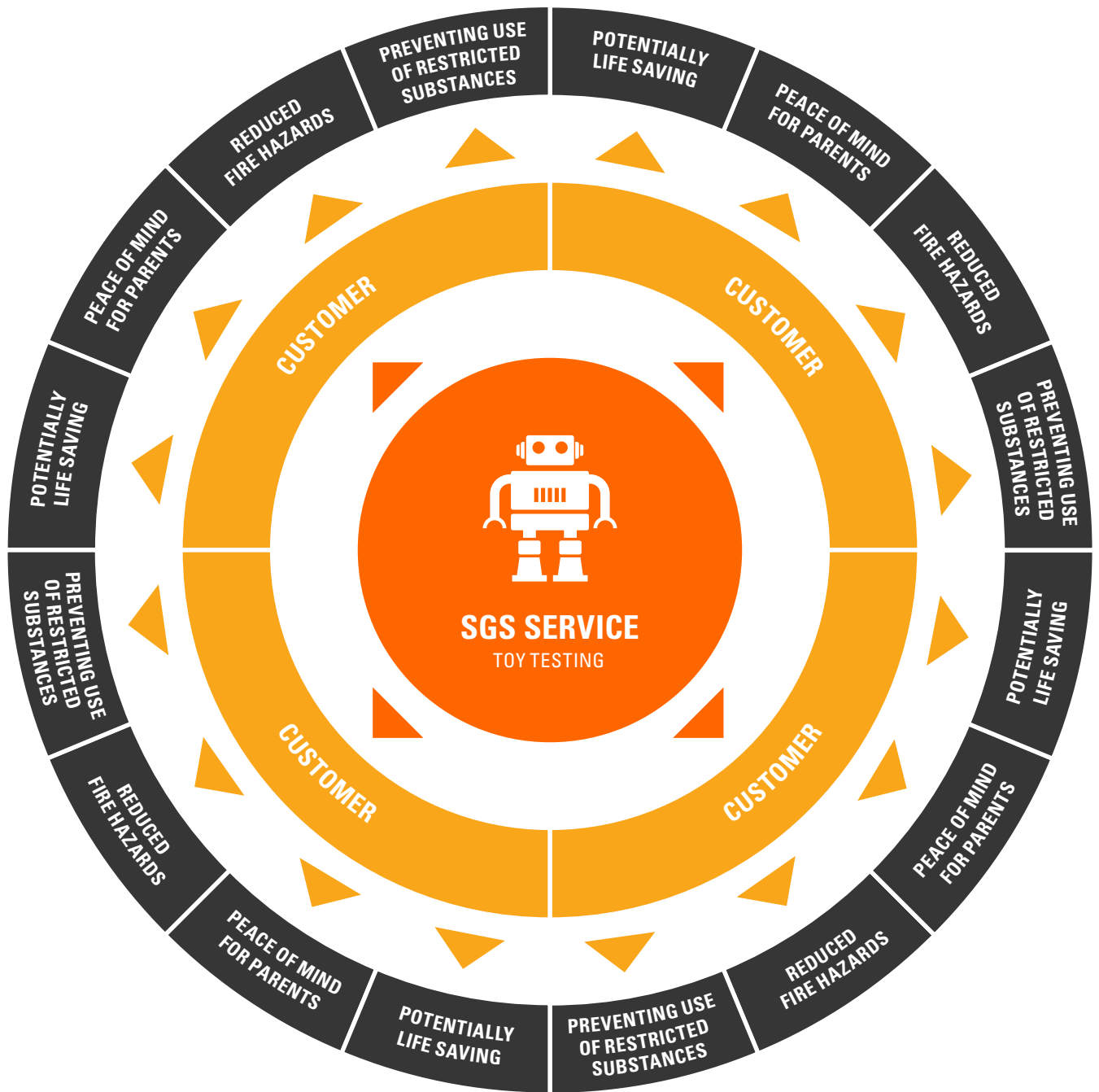
Being a TIC industry firm, most of our services inherently benefit society. For example, we often help customers verify that their products and services are at the expected quality levels. This means that end consumers can safely enjoy these products, knowing that they are fit for purpose. Testing the paint on children's toys to check that it is not toxic and potentially harmful to children's health is a perfect example of this in practice (see consumer case study on page 126).

Considering that this service could be performed for some of the largest toy manufacturers in the world, with products being shipped across the entire planet, you can see how our services can substantially amplify the value we create for society, going far beyond the benefits created by our own operations. Technically we refer to this difference as our 'direct' (operational) and 'enabled' (supply chain and services) value to society.

CASE STUDY: UNCLE BEN'S® RICE – THE MULTIPLIER EFFECT IN ACTION

UNCLE BEN'S® Rice, produced by Mars Inc., is the world's largest global rice brand. UNCLE BEN'S® have committed to an ambitious goal of sourcing 100% of their rice sustainably by 2020 (working to Sustainable Rice Platform standards). While the brand is working closely with World Wildlife Fund (WWF) and UN Environment to make this possible on the ground, they are also working with SGS and our strategic technology partner Transparency-One (in whom we hold a 20% stake), to ensure product transparency throughout their supply chain. Ultimately, we are helping the brand ensure that the processes they are setting up are optimal and working properly. As a result, we can reasonably say that we are enabling them to achieve their 2020 ambitions and that they are giving us the chance to massively amplify our own value to society.

VALUE TO SOCIETY MULTIPLIER EFFECT



**CASE STUDY:
TOY TESTING**

Parents need to be confident that the toys they buy for their children are safe. The idea of a child being poisoned by toxic paint or choking on a faulty part can be a genuine concern. Someone has to check that toys are safe and meet national and regional regulatory standards, particularly when they are produced in other countries. SGS fulfils this need: we test toys for electrical safety to prevent shocks and burns. We check for the use of hazardous substances, as these can be dangerous for children to swallow or suck. We cover major safety issues, such as the risk of choking, strangling, entrapment, cuts by sharp parts or injury by projectiles. We also conduct flammability testing on fabrics so that if a toy does catch fire, a child has time to either drop it or climb out of it before serious injury occurs.

MAKING A DIFFERENCE

SGS creates value to society through its key stakeholders: its employees, investors, customers, governments and industry, end-consumers and the planet. This is outlined in more detail on the following pages.

EMPLOYEES AND SUPPLIERS

We develop our workforce and strengthen suppliers.

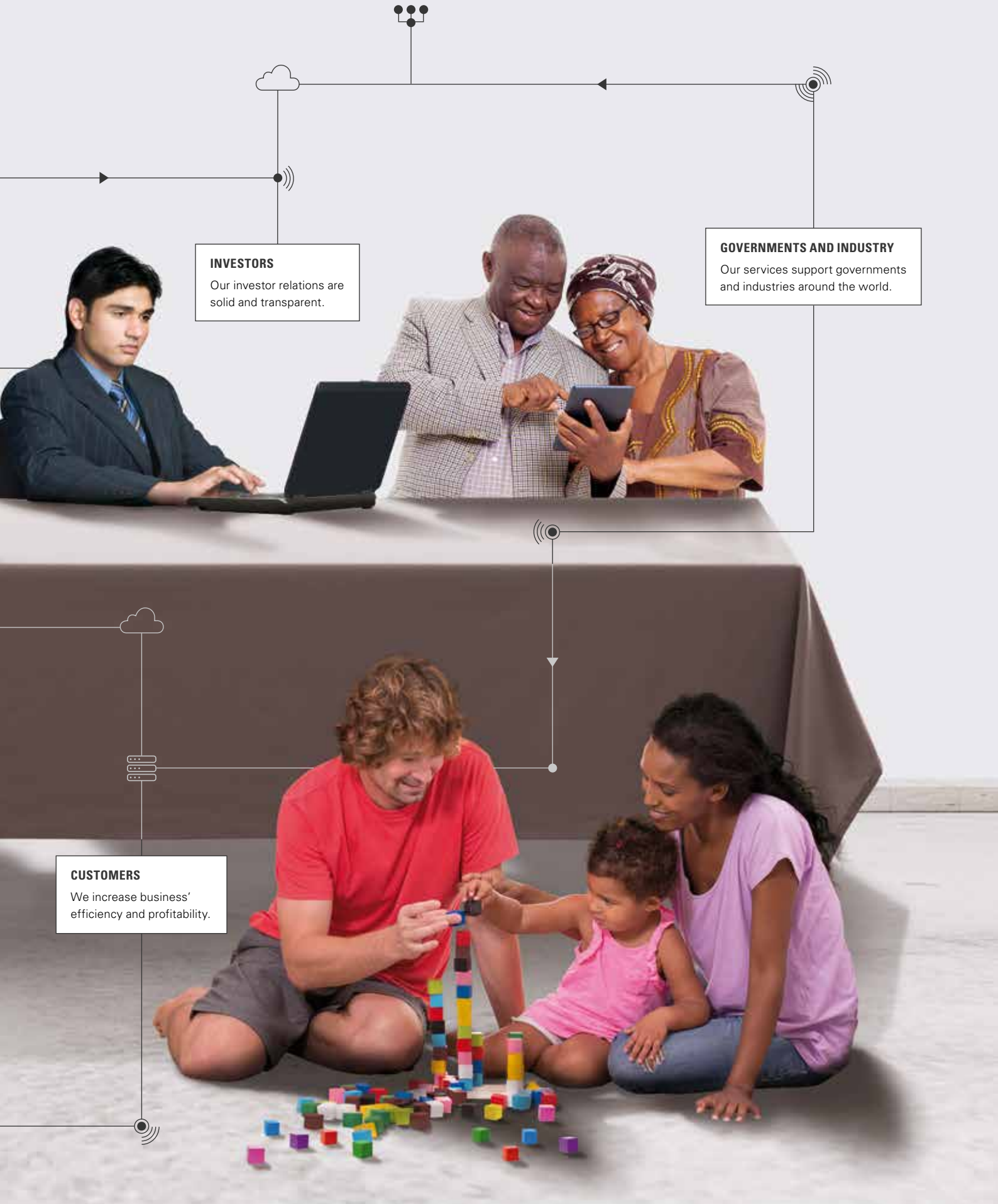
CONSUMERS

Our services help protect consumers of all ages.

COMMUNITIES AND THE PLANET

We support local communities and the environment.





INVESTORS

Our investor relations are solid and transparent.

GOVERNMENTS AND INDUSTRY

Our services support governments and industries around the world.

CUSTOMERS

We increase business' efficiency and profitability.

VALUE FOR EMPLOYEES AND SUPPLIERS

SGS benefits its employees by ensuring a stable work environment, where their contributions are welcomed, their effort is recognised and their talent is nurtured. As a global company, we offer opportunities for our employees to advance their careers internally, while giving them the chance to work in other countries or industries.

For our suppliers and providers, we offer fair terms of payment and act as a reliable partner. Our financial strength adds stability to their businesses. We encourage them to innovate and help them to develop services we need, which they may then potentially use elsewhere. Our Supplier Code of Conduct creates positive downward pressure through our supply chain to make sure our suppliers' employees are fairly treated and that the companies themselves are behaving responsibly. Having developed our Sustainable Supply Chain Strategy in 2017, we can expect our ability to add value to society through our supply chain to increase moving forward.

“The time we spend at work is obviously a large part of our lives. At SGS I feel at home.”

MOUNA QUEJHANI, SGS BUSINESS MANAGER, ENVIRONMENT, HEALTH AND SAFETY (EHS), TUNISIA

CASE STUDY:

I studied industrial chemical engineering at university, and I went on to get a research-based master's degree. After a year of work experience, I joined SGS as an Oil and Gas Laboratory Manager in 2008, so I'm coming up on ten years in the company now.

In 2010, SGS promoted me, giving me responsibility for running the multi-laboratories in Tunisia. The position also meant that I directly ran a team of about 35 people, which was a great opportunity for me to grow as a manager. I was given a lot of support by the company and attended training courses in places like South Africa, Belgium and Turkey. In a professional capacity, I've had the chance to work in Morocco and Italy, which was also very rewarding.

At the end of 2017, I was given the chance to change direction and I became a Business Manager for our Environment, Health and Safety business line. It's an interesting change for me. On a personal level, I've always worked in a lab before, so this is allowing me to learn new skills and meet people from different walks of life. It's also a different kind of challenge professionally. EHS is a relatively new presence here in Tunisia, I have a smaller team of direct reports (six people), and our job is really to grow the EHS business here – which I'm finding very exciting.

I appreciate the fact that I am able to make this kind of change within the company because I enjoy working here. I like the consideration and recognition I get from my managers and the value they put on my work. Life at SGS is very diverse. Every day is enriching and helps me to develop as a professional and as an individual.

“Working with SGS has been interesting for us. By helping us understand their requirements, and working with us to customise certain aspects, they have helped us see even more potential for our technology.”

KERRY THACHER, CEO, LIBRESTREAM, CANADA

CASE STUDY:

As part of our suite of tools, we have developed a collaborative mobile app called OnSight that we branded for SGS as QiiQ. Put very simply, this tool allows a remote user to access the screen and camera on someone else's phone or tablet (with the owner's consent). This means that they can remotely see whatever the camera is pointed at. Unlike a simple video conferencing system, our programme allows the remote user to take a certain degree of control of the phone, so they can take pictures or record video from their remote location. They can also send images or written instructions to the phone's owner. Both people can draw elements like arrows or circles directly onto the screen to highlight certain things that they are looking at.

SGS saw the potential usefulness of this very quickly. Let's say they need to conduct an urgent or unplanned

inspection on a highly technical piece of equipment or infrastructure and the engineer in place feels he needs support from someone more senior. Rather than having to come back another day, or to try to describe the situation over the phone, the engineer can bring the senior person into play immediately. The senior engineer can then assess the problem remotely by guiding his colleague through the necessary steps.

This remote collaboration was one of the primary purposes behind the development of our product and it was immediately of interest to SGS. The SGS approach to this technology was innovative. They began to look at some unexpected applications – things we hadn't imagined ourselves before. For example, they ran a pilot at an international border point in Africa where a third-party inspector is supposed to watch as particular checks are made to certain shipments coming across the border. The inspector is not

allowed to physically intervene, just observe. SGS realised that they could conduct that kind of inspection remotely. This brought several benefits. Firstly, it significantly sped up processing times as the border guards didn't need to wait until the SGS auditor arrived. This improvement began to speed up the flow of international trade through that border point and reduced queues for everyone. It also reduced SGS' fuel bill and lowered their carbon emissions as their inspectors didn't need to constantly drive back and forth to what was a fairly remote location. By extension, it increased their productivity and margins too.

We are now working with SGS to try and look at other applications like this, which is really a very interesting process for us. It is highlighting other potential market segments that we can consider exploring beyond our traditional client base.

VALUE FOR INVESTORS

SGS provides a solid return to investors and does so responsibly. For instance, in 2017, we issued a CHF 375 million bond at historically low interest rates. The Group was also assigned an A3-long-term issuer rating by Moody's. SGS also has a solid record of providing attractive shareholder dividends and enjoys excellent investor relations.

Our transparent and robust financial reporting (full and half year) go well beyond minimum financial reporting requirements and provide a detailed insight into the internal workings of the company. In addition, our annual Investor Days, held in the third quarter, provide market analysts and investors access to senior Management, helping them understand our objectives. Transparent presentations on Group performance and strategic direction are also provided. All this allows the market to make informed and appropriate decisions in relation to SGS stock.

Our inclusion for the first time on the FTSE4Good Index and our continued listing on the Dow Jones Sustainability Indices demonstrate to investors that SGS is not just a financially sound investment, but an ethically sound one as well. This supports the rise of ethical investment strategies.

CASE STUDY:

The level of access provided at the annual Investor Days was incredible. The event was professionally organised and they covered a lot over the course of the two days. The access to the different senior managers was really the biggest value add of the event and people came away with a very strong sense of a confident company with a healthy management culture, which retains and nurtures talented managers.

This is the most access to Management given by any of the TIC companies and it is an excellent opportunity to see the global nature of the business as well as to engage with regional and divisional leaders. I also think it is good for the culture of the business in terms of encouraging openness and investor engagement across the Group.

SGS provides very good transparency, especially on services and prices. They 'dig deep' on how they deal with clients and on their pricing strategy. Overall, SGS is in a good position, providing good top-line growth.

"The event was very useful at repositioning some of my ideas about what the longer-term metrics may be around this sector."

TIC INDUSTRY ANALYST, UK

VALUE FOR CUSTOMERS

SGS builds trust in our customers' products and services, creating consumer confidence and helping them achieve their sustainability objectives. By working with us, our customers are also much better able to manage their supply chain risks.

Our services help our customers make more informed strategic decisions through better quality data. We can increase their speed to market, boost their productivity, drive their health and safety, and be an integral part of their risk management process.

This, in turn, makes them safer employers and improves the quality of their products. Through the multiplier effect (described on page 125), our work for our customers means that we end up touching millions of people's lives, in a positive way.

CASE STUDY:

A mine's life can vary from 10 years to more than 20 years. Once the resources are exhausted or the mine ceases to be economically viable, the operation has to shut down. Mine operators are usually required to have planned schedules and financial provisions in place, so that the accepted mine closure process is correctly conducted. We assist them with their specific requirements to ensure the appropriate process and activities are executed and their projects are safe, effective and sustainable.

Mine closure is an extensive process that can require a significant amount of time. Even after the main processes are complete, wastewater and treatments

need to be monitored, tested and analysed on a periodic basis to ensure the health and safety of communities and the environment. We support our customers with efficient long-term services that include all stages of the closing process to minimise risks and contribute to a sustainable future. By ensuring the proper closing down of mines, restored sites can be reclaimed as wildlife habitats or forests and promote biodiversity. Closed mines can also be repurposed, whereby the existing infrastructure is turned into museums, education centres or recreational areas, which can boost community engagement and the local economy.

"In supporting the various phases of a mine's operational shutdown, SGS plays a vital role in assisting mining companies to ensure the health and safety of the communities and the environment around it."

DERICK GOVENDER, SGS EXECUTIVE VICE PRESIDENT, MINERALS (MIN), SWITZERLAND

**VALUE FOR
GOVERNMENTS
AND
INDUSTRIES**

SGS offers value to governments that goes a long way beyond simply creating employment and paying taxes. SGS has an entire business line dedicated to governments and institutions. It supports governments by improving the flow of people and trade at borders and airports, improving road safety and tax collection, and helping to protect the environment. Our Environment, Health and Safety business line is also helping governments and industries deal with pollution and toxicity issues such as persistent organic pollutants, asbestos removal and CO₂ emissions.

SGS also helps companies conform to international and national regulations. Our services help reduce the burden on the state to enforce conformity. These services also help facilitate international trade, support economic growth and help industries innovate. In addition, SGS helps governmental bodies develop regulation and best practices, such is the case with our participation in the European Commission's Public-Private Partnership, with the newly created European Cyber Security Organization.

By adding value to governments and industries, we ultimately create value for citizens and consumers.

“SGS’ innovative use of technology is allowing governments to prevent illegal logging in real time.”

ROGER KAMGAING, SGS EXECUTIVE VICE PRESIDENT, GOVERNMENTS AND INSTITUTIONS (GIS), SWITZERLAND

CASE STUDY:

Illegal logging is a major problem in many countries, including Cambodia. In May 2017, a report from the London and Washington DC-based Environmental Investigation Agency showed that enormous amounts of illegally logged timber from protected Cambodian National Parks were being smuggled into Vietnam, where it was laundered into global supply chains. Approximately 300 000m³ of logs were reported to have been smuggled out of the country on this basis.

SGS can help governments to prevent illegal logging by using state-of-the-art satellite technology. Because forests are static, SGS’ system can detect the slightest changes in the size, shape and density of protected forest areas. Any single tree that is cut down can be rapidly detected by the satellite from space. The satellites are also able to monitor the establishment and increasing size of illegal log yards. This allows us to build a very solid case against illegal logging and alert the government within a few days of any suspicious activity in a protected area. Using this service, we can help protect forests for the benefit of future generations.

VALUE FOR CONSUMERS

Whether it is safer roads in France, where SGS runs the driving test theory examinations, or a fair deal at the petrol pump, where SGS provides calibration services, we work hard behind the scenes to add value to consumers all over the world. We check that the leather in your shoes won't crack, that your television isn't a fire hazard, that the balcony in your hotel won't collapse and that your car is meeting its stated emissions standards.

In 2017, we went a step further and began to offer our first B2C products to consumers in China. Our Formaldehyde Household SafeGuard kits, launched in China this year measure the level of pollutants in the air inside consumers households – bringing world-class lab analysis to the average person's home.

Services like these, which are carried out for several customers in multiple countries, can touch the lives of millions of people, meaning that SGS' positive impact on society is massively increased.

CASE STUDY:

Here in Little Falls, New York, we have a bridge that is pretty important locally. It carries an important freeway over the Mohawk River but unfortunately, it has fallen into a state of disrepair recently. Little Falls' population is in decline. It stood at around 13 000 people in 1920, but we have just under 5 000 people now. This means of course, that public finances are stretched pretty thin, and we have to be careful with our budgets.

A couple of years back, the New York Department of Transportation (DoT) discovered a number of fairly significant cracks in the bridge's steel structure during a routine inspection. At first, the cracks were more frequently inspected, and then repaired. Upon meeting the DoT, we offered to monitor the repaired cracks with advanced sensor technology, which would provide data in real time, meaning that in effect, the bridge was under 24-hour inspection, seven days a week. This has been a real benefit to the DoT because it means they will be able to carry out repairs to the bridge only when it is absolutely necessary. At the same time, they know they are not taking any risks with people's safety.

Most people just take for granted that these things are being taken care of. They don't realise how much work companies like SGS are doing in the background to keep everyone safe and save taxpayers' money. I would say that people are really benefitting from SGS' services, even if at times they don't even know it.

“SGS is literally ensuring that when people cross this bridge, they will make it to the other side.”

TERRY TAMUTUS, DIRECTOR ASSET HEALTH MONITORING, USA

VALUE FOR COMMUNITIES AND THE PLANET

Since we produced our first sustainability report nearly ten years ago, SGS has been increasingly recognised for its operational efforts on the environmental front. From successful energy reduction initiatives to effective waste management, we strive to minimise our environmental footprint.

The direct value we add in this regard is explained in detail on pages 99–104. However, we also add substantial value to the planet through many of our services, particularly those from our Environment, Health and Safety business line. Our offering in this space is vast and continually expanding. For example, we provide services that ensure soil is clean and free from contamination, that wastewater meets environmental quality standards, that international shipping does not damage local marine life, and that air pollution is minimised.

We also help companies manage their emissions, tackle climate change and deal with industrial hygiene issues, such as mercury detection and radiation safety. Many of our other business lines contribute services that benefit the planet as well, such as Transportation’s vehicle emissions testing services.

Our services and operations also benefit the communities in which we operate. We create local jobs, use local suppliers whenever possible and train local people. Additionally, all SGS staff are entitled to take one day a year to volunteer for approved local community projects. SGS also directly supports numerous local community projects around the world (see page 105–107).

Together, our services and operations are adding value to society, empowering the corporate sector to make a major contribution to addressing environmental challenges and providing a successful example for others to follow.

CASE STUDY:

Volatile Organic Compounds (VOCs) are organic compounds that have high vapour pressures and evaporate easily into the atmosphere. They are a significant contributing factor to air pollution in urban areas, with known links to human health problems. For example, benzene and formaldehyde (two better known VOCs) are listed as human carcinogens. VOCs are also the main ingredients of smog. The air pollution caused by VOCs doesn’t just impact human health – it has also been shown to have a serious effect on the environment.

At industrial plants, flares are often used in an attempt to burn off VOCs, yet their efficiency in doing so has

not previously been truly measurable. We’ve developed a pioneering new technology that allows us to fly drones right up to the flare stacks to accurately measure the exact content that is being emitted. Previously, people simply had to rely on modelling and mathematics to estimate what was being produced by a flare stack. Now with our heat-resistant drone air-testing equipment, we really know what’s there. This means if VOCs are detected, something can be done about it immediately. This is of huge benefit to the environment as well as people’s health. VOCs are an enormous environmental problem and this technology is an important step in reducing their impact.

“It’s only when contamination has been detected that something can be done about it.”

DR. VLADIMIRO BONAMIN, VICE PRESIDENT, SGS GLOBAL BUSINESS DEVELOPMENT MANAGER, ENVIRONMENT, HEALTH AND SAFETY (EHS), SWITZERLAND

ASSURANCE STATEMENT

REPORT ON THE ASSURANCE OF THE SUSTAINABILITY CONTENT IN THE 2017 SGS ANNUAL REPORT

NATURE AND SCOPE OF THE ASSURANCE

Gestion de l'Environnement, Sion, Switzerland and Rita Godfrey Unlimited, Arundel, United Kingdom were commissioned by SGS to conduct an independent assurance of the Sustainability Content in the 2017 SGS Annual Report. The scope of the assurance was performance data, report text supporting performance data and a review of the management of this data.

This Sustainability Content in the 2017 SGS Annual Report has been assured as follows :

- Evaluation of the accuracy of the data at the Head Office in Geneva and at a sample of SGS affiliates, conducted through a Computer Assisted Auditing Technique and through review of the data that supports performance statements both with the text and/or as separate data graphics;
- Evaluation of the veracity of all the texts and data through review of evidences provided by the individual contributors to support the statements.

This protocol was in line with the SGS Sustainability Report Assurance (SRA) methodology to ensure consistency with the SGS service offered to customers.

In SGS Annual Report, the assurance scope covers the Sustainability content described from pages 31–38 and 83–107. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process. Assurance of claims by SGS that are statements of commitments or forward looking in nature was not provided. The Materiality evaluation has been integrated in the SGS risk evaluation and management and an opinion on the adequacy of the SGS risk evaluation and management was out of the scope of this assurance process.

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 for evaluation of content veracity.

This statement covers the Sustainability Content in the 2017 SGS Annual Report. A more extended statement is provided on the full Sustainability Report which is published on the website. An ISO 14064 statement covers also the independent verification of the SGS CO₂ emissions.

The assurance team are independent assessors who conduct audits and assessments against different verification schemes on behalf of SGS. The team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors with the following qualifications: 20 years' experience as Lead Auditor in the areas of Quality, Health and Safety, Environment and Social Responsibility, more than 10 years' experience as assurance practitioners with experience in the verification service industry.

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 2017 SGS Annual Report is reliable and provides a fair and balanced representation of SGS activities in 2017 within the limitations of the stated reporting scope.

RECOMMENDATIONS

Future reports need to provide a follow-up on the commitments taken in the previous reports, including the challenges encountered preventing the fulfilment of commitments.

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



Rita Godfrey

*Rita Godfrey Unlimited, Arundel, United Kingdom
Lead SRA Assuror*



Michel Mooser

*Gestion de l'Environnement, Sion, Switzerland
SRA Assuror*

5. GOVERNANCE

MINING

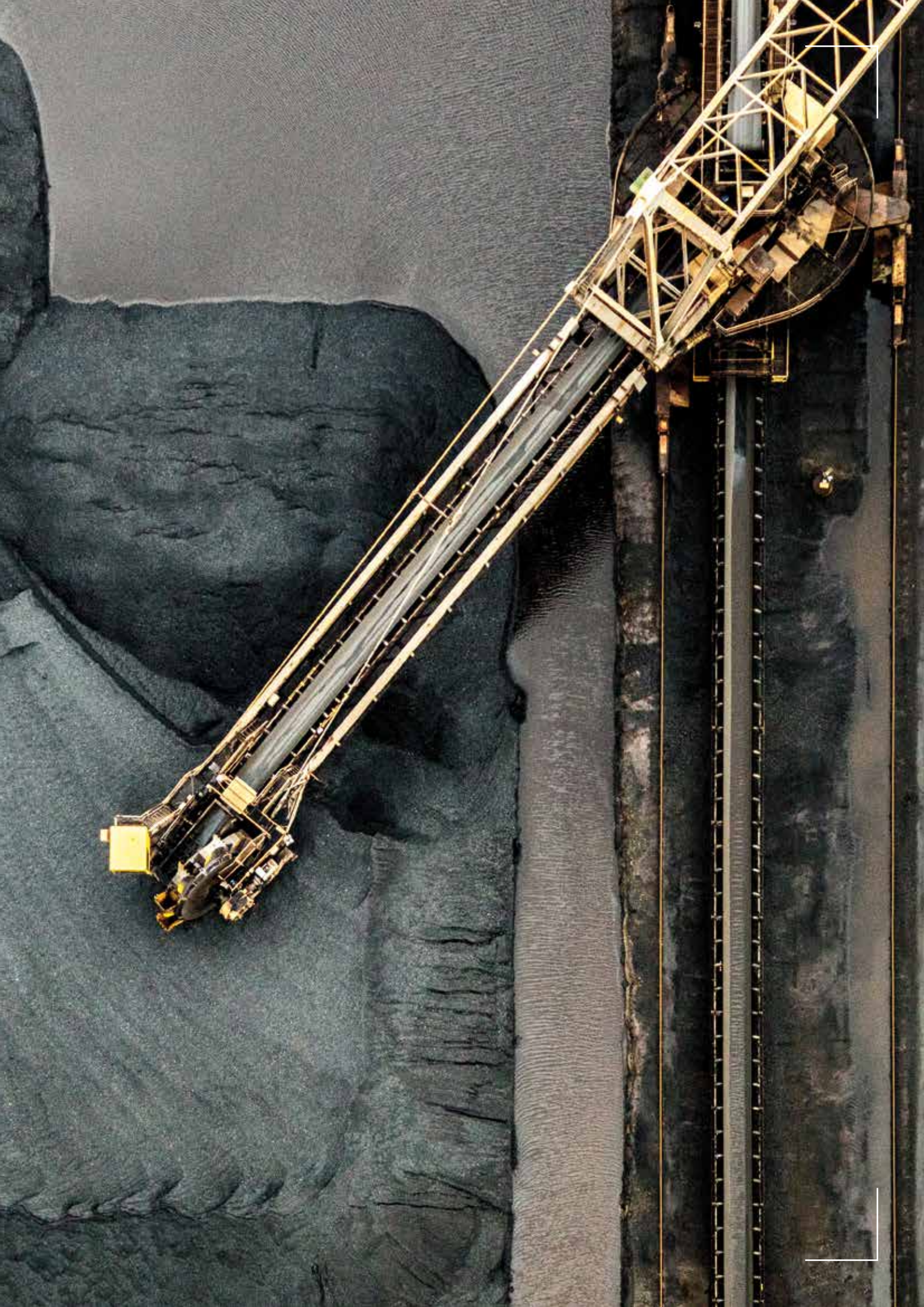
We offer on-site expertise to make sure every stage of the mining process is safe, efficient and profitable.

MINERALS



12 RESPONSIBLE CONSUMPTION AND PRODUCTION





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 and internal controls and audits. This report has been prepared in compliance with the Swiss Exchange (SIX) Directive on Information Relating to Corporate Governance of 1 January 2016 and with the Swiss Code of Best Practice for Corporate Governance.

The SGS Corporate Governance framework aims to achieve an efficient allocation of resources and clear mechanisms for setting strategies and targets, in order to 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. Dividend-Right 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. Changes in the Operations Council
- 4.4. Limits on External Mandates
- 4.5. 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 2017, market capitalisation was approximately CHF 19 397 million (2016: CHF 16 208 million).

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

The principal legal entities consolidated within the Group are listed on pages 249–252 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 2017 are provided in note 3 of the consolidated financial statements included in the section SGS Group Results (pages 186–187) of this Annual Report.

The operations of the Group are divided into eight 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 2017, geographic operations were organised as follows:

EUROPE, AFRICA, MIDDLE EAST

- Western Europe
- North and Central Europe
- Eastern Europe and Middle East
- Africa

AMERICAS

- North America
- South and Central America

ASIA PACIFIC

- North East Asia
- South East Asia Pacific

The Group is also structured into nine 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 2017, the business lines were organised as follows:

- Agriculture, Food and Life
- Minerals
- Oil, Gas and Chemicals
- Consumer and Retail
- Certification and Business Enhancement
- Industrial
- Environmental, Health and Safety
- Transportation
- 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.

1.2. SIGNIFICANT SHAREHOLDERS

As at 31 December 2017, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 16.60% (2016: 16.20%). Mr. August von Finck and members of his family acting in concert held 15.52% (2016: 15.03%), BlackRock, Inc. held 4% (2016: 3.03%) and MFS Investment Management held 3.02% (2016: 3.01%) of the share capital and voting rights of the company. At the same date, the SGS Group held 1.08% of the share capital of the company (2016: 3.63%).

During 2017, the Company has published regularly on the electronic platform of the Disclosure Office of the SIX Swiss Exchange Ltd. all disclosure notifications received from shareholders of transactions subject to the disclosure obligations of Article 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 have 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 7 633 732.- and comprises 7 633 732 as of 31 December 2017 fully, paid-in, registered shares of a par value of CHF 1. On 31 December 2017, SGS SA held 82 234 treasury shares (2016: 283 929). The shares related to the shares buyback programme are directly held by SGS SA, the shares to cover the equity compensation plan are held by a subsidiary company.

In 2017, 30 133 treasury shares were sold to cover the equity compensation plans and 17 232 were purchased for an average price of CHF 2 484. In 2017, the Group initiated a share buyback programme for a total of up to CHF 250 million. Approximately CHF 200 million is expected to be bought back via a second trading line on the SIX Swiss Exchange for the purpose of share capital reduction. Approximately CHF 50 million is expected to be bought back via the ordinary trading line on the SIX Swiss Exchange for employee equity participation plans. The programme started in May 2017 and will end on 31 December 2019.

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 21 March 2019. 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 ten years from the date of issuance of the equity-linked instruments.

2.3. CHANGES IN CAPITAL

At the Company's Annual General Meeting in 2017, the Shareholders approved a reduction of the share capital, by cancellation of 188 704 shares which were purchased as part of a previous share buyback programme. Consequently, the share capital of the Company was reduced from CHF 7 822 436 to CHF 7 633 32 in 2017. No other changes in the share capital of the Company were made in the course of the last three years.

2.4. SHARES AND PARTICIPATION CERTIFICATES

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

2.5. DIVIDEND-RIGHT CERTIFICATES

The Company has not issued any dividend-right certificates.

2.6. LIMITATIONS ON TRANSFERABILITY AND ADMISSIBILITY OF NOMINEE REGISTRATIONS

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

The Company has a single class of shares and no preferential rights, 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 outstanding are provided in note 31 of 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 backgrounds and all their material positions held outside the Group in governing and supervisory boards, management positions and consultancy functions, official tenures and political commitments, both in Switzerland and abroad, as at 31 December 2017 (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 for 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 ChryslerAutomobiles N.V.

Chairman of *CNH Industrial N.V.

Chairman and CEO of *Ferrari N.V.

Sergio Marchionne holds a BA in Philosophy from the University of Toronto, and an LLB degree from Osgoode Hall Law School, York University, in 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. 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. 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.

OTHER ACTIVITIES AND FUNCTIONS

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

*Exor N.V., Amsterdam (NL), 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

J.P. Morgan International Council, Member

* Listed company.

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 of Power Financial from 1984 to 1986, as President and Chief Operating Officer 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)

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

*LafargeHolcim Ltd, Zurich (CH), Member of the Board since 2015

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

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

Past Chairman and a Member of the Business Council of Canada (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 and 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, this third generation member 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.

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

Co-CEO 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 commercial company. From 1995 to 1997, he managed a consulting firm

* Listed company.

5. GOVERNANCE

specialised in the reorganisation of ailing companies in France. From 1998 to 2005, he was Director at the private equity funds Rhône Capital LLC in New York and London. In 2005, he founded the private equity fund Ergon Capital Partners in Brussels and was its Managing Director until 2012. In 2012, he became Co-CEO of *Groupe Bruxelles Lambert of which he had been a Board Member since 2009.

OTHER ACTIVITIES AND FUNCTIONS

*adidas (D), Member of the Supervisory Board and of the Audit Committee

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

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

Frère-Bourgeois SA (BE), Member of the Board

CORNELIUS GRUPP (1947)

Austrian

FUNCTION IN SGS

Member:

- Board of Directors
- Professional Conduct Committee

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 of CAG Holding GmbH, Lilienfeld, Austria, which is active in the field of aluminium, glass and biomass.

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 General 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

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)

British

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, Chairman since 2016, Member of the Board since 2011

*Bata India Limited, Kolkata, India, Member of the Board since 2017

GÉRARD LAMARCHE (1961)

Belgian

FUNCTION IN SGS

Member:

- Board of Directors
- Audit Committee

INITIAL APPOINTMENT TO THE BOARD

July 2013

PROFESSIONAL BACKGROUND

Co-CEO of *Groupe Bruxelles Lambert, since 2012.

** Listed company.*

Gérard Lamarche is a graduate in Economic Sciences from the University of Louvain-la-Neuve and the INSEAD Business School (Advanced Management Program for Suez Group Executives). He also trained at the Wharton International Forum in 1998–99 (Global Leadership Series).

He began his professional career with Deloitte Haskins and Sells in Belgium in 1983, and was appointed as an M&A Consultant in the Netherlands in 1987. In 1988, he joined Société Générale de Belgique as an Investment Manager. He was promoted to Controller in 1989 before becoming an Advisor to the Strategy and Planning Department from 1992 to 1995.

He joined Compagnie Financière de Suez as Special Advisor to the Chairman and Secretary to 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 (the US subsidiary of the Suez Group and world leader in industrial water treatment) as General Managing Director. He was appointed CFO of the Suez Group in 2003.

He has been a Director of *Groupe Bruxelles Lambert since 2011 and Co-CEO since 2012.

OTHER ACTIVITIES AND FUNCTIONS

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

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

*Umicore, Brussels (B), Member of the Board

SHELBY R. DU PASQUIER (1960)

Swiss

FUNCTION IN SGS

Member:

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

INITIAL APPOINTMENT TO THE BOARD

March 2006

PROFESSIONAL BACKGROUND

Attorney at Law, Partner Lenz and 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 and Staehelin in 1994.

OTHER ACTIVITIES AND FUNCTIONS

*Swiss National Bank, Member of the Board since 2012

Stonehage Fleming Family & Partners (Jersey) Limited, Member of the Board since 2012

Pictet and 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 and 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 of the SGS Group.

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 the non-executive 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

In compliance with the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC), the Company's Articles of Association limit the number of mandates permissible to Board members. These rules limit the number of mandates that board members can accept to no more than 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.

* Listed company.

5. GOVERNANCE

In addition, the Articles of Association limit to ten, the permissible 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 or she plans and chairs the Board meetings, defines the agenda of the meetings and conducts the deliberations of the Board of Directors. All Members of the Board of Directors participate in deliberations of the Board and participate equally in its decisions. Within the limits permitted by law or by the Articles of Association, the Board of Directors can decide to delegate certain of its tasks to standing or ad-hoc committees. With the exception of the members of the 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 2017, the following Directors served on the Nomination and Remuneration Committee:

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

In 2017, the Committee held two meetings. Meetings of the Nomination and Remuneration Committee were attended by all members and had an average duration of two hours.

AUDIT COMMITTEE

The Audit Committee supports the Board of Directors in discharging its duties in relation to financial reporting and internal controls. Such duties include consideration of the appropriateness of accounting policies, the adequacy of internal controls, risk management and regulatory compliance. It 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 2017, the following Directors served on the Audit Committee:

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

In 2017, the Audit Committee held three meetings, with an average duration of two hours. Meetings were attended by all members.

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 2017, the following Directors served on the Professional Conduct Committee:

- Sergio Marchionne (Chairman)
- Shelby du Pasquier
- Cornelius Grupp

In addition to the Board Members, the Professional Conduct Committee also comprises the Chief Executive Officer and the General Counsel and Chief Compliance Officer (General Counsel). The head of Internal Audit attends all meetings of the Professional Conduct Committee. The Committee met once in 2017 for a one-hour meeting and passed several resolutions in writing. The meeting was 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 2017. Meetings of the Board of Directors had an average duration of three hours. All members of the Board of Directors attended every meeting of the Board in 2017, with the exception of two Board members being excused each for one meeting.

ATTENDANCE TO BOARD AND COMMITTEE MEETINGS

The chart below summarises the attendance by each Board Member in 2017 at the meetings of the Board and the respective standing Committees.

MEMBER	BOARD MEETINGS	NOMINATION AND REMUNERATION	AUDIT	PROFESSIONAL CONDUCT
Sergio Marchionne	5/5	NA	3/3	1/1
Paul Desmarais	5/5	NA	NA	NA
August von Finck	4/5	2/2	NA	NA
August Francois von Finck	5/5	NA	3/3	NA
Ian Gallienne	5/5	2/2	NA	NA
Cornelius Grupp	4/5	NA	NA	1/1
Peter Kalantzis	5/5	NA	3/3	NA
Chris Kirk	5/5	NA	NA	NA
Gérard Lamarche	5/5	NA	3/3	NA
Shelby du Pasquier	5/5	2/2	NA	1/1

3.6. DEFINITION OF AREAS OF RESPONSIBILITY

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

- Leads and oversees the conduct, management and supervision of the Group
- Determines the 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 shareholders' resolutions
- Notifies the judicial authorities in the event of insolvency of the Company, as required by Swiss law

In accordance with the Company's internal regulations, operational management of the Group, a function which the Board of Directors has delegated, is the responsibility of the Operations Council. The Operations Council has the authority and responsibility to decide on all issues that are not attributed to the Board of Directors. In the event of uncertainty on a particular issue regarding the separation of responsibility between the Board of Directors and the Management, the final decision is taken by the 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 eight regions (see section 1.1.)
- The Executive Vice Presidents (EVPs) are entrusted with the management and development of the Group's nine business lines (see section 1.1.)
- The Senior Vice Presidents (SVPs) represent the principal Group support functions (Finance, Human Resources, IT, Communications and Investor Relations, Corporate Development, Legal and Compliance, and Strategic Transformation).

The composition, role and organisation of the Operations Council are detailed in section 4.

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

A. RESPONSIBILITY OF THE BOARD

The Board of Directors has ultimate responsibility for the system of internal controls established and maintained by the Group and for periodically reviewing its effectiveness. Internal controls are intended to provide reasonable assurance against financial misstatement and/or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information and 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 and 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 prior year and from current financial targets.

During Board Meetings, the Board is updated on important issues facing the Group. The Chief Executive Officer, the Chief Financial Officer and the General Counsel and Chief Compliance Officer (hereafter "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 and 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 and Chief Compliance Officer reports violations of compliance rules every semester to the Professional Conduct Committee.

The Committee monitors disciplinary actions taken and the 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 of 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 five 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 and expertise in their respective fields. They come from a wide range of backgrounds that reflects the multiple aspects of the Group. The Group strives to promote talent internally and encourages women to assume senior leadership positions. The members of the Operations Council at 31 December 2017 were as follows:

FRANKIE NG (1966)

Swiss/Chinese

Chief Executive Officer

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

CARLA DE GEYSELEER (1968)

Belgian

Chief Financial Officer

EMBA, Executive Master in Business 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

OLIVIER MERKT (1962)

Swiss

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

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 and Caspian Sub-Region

2004 – 2006: Managing Director, Azerbaijan and Georgia

2003 – 2004: Managing Director, Georgia

HELMUT CHIK (1966)

Chinese

COO, China and Hong Kong

Master in Business Administration

Joined SGS in 1991

PREVIOUS RESPONSIBILITIES

2004 – 2017: COO, China and Hong Kong

2003: Managing Director, Hong Kong

2002: Global Business Manager, Softline, Consumer Testing Services

OLIVIER COPPEY (1972)

Swiss

EVP, Agriculture, Food and Life

MSc Economics

Joined SGS in 1994

PREVIOUS RESPONSIBILITIES

2009 – 2013: Vice President Seed and 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

FABRICE EGLOFF (1969)

French

COO, Africa (since March 2017)

MBA in International Business Affairs

Joined SGS in 1995

PREVIOUS RESPONSIBILITIES

2009 – 2017: Managing Director, France

2004 – 2008: Managing Director, Hong Kong

KIMMO FULLER (1967)

American

COO, North America

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

5. GOVERNANCE

ALEJANDRO GOMEZ DE LA TORRE (1959)

Peruvian

COO, South and Central America
Degree in Business Administration,
Postgraduate Specialisation in
International Commerce
Joined SGS in 1986

PREVIOUS RESPONSIBILITIES

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

DERICK GOVENDER (1970)

South African

EVP, Minerals)
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

DIRK HELLEMANS (1958)

Belgian

COO, Northern, Central and
Southern Europe
Degree in Chemical Engineering and
Master in Business Administration
Joined SGS in 1988

PREVIOUS RESPONSIBILITIES

2004 – 2012: COO, Central and
North Western Europe
2002 – 2004: COO, North West Europe
1997 – 2002: Managing Director, Belgium

JOSE MARIA HERNANDEZ (1961)

Spanish

SVP, Human Resources (since July 2017)
Bachelor in Law
Master in Business Administration
Joined SGS in 1996

PREVIOUS RESPONSIBILITIES

2010 – 2017: Managing Director, Spain,
2001 – 2010: HR Manager,
Western Europe
1996 – 2010: HR Manager, Spain

FRÉDÉRIC HERREN (1955)

Swiss

SVP, Digital and Innovation
(Since April 2017)
Master in Economics
Initially joined SGS in 1986, rejoined
in 1999

PREVIOUS RESPONSIBILITIES

2010 – 2017: COO, Africa
2006 – 2014: EVP, Governments and
Institutions Services
2003 – 2010: EVP, Automotive Services

ROGER KAMGAING (1966)

Swiss

EVP, Governments and Institutions
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, Transportation
PhD in Engineering Science,
Masters in Business Administration
and Engineering Science
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 Executive at
DEKRA SE

FRANÇOIS MARTI (1968)

Swiss

EVP, Industrial
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

JEFFREY MCDONALD (1964)

Australian

EVP, Certification and
Business Enhancement
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

PETER POSSEMIERS (1962)

Australian and Belgian

EVP, Environmental, Health and Safety
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

MALCOLM REID (1963)

British

COO South East Asia and Pacific
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

ALIM SAIDOV (1964)

Azerbaijani/Canadian

EVP, Oil, Gas and Chemicals
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
and Middle East

2004: COO, North America and Managing
Director, Canada

RICHARD SHENTU (1968)

Chinese

EVP, Consumer and Retail
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

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.

DERICK GOVENDER

Member of IMPI (International Precious
Metal Institute)

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. CHANGES IN THE
OPERATIONS COUNCIL**

During 2017, Dennis Yang, COO for
Eastern Asia, retired from the Group
and left the Operations Council.
Jean-Luc de Buman, SVP, Corporate
Communications, Investor Relations and
Corporate Development passed away.

4.4. LIMITS ON EXTERNAL MANDATES

The Articles of Association of
the Company in compliance with
the Ordinance against Excessive
Compensation at Listed Joint-Stock
Companies (OaEC), limit the number
of mandates permissible to members
of the Operations Council, to no more
than four board memberships in entities
outside the Group, out of which a
maximum of one membership in the
board of companies whose shares are
traded on a stock exchange. Mandates
assumed at the request of a controlling
entity do not count towards the maxima
defined in the Articles of Association.
In addition, the Articles of Association
set limits to participations in board of
associations and other non for profit
organisations to no more than ten such
memberships.

4.5. 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 a Long-Term Incentive plan.

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 the vote on pay applicable in the Group are explained below.

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

The Company's Articles of Association define the principles of the variable remuneration and the allocation of shares or equity-linked instruments to the members of the Operations Council (please refer to the Remuneration Report 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 at 31 December 2017, one member of the Operations Council has an outstanding loan for an amount equivalent to CHF 66 496 (2016: a combined amount equivalent to CHF 28 365 was owed by two members of the Operations Council for loan facilities granted by the Group).

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 that 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. CONVOCACTION 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 the Shareholders is issued by the Board of Directors. Shareholders representing shares with a minimum par value of CHF 50 000 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, Matthew Sheerin, was appointed in 2017, 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 2017 amounted to CHF 6.5 million (2016: CHF 5.8 million).

8.3. ADDITIONAL FEES

An aggregate amount of CHF 1.0 million (2016: CHF 1.0 million) was paid to Deloitte for other professional services, unrelated to the statutory audit activity, mainly composed of tax compliance services, non-statutory and other 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, 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 Audit Committee reviews with the Group auditors the significant financial statement risk areas arising from the audit, including the key audit matters referred to in the statutory auditor's report.

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

The Group publishes consolidated half-year unaudited and yearly audited results in print and online formats. The Annual Report is published in English and is available upon order from the Group's website. The current list of publication dates is available on the Group's website.

The Group acknowledges the directives on the independence of financial research issued by the Swiss Bankers Association, 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.

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 buyback programmes and minutes of shareholders' meetings. SGS meets regularly with institutional investors, holds results presentations, road shows, presentations at broker-sponsored country or industry conferences as well as one-on-one meetings.

6. REMUNERATION REPORT

SEED SERVICES

SGS provides the expertise and resources to assess, optimise and improve the quality of seed products.

AGRICULTURE,
FOOD AND LIFE



2 ZERO
HUNGER





The SGS Remuneration Report provides an overview of the SGS remuneration model, its principles and programmes 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 2017 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. Principles of the Long-Term Incentive for the Performance Period 2018–2020
 - 3.2.5. Shareholding Ownership Guideline
 - 3.2.6. Benefits
 - 3.2.7. Employment Contracts
 - 3.2.8. 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 2017
- 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. Other Compensation to Members or Former Members of Governing Bodies
 - 5.5.3. Loans to Members or Former Members of Governing Bodies

1. INTRODUCTION BY THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is pleased to present its 2017 Remuneration Report.

2017 was the last performance year of the three-year Long-Term Incentive plan 2015–2017.

The Remuneration Committee worked on a review of the Long-Term Incentive plan for the next performance period 2018–2020; the main principles of the review are disclosed in this report in section 3.2.4.

The Board of Directors will seek authority at the 2018 Annual General Meeting to issue a new Long-Term Incentive plan for the period 2018–2020. If approved by a binding vote of the shareholders, the plan will be implemented along the principles described in section 3.2.4. Grants awarded under this new Long-Term Incentive plan will be disclosed in the 2018 Remuneration report.

Details on the vesting of the 2015–2017 plan and the number of shares delivered to the CEO and the other Operations Committee members are disclosed in this report in section 5.3.2.

During 2017, the Committee continued the monitoring and assessment of the implementation of the remuneration system introduced in 2015, and its alignment to the business strategy of profitable growth and to the expectations of the shareholders; no significant change to the system has been planned beyond the review of the Long-Term Incentive plan.

Following the provisions of the Ordinance issued by the Swiss Federal Council, we have implemented the consultative vote on the Remuneration Report and the binding vote on compensation amounts at the Annual General Meeting as of 2015.

The Committee has received significant support in its activities and direction through your positive votes at the Annual General Meeting 2017, and will continue with the same “say-on-pay” vote structure at the forthcoming Annual General Meeting 2018:

- 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 amount of the Operations Council members of the previous business year;
- Binding vote on the prospective fixed remuneration amount of the Operations Council members for 2019;
- Binding vote on the value of the grants awarded under the Long-Term Incentive plan to the Operations Council members in the current year.

On the following pages, you will find detailed information about our remuneration model, its principles and programmes, and the remuneration awarded to the Board of Directors and to the Operations Council related to the business year 2017.

We hope that you find this report informative and are confident that our approach to executive pay is fully aligned with the strategy, 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

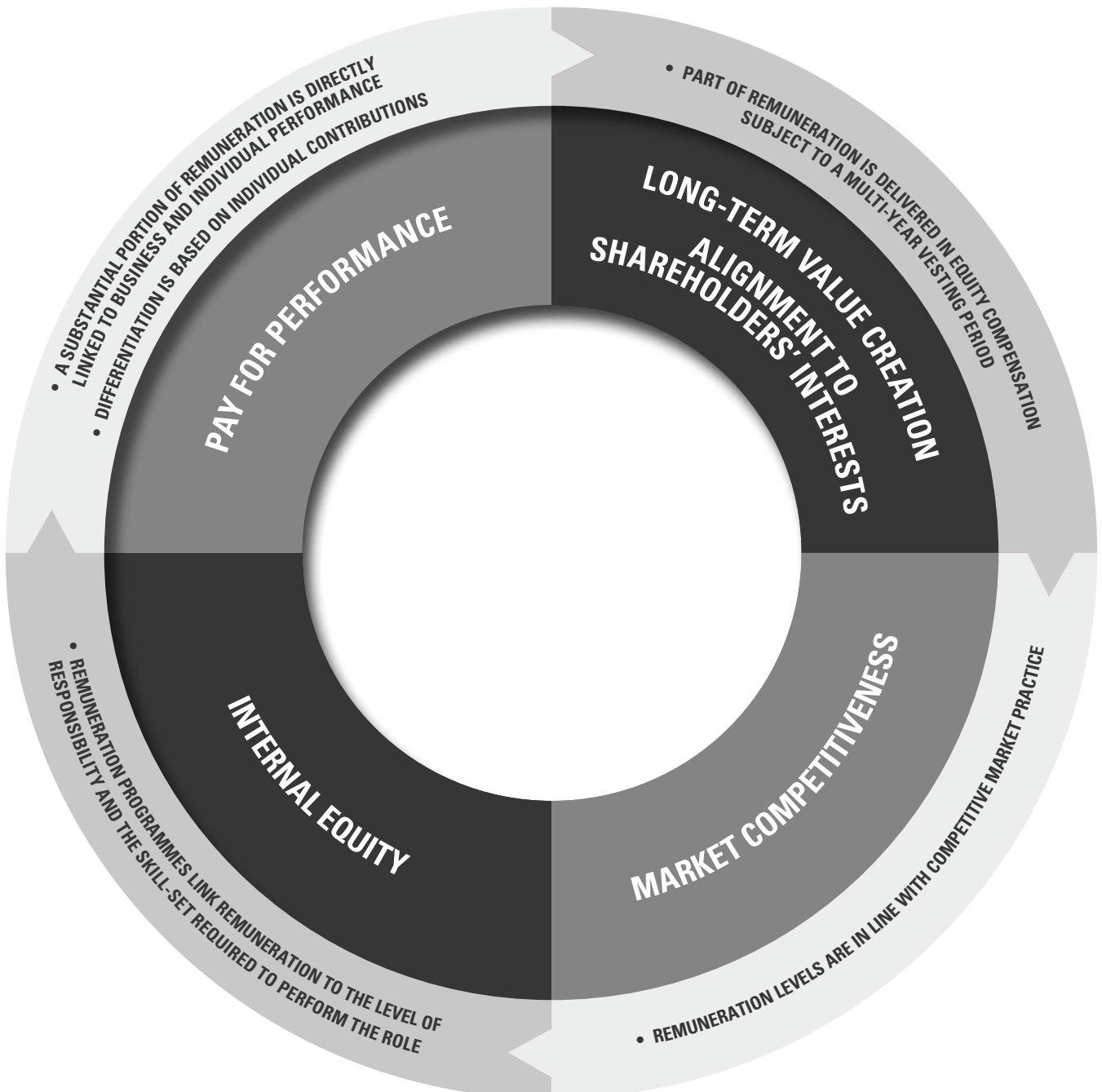
In order to guarantee their independence in exercising their supervisory duties towards the Executive Management, the members of the Board of Directors receive a fixed remuneration only.

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 the aim to drive

and support the Company's core values of passion, integrity, entrepreneurialism and innovative spirit.

Our remuneration system operates according to the 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 of the Board. It also decides on the remuneration and terms of employment of the Chief Executive Officer. 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 of Directors, and in part as a decision-making body on matters that the Board of Directors has delegated to the Committee. The Committee reviews regularly, at least once a year, the compensation of each member of the Operations Council (including the 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 of Directors and the Operations Council members. When reviewing and deciding on executive remuneration policies, the Committee and the Board of Directors have access to Group Human Resources staff and may use third party consultants specialised in compensation matters. In 2017, neither the Committee nor the Board of Directors had recourse to such external advisors.

Authorisation levels:

SUBJECT MATTER	CEO	NOMINATION AND REMUNERATION COMMITTEE	BOARD OF DIRECTORS	AGM
Aggregate remuneration amount of the Board of Directors			Recommendation	Binding vote
Individual remuneration of the members of the Board of Directors including the Chairman of the Board		Recommendation	Approval	
Aggregate fixed remuneration amount of the Operations Council			Recommendation	Binding vote
Aggregate variable remuneration amount of the Operations Council			Recommendation	Binding vote
Individual remuneration of the CEO		Recommendation	Approval	
Individual remuneration of the Operations Council members	Recommendation	Approval		
Establishment of Long-Term Incentive plans		Recommendation	Approval	
Aggregate value of the grants awarded under the Long-Term Incentive plan for Operations Council members			Recommendation	Binding vote
Setting of annual financial targets for variable remuneration of Operations Council members	Recommendation		Approval	
Remuneration report		Recommendation	Approval	Consultative vote

The following Directors served on the Committee in 2017:

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

In 2017, the Committee met in two meetings, attended by all members and handled several matters pertaining to nominations and remunerations outside scheduled meetings. 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 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.

6. REMUNERATION REPORT

2.2.2. SHAREHOLDERS' ENGAGEMENT

In recent 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 programmes. The positive outcome of the consultative vote on the 2014, 2015 and 2016 Remuneration Reports indicates that shareholders welcome the progress 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 remuneration of the Board of Directors 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.

SHAREHOLDER VOTE AT THE 2018 AGM	2017	2018	2019
Consultative vote on 2017 Remuneration report	Remuneration Policy and Principles		
Binding vote on remuneration of the Board of Directors		Remuneration	
Binding vote on fixed remuneration of the Operations Council			Fixed remuneration
Binding vote on variable remuneration of the Operations Council	Variable remuneration		
Binding vote on value of the grants awarded under the plan to the Operations Council		Long-Term Incentive grant	

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 provisions on principles of remuneration for the Board of Directors (Art. 28) and for the members of the Operations Council. These include principles on fixed remuneration, variable remuneration, long-term incentives and allocation of equity instruments (Art. 29); on additional amount for payments to members of the Operations Council appointed after the vote on

remuneration at the Annual General Meeting (Art. 31); on loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Operations Council (Art. 32); and on the votes on pay at the Annual General Meeting (Art. 31).

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 that satisfy the following criteria:

- Competitors in the Testing, Inspection and Certification industry;
- All SMI-listed companies;
- Internationally active companies within and outside Switzerland that operate in the business-to-business services sector;

- Internationally active companies within and outside Switzerland that 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.

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 evaluation methodology. Since more than one-third of our Operations Council members are based outside Switzerland, we use information published by reputable data providers, including Mercer and Willis Towers Watson, which are able to supply information on both a local and global basis.

The most recent analysis has been performed in 2015, with the support of Mercer. No such benchmark was made in 2017.

As a reference point, SGS targets the median compensation level of the peer group.

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, paid in cash. 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 of the Board 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 of the Board receive an annual fixed fee of CHF 150 000, whilst the Chairman of the Board 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 of 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.

6. REMUNERATION REPORT

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.

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 ¹ , Group ROIC ² , regional and business-line profit, regional NWC ³ , leadership multiplier	Pay for performance	1-year performance period 3-year deferral period
Long-Term Incentive	Performance Share Units (PSU)	Long-term financial performance	Relative organic revenue growth, relative NPAT ¹ improvement, relative TSR ⁴ , 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.

2. ROIC: Return On Invested Capital.

3. NWC: Net Working Capital.

4. 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.

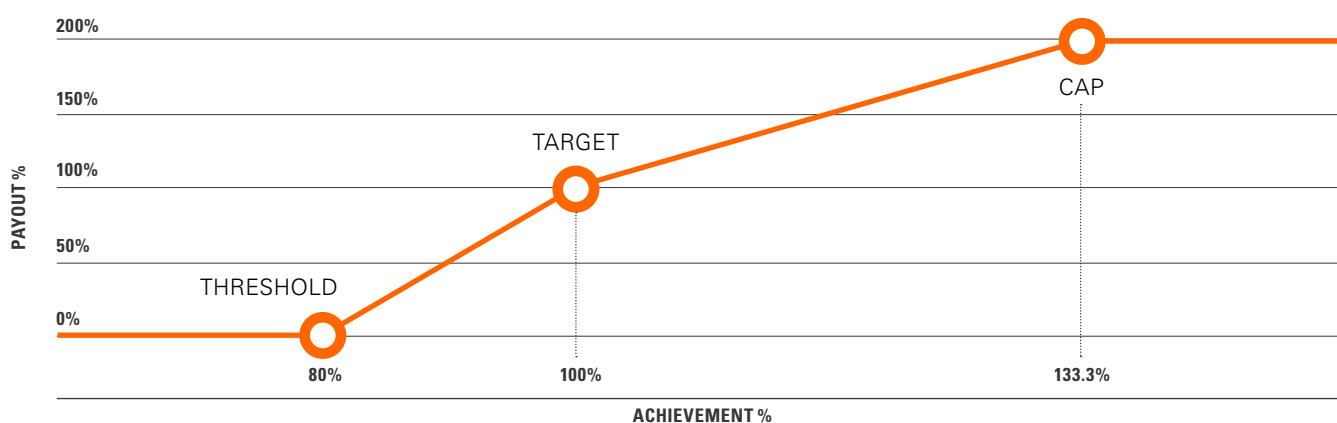
The target incentive is expressed as a percentage of the annual base salary and varies depending on the role. For the CEO, the target incentive amounts to 100% of annual base salary, while the target incentive for the other members of the Operations Council varies between 55% and 65% of annual base salary.

FINANCIAL PERFORMANCE

The key performance indicators used to measure the annual financial performance of the Group and its businesses 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 NWC 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%. Therefore a performance above 133.3% achievement level (cap) provides a 200% payout factor.
- 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.

For the efficient use of capital KPIs (Group ROIC, Regional NWC), expressed as percentage, the threshold and the cap are set at the beginning of the performance year together with the objective for each financial metric.

6. REMUNERATION REPORT

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%

LEADERSHIP MULTIPLIER

To determine the final incentive 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 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%

Below is an example of the calculation of a final incentive actual payout.

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

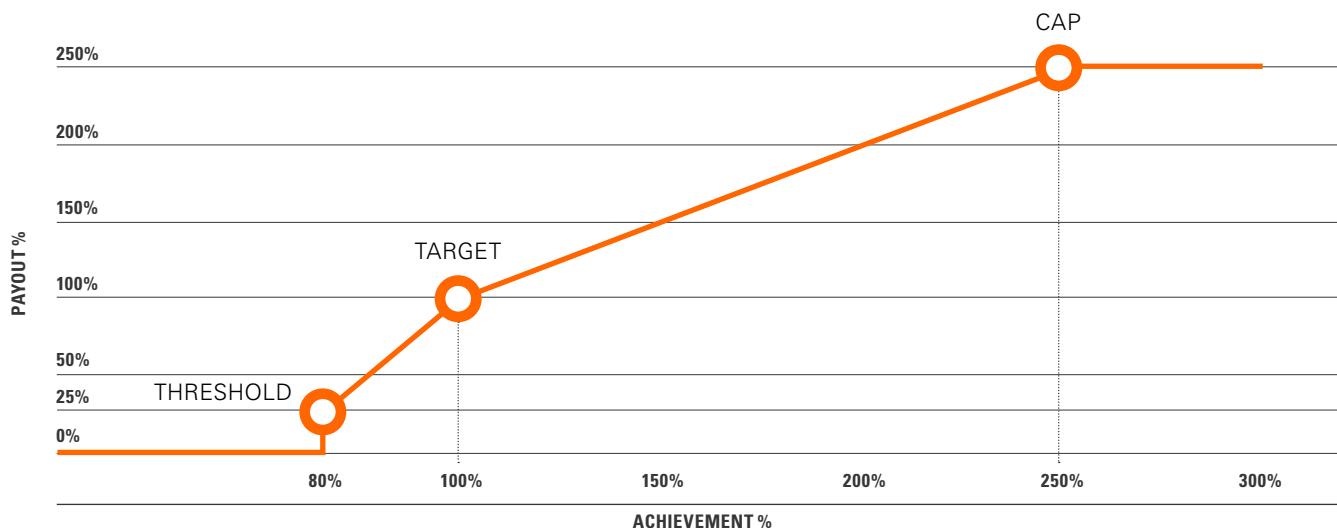
SHORT-TERM INCENTIVE CALCULATION

The calculations and the corresponding Short-Term Incentive amounts 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. Their aggregate amount is subject to a binding vote at the Annual General Meeting.

SPECIFIC SHORT-TERM INCENTIVE RULES FOR THE CEO

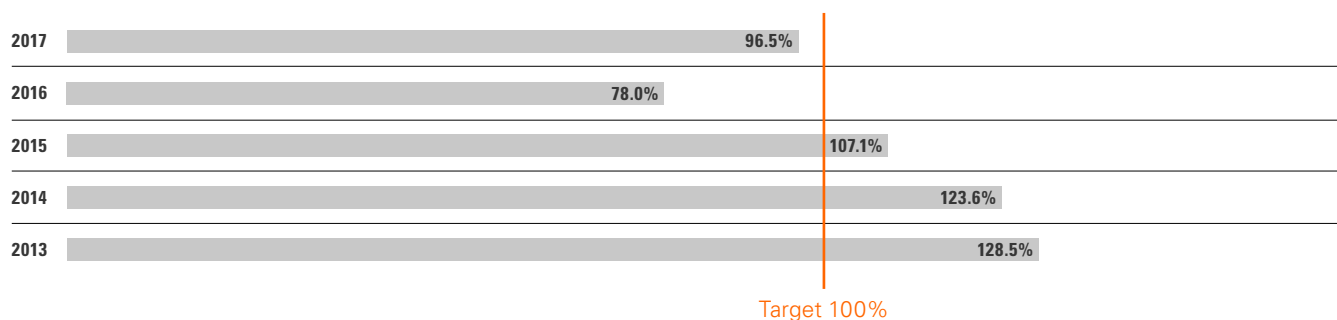
The Board of Directors decided to adapt the rules of the Short-Term Incentive plan to the specific position of CEO, as follows:

- 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 is adjusted: for the threshold level of performance, the payout starts at 25% (instead of 0%); there is no accelerator for performance above target; and a cap at 250% payout apply. The same payout curve applies to all the KPIs.



- Strong governance practices in place and the retrospective binding vote of the AGM on the aggregate variable compensation of the Operations Council (including CEO), combined with the practice to set challenging targets, make sure that the Incentive payout level of the CEO falls in an acceptable range and is strongly aligned to the annual financial performance of the Group. The table below summarises CEO's historical annual incentive payout against target for the past five years.

CEO ANNUAL INCENTIVE PAYOUT



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.

6. REMUNERATION REPORT

CLAWBACK PROVISIONS

A clawback policy applies to any variable remuneration awarded to the members of the Operations Council. Under this policy, the Company may reclaim the value of any variable incentives paid, in cash or in shares, in the following cases: i) any fraud, negligence or intentional misconduct was a significant contributing factor to the Company having to restate all or a portion of its financial statements; ii) a serious violation of the SGS internal regulations and/or Code of Integrity; iii) any violation of law within the scope of employment at the Company.

The table below summarises the Annual Incentive opportunity for the CEO and the members of the Operations Council.

SHORT-TERM INCENTIVE		CEO	OTHER OPERATIONS COUNCIL MEMBERS
Incentive frequency		Annual	Annual
Payout vehicle		50% cash 50% restricted shares	50% cash 50% restricted shares
Minimum incentive opportunity	as % of base salary	0%	0%
	as % of target incentive opportunity	0%	0%
Target incentive opportunity	as % of base salary	100%	55% – 65%
Maximum incentive opportunity	as % of target incentive opportunity	250%	250%
	as % of base salary	250%	137.5% – 162.5%

3.2.3. LONG-TERM INCENTIVE

In 2015, the Board of Directors implemented a 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 PSUs 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 end of the performance period (31 December 2017).

In order to balance with the Short-Term Incentive plan, which is based on absolute financial performance and on leadership behaviours, relative performance

measures have been introduced in the Long-Term Incentive plan, which includes both relative performance compared to a peer group of companies, and absolute performance against budget:

- 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 against the performance of

a selected peer group of companies that 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.

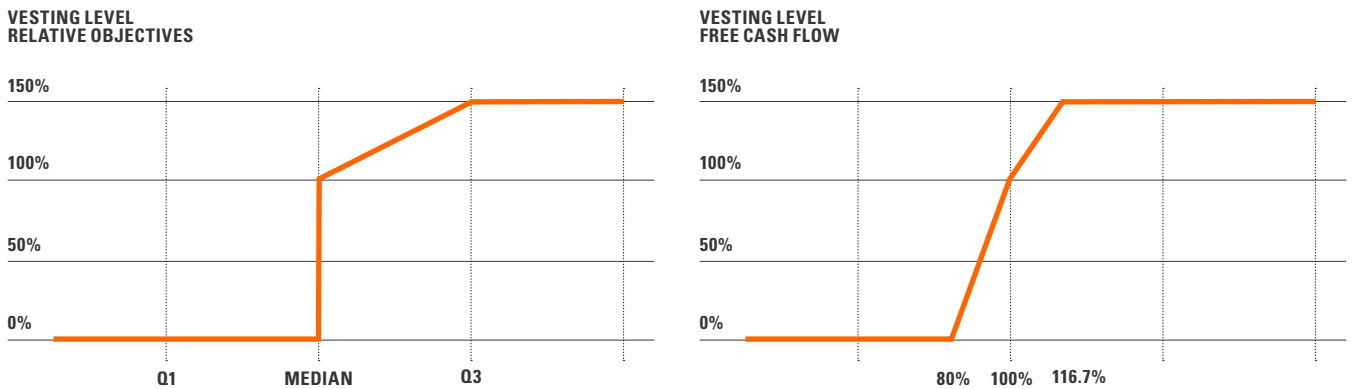
PEER GROUP

Adecco	ALS	Applus+	Bureau Veritas	Eurofins
Exova ¹	Intertek	ISS	Mistras	Rentokil
SAI ²	Securitas	Sodexo	Team	

1. Exova was acquired by Element Materials Technology Group on 29 June 2017; it is not part of the peer group for the performance year 2017.

2. SAI Global was acquired by Baring Asia Private Equity Fund VI on 22 December 2016; it is not part of the peer group for the performance year 2017.

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 table below summarises the vesting rules in case of termination of employment.

TERMINATION REASON	VESTING RULE	VESTING TIME AND SHARES ALLOCATION	VESTING LEVEL
Retirement or disability	Vesting on a pro rata basis	At regular vesting date	Based on actual performance
Death	Vesting on a pro rata basis	Immediate	Based on an estimation of performance by the Board of Directors
Corporate transaction or liquidation	Full vesting	Immediate	Based on an estimate of performance by the Board of Directors
Other reasons	Forfeiture	-	-

MALUS AND CLAWBACK PROVISIONS

A malus and clawback policy applies to any Long-Term Incentive grant awarded to the members of the Operations Council. Under this policy, the Company may forfeit any unvested equity compensation and/or reclaim the value of any vested equity compensation granted under a Long-Term Incentive plan, in the following cases: i) any fraud, negligence or intentional misconduct was a significant contributing factor to the Company having to restate all or a portion of its financial statements; ii) a serious violation of the SGS internal regulations and/or Code of Integrity; iii) any violation of law within the scope of employment at the Company.

The grants awarded under the Long-Term Incentive plan take place every three years (no annual grants).

In 2017, no Long-Term Incentive plan was implemented by the Group, and no additional PSUs were granted to members of the Operations Council under the existing 2015–2017 plan.

The Group does not issue new shares to grant employees for the equity-based compensation plans, but uses treasury shares instead, acquired through share buyback programmes. Detailed information on the overhang and burn rate are disclosed in note 31.

3.2.4. PRINCIPLES OF THE LONG-TERM INCENTIVE FOR THE PERFORMANCE PERIOD 2018–2020

The Remuneration Committee worked on a review of the Long-Term Incentive plan for the next performance period 2018–2020. The following features have been assessed:

i/ the vehicle and the vesting period:

The Remuneration Committee strongly believes that the Long-Term Incentive for the CEO and the Operations Council has to be subject to long-term performance conditions, and that it has to be settled in shares; this to ensure a close alignment between the long-term interests of the shareholders and the remuneration of the CEO and the Operations Council, in line also with the Share Ownership Guidelines introduced for the Operations Council members since 2015. The Performance Share Units are confirmed as the best vehicle to serve the above purpose; the vesting, subject to employment duration and long-term performance conditions, is set over a period of three years (cliff vesting).

ii/ the performance conditions: The Remuneration Committee worked on the simplification of the performance conditions, with the objective to have a sharper focus on the key elements of the long-term value creation of the Company, and to give a streamlined long-term performance direction to the CEO and the Operations Council.

The plan will be based on two financial metrics, equally weighted at 50%: Total Shareholder Return (TSR) (relative SGS performance compared to the peer group) and Adjusted Operating Income Margin (absolute SGS performance against an internal target). The vesting levels, more ambitious compared to the 2015–2017 plan, will be as follows:

TSR: 150% vesting if SGS is ranked first among the thirteen companies (including SGS) composing the peer group, 100% vesting if SGS is ranked fifth, and zero vesting if SGS is ranked eight or worse; in between, a linear interpolation applies. In the 2015–2017 plan, 150% vesting level was reached at upper quartile or above, and 100% vesting was reached at median.

Adjusted Operating Income Margin: a threshold is set at 90% of target, and the vesting is zero at or below threshold; the vesting is 110% at target, and reaches 150% at 110% of target or above. The 2015–2017 plan did not have Adjusted Operating Income Margin as a performance measure.

The total vesting opportunity will range from zero to 150% of the initial grant (unchanged compared to the 2015–2017 plan).

iii/ the peer group: although two companies initially part of the peer group for the performance period 2015–2017 (Exova and SAI Global) have been excluded as a result of their delisting, the Remuneration Committee believes that the remaining 12 companies are still the most appropriate benchmark for the Company in the next 2018–2020 performance period.

The aggregate value of the grant to the Operations Council (including the CEO) under the Long-Term Incentive 2018–2020 will be submitted to the binding vote of the Annual General Meeting of shareholders; the individual grants will follow the approval of the AGM. More details on the grants and the Long-Term Incentive plan for the performance period 2018–2020 will be disclosed in the 2018 Remuneration report.

3.2.5. 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”).

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.

3.2.6. 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 172 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.

3.2.7. 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. 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.

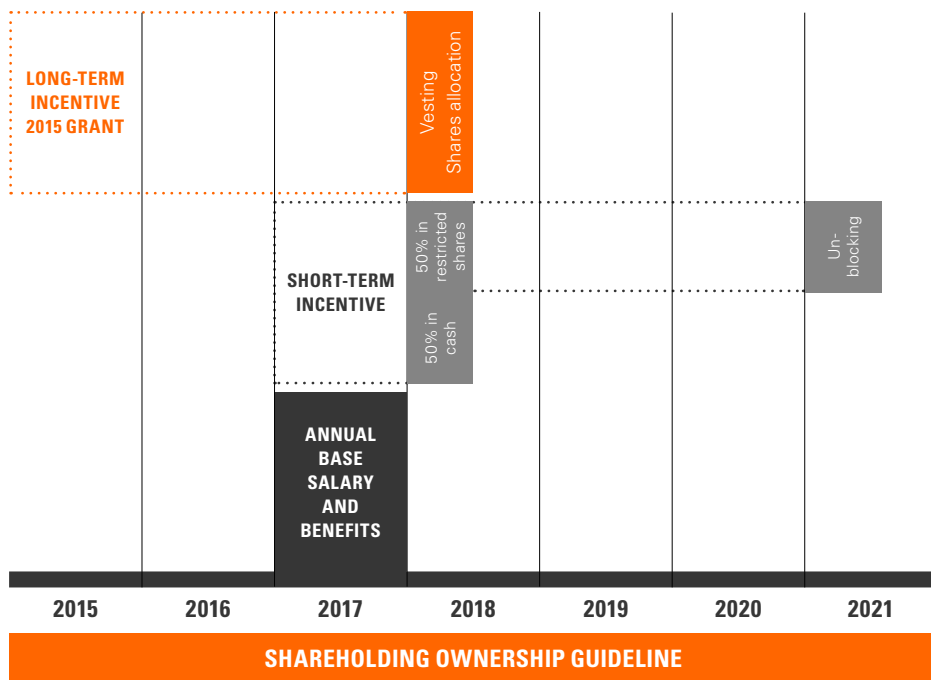
3.2.8. TIMELINE OF REMUNERATION

The following outlines the timeline of payment of each remuneration element that was earned in 2017:

- The annual base salary is paid during 2017

- The cash portion of the Short-Term Incentive is paid in March 2018, shortly after the Annual General Meeting
- The share portion of the Short-Term Incentive is allocated in April 2018 and will be unblocked in April 2021
- The PSUs granted under the Long-Term Incentive in 2015 were earned over the performance period from 2015 to 2017 and vested after the end of the performance period.

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 2017, the annual board membership fee was CHF 150 000 for all Board of Directors members, unchanged from the prior year. Members of the Board of Directors serving on a committee were entitled to an additional fee of CHF 30 000 per committee, unchanged from last year. The annual fee payable to the Chairman of the Board was CHF 300 000, 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 2017:

<i>(CHF thousand)</i>	BOARD FEE	COMMITTEE FEE	OTHER BENEFITS	TOTAL CASH COMPENSATION	TOTAL COMPENSATION
S. Marchionne	300	60	53	413	413
P. Desmarais	150	-	13	163	163
A. von Finck	150	30	13	193	193
A.F. von Finck	150	30	16	196	196
I. Gallienne	150	30	16	196	196
C. Grupp	150	30	13	193	193
P. Kalantzis	150	30	13	193	193
G. Lamarche	150	30	16	196	196
S.R. du Pasquier	150	60	18	228	228
C. Kirk	150	-	13	163	163
TOTAL	1 650	300	184	2 134	2 134

The following chart details the fees and other cash benefits granted to each of the Directors for their tenure in 2016:

<i>(CHF thousand)</i>	BOARD FEE	COMMITTEE FEE	OTHER BENEFITS	TOTAL CASH COMPENSATION	TOTAL COMPENSATION
S. Marchionne	300	60	56	416	416
P. Desmarais	150	-	13	163	163
A. von Finck	150	30	8	188	188
A.F. von Finck	150	30	16	196	196
I. Gallienne	150	30	16	196	196
C. Grupp	150	30	9	189	189
P. Kalantzis	150	30	8	188	188
G. Lamarche	150	30	16	196	196
S.R. du Pasquier	150	60	18	228	228
C. Kirk	150	-	13	163	163
TOTAL	1 650	300	173	2 123	2 123

The overall compensation paid to the Board of Directors in 2017 increased compared to 2016 and is CHF 9 000 higher than the total amount approved by the 2017 AGM (CHF 2 125 000). This is because the employer social charges (reported under "other benefits") increased compared to last year for some of the Directors.

The following table shows the details of the options 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 of the Board since 2014 year end.

TYPE OF OPTIONS ¹ (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 2017	NUMBER VESTED ON 31 DECEMBER 2016
SGSWS (2013)	2 013	40 000	89	40 000	40 000
SGSPF (2014)	2 059	75 000	189	75 000	50 000

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

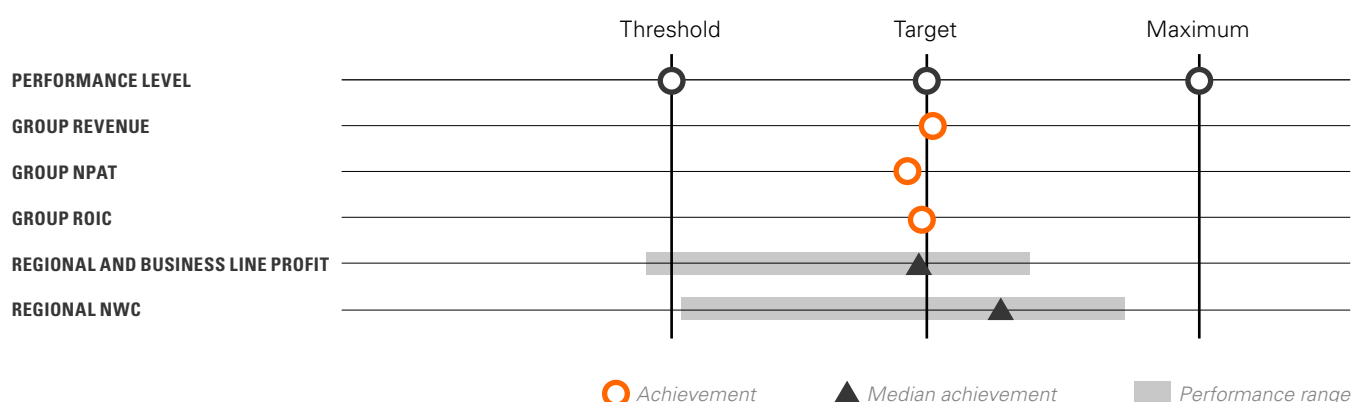
2. Before Adjustment for capital reductions and special dividends.

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

This section sets out the remuneration that 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 2017. All amounts disclosed in this section include the Short-Term Incentive cash amount and restricted shares that will be granted in April 2018 with respect to performance in 2017 (disclosure according to the accrual principle).

5.1. PERFORMANCE IN 2017

The chart below summarises the 2017 performance achievements against targets for the financial objectives (revenue, profitability, capital efficiency) used in the Short-Term Incentive:



5.2. CASH COMPENSATION

(CHF thousand)

	2017	2016
To the Operations Council (including Senior Management)	12 015	11 259
To Senior Management (including Chief Executive Officer)	2 587	2 304
To the Chief Executive Officer	1 501	1 263

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 1 010 000 are not included (2016: CHF 1 072 000). Employer's contributions to social benefits are excluded as well. The total cash compensation in 2017 was higher than in 2016 because the Short-Term Incentive payout was higher.

The achievement of financial targets at Group level, in the businesses and in the regions ranges from 67.1% to 110.0% (2016: 73.8% to 110.8%). The overall Short-Term Incentive payout amounts to 96.5% of the target incentive opportunity for the CEO (2016: 78.0%) and ranges from 34.1% to 134.5% of the target incentive opportunity for the members of the Operations Council (2016: 26.6% to 124.1%). 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 the 2017 Short-Term Incentive, SGS restricted shares will be allocated to the Operations Council (including Senior Management) in April 2018 (2016: 863 restricted shares were granted in April 2017). 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

In 2017, the Group did not implement any Long-Term Incentive plan, and the Operations Council members did not receive any Long-Term Incentive grant.

Under the 2015 Long-Term Incentive plan, a total of 14 570 Performance Share Units (PSUs) were granted to the Operations Council members (including Senior Management). Senior Management was awarded a total of 3 772 PSUs, which included 2 346 PSUs awarded to the Chief Executive Officer. The vesting of such PSUs is after the conclusion of the performance

6. REMUNERATION REPORT

period 2015–2017. The vesting is conditional upon the Group achieving or exceeding its financial targets over the three-year performance period (2015–2017) relating to 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 did not exceed the maximum amount of CHF 30 million approved at the Annual General Meeting 2015.

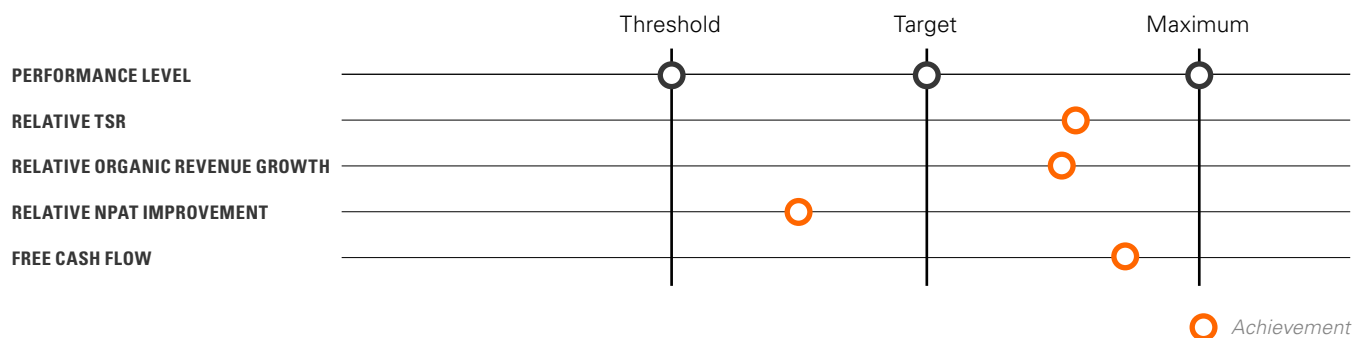
The table below details the vesting of the LTI 2015–2017 for the CEO, the Senior Management and the Operations Council:

	NUMBER OF PSUS GRANTED IN 2015	FAIR MARKET VALUE AT GRANT (CHF THOUSAND) ¹	NUMBER OF PSUS OUTSTANDING AT VESTING	NUMBER OF SHARES ALLOCATED	FAIR MARKET AT VESTING (CHF THOUSAND) ²
Operations Council (including Senior Management)	14 570	24 906	13 350	14 867	37 777
Senior Management (including CEO)	3 772	6 448	3 772	4 199	10 670
CEO	2 346	4 010	2 346	2 611	6 635

1. Based on the average share price of the 20 trading days preceding the grant date.

2. Based on the share price at vesting.

The chart below summarises the performance achievements against targets over the three-year performance period 2015–2017:



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 2017, and shows those options which have been granted, vested and/or became exercisable in 2017.

TYPE OF OPTIONS ¹ (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 2017	NUMBER VESTED ON 31 DECEMBER 2016
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT AND CHIEF EXECUTIVE OFFICER)					
SGSWS (2013)	2 013	729 500	1 627	729 500	729 500
SGSPF (2014)	2 059	586 061	1 477	586 061	390 707
SGSBB (2015)	1 798	803 959	1 785	535 973	535 973
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)					
SGSWS (2013)	2 013	89 895	200	89 895	89 895
SGSPF (2014)	2 059	89 928	227	89 928	59 952
SGSBB (2015)	1 798	145 545	323	97 030	97 030
CHIEF EXECUTIVE OFFICER					
SGSWS (2013)	2 013	46 632	104	46 632	46 632
SGSPF (2014)	2 059	23 464	59	23 464	15 643
SGSBB (2015)	1 798	82 727	184	55 151	55 151

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 2017 and 2016 by the Operations Council, by the Senior Management and by the Chief Executive Officer.

Total compensation for 2017:

<i>(CHF thousand)</i>	BASE SALARY	CONTRIBUTION TO PENSION BENEFITS	OTHER EMPLOYMENT BENEFITS	ANNUAL CASH INCENTIVE	ANNUAL GRANT OF RESTRICTED SHARES ¹	LONG-TERM INCENTIVE PSUS GRANT	TOTAL 2017 COMPENSATION (INCLUDING RESTRICTED SHARES)
To the Operations Council (including Senior Management) ²	7 847	1 010	2 923	2 443	2 287	-	16 510
To Senior Management (including Chief Executive Officer) ³	1 710	207	531	618	618	-	3 684
To the Chief Executive Officer	900	100	318	434	434	-	2 186

1. Restricted Shares that will be granted in April 2018.

2. 22 FTE (Full Time Equivalent).

3. 3 FTE.

Total compensation for 2016:

<i>(CHF thousand)</i>	BASE SALARY	CONTRIBUTION TO PENSION BENEFITS	OTHER EMPLOYMENT BENEFITS	ANNUAL CASH INCENTIVE	ANNUAL GRANT OF RESTRICTED SHARES	LONG-TERM INCENTIVE PSUS GRANT	TOTAL 2017 COMPENSATION (INCLUDING RESTRICTED SHARES)
To the Operations Council (including Senior Management) ¹	7 768	1 072	2 731	1 839	1 839	-	15 249
To Senior Management (including Chief Executive Officer) ²	1 610	225	539	458	458	-	3 290
To the Chief Executive Officer	800	100	303	312	312	-	1 827

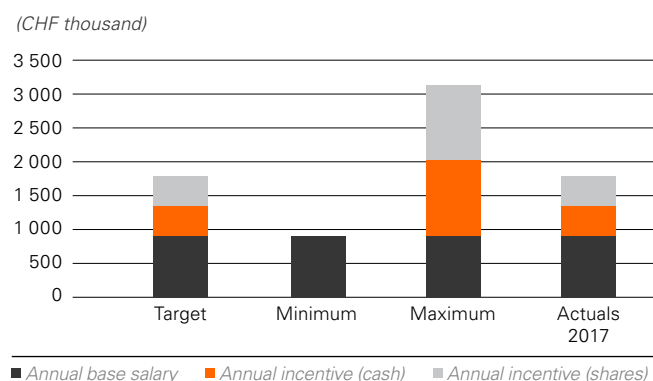
1. 23 FTE (Full Time Equivalent).

2. 3 FTE.

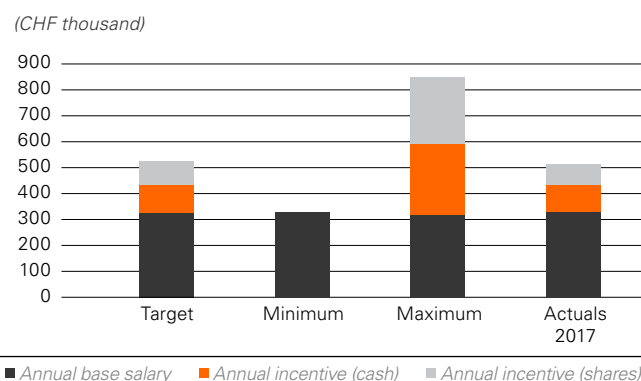
In the year under review, the highest compensation paid by the Group was awarded to the Chief Executive Officer.

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 2017. The charts exclude Long-Term Incentive grants.

CEO REMUNERATION MIX



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



■ Annual base salary ■ Annual incentive (cash) ■ Annual incentive (shares)

■ Annual base salary ■ Annual incentive (cash) ■ Annual incentive (shares)

6. REMUNERATION REPORT

In 2017, the variable actual remuneration of the Chief Executive Officer represented 49% of the total actual compensation (2016: 44%), split in cash (24.5%) and restricted shares (24.5%). For the Operations Council, including Senior Management, the variable remuneration amounted to 36% of the total compensation on average (2016: 31%), split in cash (19%) and options (17%). Total compensation includes the fixed remuneration (base salary) and the variable remuneration paid out for 2017 (Short-Term Incentive in cash and restricted shares). It excludes fringe and social benefits and Long-Term Incentive grants.

5.5. OTHER COMPENSATION

5.5.1. SEVERANCE PAYMENTS

No severance payment was paid in 2017 for members of the Operations Council (unchanged from prior year).

5.5.2. OTHER COMPENSATION TO MEMBERS OR FORMER MEMBERS OF GOVERNING BODIES

No additional compensation or fees were paid to any member of the governing bodies (unchanged from prior year).

5.5.3. LOANS TO MEMBERS OR FORMER MEMBERS OF GOVERNING BODIES

As at 31 December 2017, one member of the Operations Council has an outstanding loan for an amount equivalent to CHF 66 496 (as at 31 December 2016, loans for a combined amount equivalent to CHF 28 365 was due to the Group from two members of the Operations Council).

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 2017, presented on pages 169 to 173.

Responsibility of the Board of Directors

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 2017 comply with Swiss law and articles 14 – 16 of the Ordinance.

Deloitte SA



Matthew Sheerin
Licensed Audit Expert
Auditor in Charge



Joëlle Herbette
Licensed Audit Expert

Geneva, 12 February 2018



7. SGS GROUP RESULTS

STORAGE TANK INSPECTION, AUDIT AND CALIBRATION

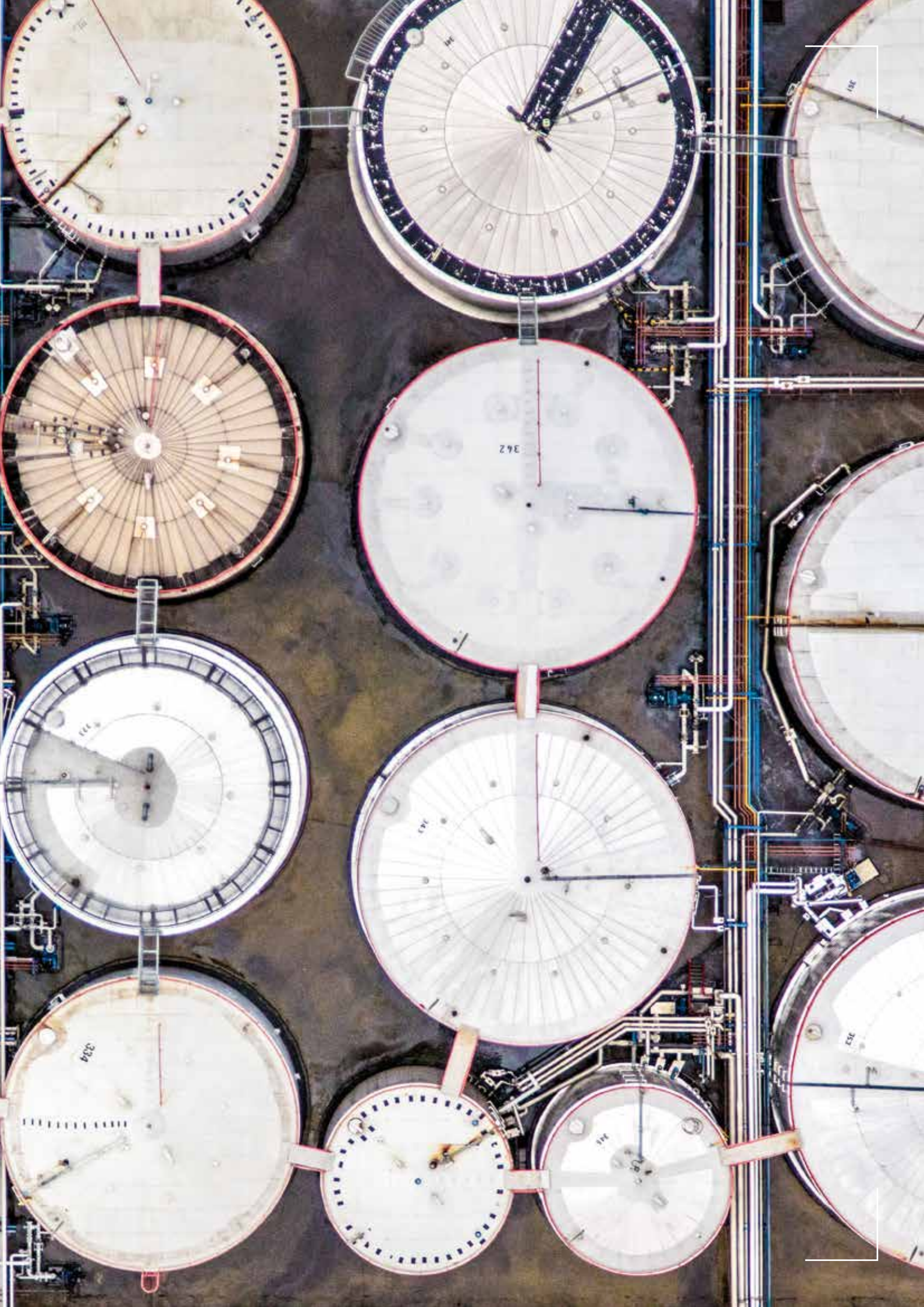
SGS' inspection, audit and calibration of storage tanks prevent disasters and provide safety and compliance.

OIL, GAS AND CHEMICALS



12 RESPONSIBLE CONSUMPTION AND PRODUCTION





CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	NOTES	2017	2016
REVENUE		6 349	5 985
Salaries and wages		(3 193)	(3 009)
Subcontractors' expenses		(394)	(368)
Depreciation, amortisation and impairment	10 to 12	(338)	(336)
Other operating expenses	5	(1 530)	(1 456)
OPERATING INCOME (EBIT)¹		894	816
Financial income	6	14	8
Financial expenses	7	(57)	(53)
PROFIT BEFORE TAXES		851	771
Taxes	8	(187)	(185)
PROFIT FOR THE YEAR		664	586
<i>Profit attributable to:</i>			
Equity holders of SGS SA		621	543
Non-controlling interests		43	43
BASIC EARNINGS PER SHARE (IN CHF)	9	82.41	71.54
DILUTED EARNINGS PER SHARE (IN CHF)	9	82.27	71.47

1. Refer to note 4 for analysis of non-recurring items.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	NOTES	2017	2016
Actuarial gains/(losses) on defined benefit plans	24	22	(3)
Income tax on actuarial gains/(losses) taken directly to equity	8	(30)	3
Items that will not be subsequently reclassified to income statement		(8)	-
Exchange differences and other ¹		31	(29)
Items that may be subsequently reclassified to income statement		31	(29)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		23	(29)
Profit for the year		664	586
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		687	557
<i>Attributable to:</i>			
Equity holders of SGS SA		644	519
Non-controlling interests		43	38

1. In 2017, exchange differences and other include net exchange loss of CHF 2 million on long-term loans treated as net investment in a foreign entity according to IAS 21 (2016: loss of CHF 23 million).

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER

(CHF million)

	NOTES	2017	2016
ASSETS			
NON-CURRENT ASSETS			
Land, buildings and equipment	10	1 002	972
Goodwill	11	1 238	1 195
Other intangible assets	12	222	246
Investments in joint-ventures, associates and other companies		36	38
Deferred tax assets	8	168	165
Other non-current assets	13	137	122
TOTAL NON-CURRENT ASSETS		2 803	2 738
CURRENT ASSETS			
Unbilled revenues and inventories	14	339	290
Trade accounts and notes receivable	15	1 068	997
Other receivables and prepayments	16	236	252
Current tax assets		104	88
Marketable securities	17	10	9
Cash and cash equivalents	18	1 383	975
TOTAL CURRENT ASSETS		3 140	2 611
TOTAL ASSETS		5 943	5 349
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	22	8	8
Reserves		2 036	2 243
Treasury shares		(125)	(478)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA		1 919	1 773
Non-controlling interests		86	80
TOTAL EQUITY		2 005	1 853
NON-CURRENT LIABILITIES			
Loans and obligations under finance leases	23	2 090	1 719
Deferred tax liabilities	8	45	42
Defined benefit obligations	24	143	154
Provisions	25	79	93
TOTAL NON-CURRENT LIABILITIES		2 357	2 008
CURRENT LIABILITIES			
Loans and obligations under finance leases	23	1	1
Trade and other payables	26	677	641
Provisions	25	17	19
Current tax liabilities		152	166
Other creditors and accruals	27	734	661
TOTAL CURRENT LIABILITIES		1 581	1 488
TOTAL LIABILITIES		3 938	3 496
TOTAL EQUITY AND LIABILITIES		5 943	5 349

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	NOTES	2017	2016
Profit for the year		664	586
Non-cash and non-operating items	19.1	565	560
(Increase)/Decrease in working capital	19.2	(1)	75
Taxes paid		(241)	(207)
CASH FLOW FROM OPERATING ACTIVITIES		987	1 014
Purchase of land, buildings, equipment and other intangible assets		(298)	(289)
Acquisition of businesses	20	(35)	(172)
(Increase)/Decrease in other non-current assets		(10)	3
Decrease in marketable securities and other		2	236
Interest and dividends received		13	8
Sales of land, buildings and equipment		17	13
CASH FLOW USED BY INVESTING ACTIVITIES		(311)	(201)
Dividends paid to equity holders of SGS SA		(528)	(517)
Dividends paid to non-controlling interests		(40)	(39)
Transaction with non-controlling interests		1	(4)
Cash received on treasury shares		58	70
Cash paid on treasury shares		(45)	(231)
Proceeds/(Reimbursements) of corporate bonds		374	(491)
Interest paid		(56)	(58)
Decrease in borrowings		(3)	(3)
CASH FLOW USED BY FINANCING ACTIVITIES		(239)	(1 273)
Currency translation		(29)	(55)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		408	(515)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		975	1 490
Increase/(Decrease) in cash and cash equivalents		408	(515)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	1 383	975

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 2016	8	(324)	130	(922)	(238)	3 252	1 906	75	1 981
Profit for the year	-	-	-	-	-	543	543	43	586
Other comprehensive income for the year	-	-	-	(24)	-	-	(24)	(5)	(29)
<i>Total comprehensive income for the year</i>	-	-	-	(24)	-	543	519	38	557
Dividends paid	-	-	-	-	-	(517)	(517)	(39)	(556)
Share-based payments	-	-	16	-	-	-	16	-	16
Movement in non-controlling interests	-	-	-	-	-	5	5	6	11
Movement on treasury shares	-	(154)	(1)	-	-	(1)	(156)	-	(156)
BALANCE AS AT 31 DECEMBER 2016	8	(478)	145	(946)	(238)	3 282	1 773	80	1 853
BALANCE AT 1 JANUARY 2017	8	(478)	145	(946)	(238)	3 282	1 773	80	1 853
Profit for the year	-	-	-	-	-	621	621	43	664
Other comprehensive income for the year	-	-	-	31	(8)	-	23	-	23
<i>Total comprehensive income for the year</i>	-	-	-	31	(8)	621	644	43	687
Dividends paid	-	-	-	-	-	(528)	(528)	(40)	(568)
Share-based payments	-	-	17	-	-	-	17	-	17
Movement in non-controlling interests	-	-	-	-	-	(2)	(2)	3	1
Movement on treasury shares	-	353	(1)	-	-	(337)	15	-	15
BALANCE AS AT 31 DECEMBER 2017	8	(125)	161	(915)	(246)	3 036	1 919	86	2 005

1. Net of tax.

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 in inspection, verification, testing and certification services supporting international trade in agriculture, minerals, petroleum and consumer products. It also provides these services to governments, international institutions and customers engaged in the industrial, environmental and life science sectors.

2. SIGNIFICANT ACCOUNTING POLICIES AND EXCHANGE RATES

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group are stated in millions of Swiss Francs. 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 2017. 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) and Swiss law.

The accounting conventions and accounting policies are the same as those applied in the 2016 consolidated financial statements, except for the Group's adoption of new IFRSs effective 1 January 2017.

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

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The adoption of new or amended standards and interpretations, which are effective for the financial year beginning on 1 January 2017, did not have a material impact on the Group's consolidated financial statements.

Based on an internal analysis, the following new, but not yet applicable, IFRS standards will be of significance to the Group but have not been early adopted:

- IFRS 9 Financial Instruments substantially changes the classification and measurement of financial instruments, requires impairments to be based on a forward-looking model and changes the approach to hedging financial exposures and related documentation as well as the recognition of certain fair value changes. IFRS 9 has been implemented on 1 January 2018. Based on its assessment, the Group estimates the impacts would be in a range from CHF 60 to 100 million net of tax, representing a decrease in the Group's retained earnings. In accordance with IFRS 9 transition requirements, SGS has applied IFRS 9 retrospectively from 1 January 2018. Any adjustment to the carrying value of the financial assets will be reflected as an adjustment to opening equity and prior periods will not be restated.
- IFRS 15 Revenue from Contracts with Customers amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The Group implemented the new standard on 1 January 2018. The impact is not significant, representing less than 0.5% of the consolidated revenues.
- IFRS 16 Leases will impact the Group's consolidated financial statements as the majority of leases and corresponding right of use, will become on-balance sheet liabilities and assets respectively. The standard replaces IAS 17 Leases and is effective on 1 January 2019. A working group is in place and is currently assessing the future impact of this new standard.

There are no other IFRS standards or interpretations, which are not yet effective and which would be expected to have a material impact on the Group.

BASIS OF CONSOLIDATION

SUBSIDIARIES

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

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

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

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

The principal operating companies of the Group are listed on pages 249–252.

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 recognised in other comprehensive income and reclassified to profit or loss on disposal.

Average exchange rates are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

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, 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 when the outcome of the transaction can't be estimated reliably. 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 nine 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, which is 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.

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

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 term.

GOODWILL

In the case of acquisitions of businesses, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value. The difference between the purchase price and the fair value is classified as goodwill and recorded in the 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 that 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) which is 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 five years. These cash flows projections 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's net operating assets, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss 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 include 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.

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.

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.

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 the 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 2017, the Board of Directors of SGS SA authorised a new share buyback programme of up to CHF 250 million.

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

7. SGS GROUP RESULTS

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 used.

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

Details of the assumptions used are provided in note 11.

The Group determines whether goodwill is impaired at a minimum on an annual basis. This requires identification of CGUs and an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of 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.

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:

				BALANCE SHEET YEAR-END RATES		INCOME STATEMENT ANNUAL AVERAGE RATES	
				2017	2016	2017	2016
Australia	AUD	100	76.19	74.00	75.45	73.27	
Brazil	BRL	100	29.46	31.23	30.85	28.38	
Canada	CAD	100	77.84	75.88	75.89	74.36	
Chile	CLP	100	0.16	0.15	0.15	0.15	
China	CNY	100	14.99	14.75	14.57	14.83	
Eurozone	EUR	100	116.80	107.12	111.15	109.01	
United Kingdom	GBP	100	131.81	125.75	126.83	133.60	
Hong Kong	HKD	100	12.49	13.23	12.64	12.69	
Taiwan	TWD	100	3.29	3.18	3.24	3.05	
USA	USD	100	97.59	102.57	98.49	98.49	

3. BUSINESS COMBINATIONS

The following business combinations occurred during 2017 and 2016:

BUSINESS COMBINATIONS 2017

In 2017, the Group completed 12 business combinations for a total purchase price of CHF 40 million (note 20).

- 100% of Laboratoire LCA, offering analytical services, including soil fertility testing, to the agricultural sector, based in Morocco (effective 3 January 2017).
- 100% of BF Machinery Pty Ltd and CBF Engineering Pty Ltd, providing testing, repair, engineering and maintenance services for pumps, valves, hydraulics and plastics systems, based in Australia (effective 10 January 2017).
- 100% of ILC Micro-Chem, Inc., specialised in the analysis of raw food materials, finished food products and environmental swabs for the food manufacturing industry, based in Canada (effective 9 March 2017).
- 100% of Harrison Research Laboratories, Inc., providing services to the cosmetic and personal care industry. Services include sunscreen and dermal patch testing as well as safety, efficacy and claims substantiation support testing, based in the USA (effective 20 June 2017).

- 100% of SGS Leicester Ltd., a UKAS-accredited textile testing laboratory performing physical, chemical and flammability testing services for garment industry, based in the United Kingdom (effective 7 July 2017).
 - 100% of Central Illinois Grain Inspection, Inc., a USDA licensed agency inspecting grains and by-products for export and domestic quality settlements with growers, based in the USA (effective 10 July 2017).
 - 100% of CTR Consulting Testing Research Srl (CTR), based in Italy, CTR provides conventional and advanced non-destructive testing services, as well as destructive and chemical testing and heat treatment services catering to the requirements of manufacturers, power generation clients and the oil and gas sector (effective 2 August 2017).
 - 100% of Maco Customs Service (Maco), based in the Netherlands. Maco offers customs compliance services including consultancy, import, export and transit declarations, certificates of origin, fiscal representation and excise (effective 2 August 2017).
 - 100% of Govmark Testing Services, Inc. based in the United States of America. Govmark is an independent laboratory providing fire resistance and reaction to fire testing services. Testing products such as furniture and furnishings, wire and cable, building materials and fire safe materials for the transportation industry (effective 6 September 2017).
 - Acquisition of the assets and business of Geostrada, based in South Africa. Geostrada provides construction material and geotechnical testing services (effective 5 September 2017).
 - 100% of Win Services Pty Ltd and Leadership Directions Pty Ltd based in Australia, providing leadership, and organisational development training services (effective 4 October 2017).
 - 100% of BioVision Seed Research Ltd. (BioVision), headquartered in Canada. BioVision offers seed, grain and soil testing services catering to the agricultural markets (effective 3 November 2017).
- These companies were acquired for an equivalent of CHF 40 million and the total goodwill generated on these transactions amounted to CHF 30 million (note 20).

TOTAL

All the above transactions contributed in total CHF 19 million in revenues and CHF 3 million in operating income. Had all acquisitions been effective 1 January 2017, the revenues for the period would have increased by CHF 18 million and the Group operating income for the period would have been increased by CHF 3 million. None of the goodwill arising on these acquisitions is expected to be tax deductible.

DIVESTMENTS 2017

There were no significant disposals in 2017.

BUSINESS COMBINATIONS 2016

In 2016, the Group completed 19 business combinations for a total purchase price of CHF 193 million.

ACCUTEST LABORATORIES

Effective 4 January 2016, SGS acquired, for a purchase price of CHF 38 million, 100% of the businesses and related assets of Accutest Laboratories, the fifth largest full services environment testing company in the United States of America.

CYBERMETRIX INC. (CMX)

Effective 12 February 2016, SGS acquired, for a purchase price of CHF 32 million, 100% of Cybermetrix Inc., a provider of test cells, equipment and services to meet the complex testing requirements of engine and power systems, based in the United States of America.

COMPLIANCE CERTIFICATION SERVICES INC.

Effective 5 September 2016, SGS acquired, for a purchase price of CHF 29 million, 100% of Compliance Services Inc., one of China's leading Electro Magnetic Compatibility (EMC) testing laboratories, with operations throughout Taiwan and China.

OTHER

In 2016 other acquisitions included:

- Businesses and related assets of Bateman projects from Tenova, a provider of mining engineering and project management operations, based in South Africa (effective 5 April 2016);
- 100% of Cargo Compliance Company (Cargo CC), active in packing, storage, consulting, classification and professional training for the handling of dangerous goods, headquartered in the Netherlands (effective 4 January 2016);
- 100% of Integrated Paper Services, Inc. (IPS Testing), an independent testing laboratory, offering physical and analytical testing for paper, pulp, non-woven fabrics, medical supplies and packaging in both the consumer and supplier environments and is headquartered in the United States of America (effective 8 June 2016);

- 100% of Matrolab Group (Pty)Ltd., a leading engineering and construction materials testing company, based in South Africa (effective 1 February 2016);
- 75% of Shenzhen Firstrank Industrial Development Co. Ltd. (Firstrank), a provider of professional technical services to the offshore energy industry in the areas of quality and safety assurance based in China, covering both in-service and under-construction facilities (effective 1 January 2016);
- 51% of The Lab (Asia) Ltd., a fully independent materials testing, inspection and consulting company, serving the construction, civil engineering, highways, airports and associated industries, based in Hong Kong (effective 1 February 2016);
- 51% of Suzhou Safety-Tech Valve Testing Co., Ltd., offering specialised valve maintenance, repair and overhaul (MRO) services, principally to the energy, metallurgy and papermaking industries based in China (effective 1 January 2016);
- 100% of Laboratorios Contecon Urbar, an independent material testing business focusing on quality control in the construction industry with operations in Colombia and Panama (effective 1 July 2016);
- 100% of SpecHub Inc., offering an extensive array of accredited inspection and testing services for the maritime and energy industry, based in Panama (effective 8 July 2016);
- 100% of Laboratorio de Control Técnico de Calidad de Construcción Eecolab Limitada (Eecolab), offering quality control testing of construction materials as well as soil mechanic studies and geophysical surveys in both the public and private sectors based in Chile (effective 2 August 2016);
- 75% of Unigeo Agricultura de Precisão (Unigeo), the market leader in precision farming services in Brazil, providing services such as soil sampling and mapping, satellite and drone imagery, interpretation of crop information and online software for farm monitoring and management (effective 1 September 2016);
- 100% of AXYS Analytical Services Ltd. (AXYS), a North American leader in ultra-trace analysis of

persistent organic pollutants (POPs), contaminants of emerging concerns (CECs) and the early development stages of the fast-growing metabolomics business (effective 1 October 2016);

- 100% of Roos+Bijl, providing engineering and consulting, project management, asset management and legal services for all types of underground infrastructure in the Netherlands (effective 29 September 2016);
- 70% of Biopremier-Inovacao e Servicos em Biotecnologia S.A. specialised in molecular biology and DNA sequencing services in the food sector, based in Portugal (effective 7 December 2016);
- 41.9% ownership and a 54.5% controlling stake of C-Labs SA, an Industry 4.0 startup, developing solutions for transforming food regulatory compliance, based in Switzerland (effective 19 December 2016);
- 100% of Laagrma, providing testing analysis for the food and hospitality markets in Morocco (effective 20 December 2016).

These companies were acquired for an equivalent of CHF 94 million and the total goodwill generated on these transactions amounted to CHF 67 million.

TOTAL

All the above transactions contributed in total CHF 135 million in revenues and CHF 10 million in operating income. Had all acquisitions been effective 1 January 2016, the revenues for the period would have increased by CHF 57 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, except Accutest Laboratories and Cybermetrix Inc. (CMX), is expected to be tax deductible.

DIVESTMENTS 2016

There were no significant disposals in 2016.

4. INFORMATION BY BUSINESS AND GEOGRAPHICAL SEGMENT

The information presented is disclosed by business line and focuses on revenue, operating income, capital expenditures and employee numbers because these are the performance measures used by the Chief Operating Decision Maker to assess segment performance and decide on the allocation of resources.

ANALYSIS OF OPERATING INCOME

<i>(CHF million)</i>	2017	2016
ADJUSTED OPERATING INCOME	969	919
Amortisation and impairment of acquired intangibles	(29)	(26)
Restructuring costs	(7)	(49)
Goodwill Impairment	(30)	-
Other non-recurring items	(9)	(28)
Amortisation and impairment of acquired intangibles and non-recurring items	(75)	(103)
OPERATING INCOME	894	816

ANALYSIS OF REVENUE AND OPERATING INCOME

<i>(CHF million)</i>	REVENUE	ADJUSTED OPERATING INCOME	AMORTISATION OF ACQUISITION INTANGIBLES	RESTRUCTURING COSTS	GOODWILL IMPAIRMENT	OTHER NON- RECURRING ITEMS	OPERATING INCOME BY BUSINESS
2017							
Agriculture, Food and Life	1 016	162	(2)	(2)	-	(3)	155
Minerals	684	105	(2)	-	-	-	103
Oil, Gas and Chemicals	1 139	120	(2)	(1)	-	-	117
Consumer and Retail	963	247	(3)	(1)	-	(1)	242
Certification and Business Enhancement	340	64	-	(1)	-	-	63
Industrial	906	73	(8)	(1)	(30)	(2)	32
Environment, Health and Safety	486	49	(5)	(1)	-	(1)	42
Transportation	547	90	(7)	-	-	(1)	82
Governments and Institutions	268	59	-	-	-	(1)	58
TOTAL	6 349	969	(29)	(7)	(30)	(9)	894

<i>(CHF million)</i>	REVENUE	ADJUSTED OPERATING INCOME	AMORTISATION OF ACQUISITION INTANGIBLES	RESTRUCTURING COSTS	OTHER NON- RECURRING ITEMS	OPERATING INCOME BY BUSINESS
2016						
Agriculture, Food and Life	935	147	(3)	(7)	(2)	135
Minerals	635	91	(1)	(3)	(1)	86
Oil, Gas and Chemicals	1 098	116	(2)	(29)	(12)	73
Consumer and Retail	873	224	(2)	-	(2)	220
Certification and Business Enhancement	324	57	-	(1)	-	56
Industrial	891	84	(7)	(3)	(7)	67
Environment, Health and Safety	464	55	(4)	(1)	(2)	48
Transportation	490	78	(7)	(5)	(1)	65
Governments and Institutions	275	67	-	-	(1)	66
TOTAL	5 985	919	(26)	(49)	(28)	816

7. SGS GROUP RESULTS

RESTRUCTURING COSTS

The Group incurred a pre-tax restructuring charge of CHF 7 million (2016: CHF 49 million). This comprised personnel reorganisation of CHF 5 million (2016: CHF 18 million) as well as fixed asset impairment and other charges of CHF 2 million (2016: CHF 31 million).

REVENUE FROM EXTERNAL CUSTOMERS BY GEOGRAPHICAL SEGMENT

<i>(CHF million)</i>	2017	%	2016	%
Europe/Africa/Middle East	2 791	44.0	2 660	44.4
Americas	1 632	25.7	1 531	25.6
Asia Pacific	1 926	30.3	1 794	30.0
TOTAL	6 349	100.0	5 985	100.0

Revenue in Switzerland from external customers for 2017 amounted to CHF 181 million (2016: CHF 212 million). No country represented more than 15% of revenues from external customers in 2017 or 2016.

MAJOR CUSTOMER INFORMATION

In 2017 and 2016, no external customer represented 10% or more of the Group's total revenue.

SPECIFIC NON-CURRENT ASSETS BY GEOGRAPHICAL SEGMENT

Specific non-current assets directly attributable to geographical segment mainly include Land, building and equipment, Goodwill and other intangible assets:

<i>(CHF million)</i>	2017	%	2016	%
Europe/Africa/Middle East	1 286	50.4	1 199	48.0
Americas	770	30.2	782	31.3
Asia Pacific	497	19.4	518	20.7
TOTAL	2 553	100.0	2 499	100.0

Non-current assets in Switzerland for 2017 amounted to CHF 144 million (2016: CHF 145 million).

<i>(CHF million)</i>	2017	2016
RECONCILIATION WITH TOTAL NON-CURRENT ASSETS		
Specific non-current assets as above	2 553	2 499
Deferred tax assets	168	165
Retirement benefit assets	73	60
Non-current loans to third parties	9	14
TOTAL	2 803	2 738

CAPITAL ADDITIONS BY BUSINESS SEGMENT

<i>(CHF million)</i>	2017	%	2016	%
Agriculture, Food and Life	54	18.0	50	17.3
Mineral Services	28	9.3	21	7.4
Oil, Gas and Chemicals Services	51	17.0	49	17.0
Consumer and Retail Services	58	18.9	55	19.0
Certification and Business Enhancement	4	1.4	4	1.3
Industrial Services	30	10.1	35	12.2
Environment, Health and Safety Services	22	7.1	20	6.8
Transportation Services	42	14.0	43	15.0
Governments and Institutions Services	13	4.2	11	4.0
TOTAL	302	100.0	288	100.0

AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHICAL SEGMENT

<i>(Average number of employees)</i>	2017	2016
Europe/Africa/Middle East	38 848	36 818
Americas	22 527	21 432
Asia Pacific	32 181	31 376
TOTAL	93 556	89 626
Number of employees at year end	95 745	92 269

5. OTHER OPERATING EXPENSES

<i>(CHF million)</i>	2017	2016
Rental expense, insurance, utilities and sundry supplies	298	294
Consumables, repairs and maintenance	460	395
Communication costs	100	100
Travel costs	386	360
Miscellaneous operating income and expenses	286	307
TOTAL	1 530	1 456

The share of net profit of associates and joint-ventures accounted for using the equity method amounts to CHF nil (2016: CHF nil) and is included in the miscellaneous operating income and expenses.

6. FINANCIAL INCOME

<i>(CHF million)</i>	2017	2016
Interest income	9	10
Foreign exchange gains/(losses)	4	(3)
Other financial income	1	1
TOTAL	14	8

7. FINANCIAL EXPENSES

<i>(CHF million)</i>	2017	2016
Interest expense	29	33
Loss on derivatives at fair value	24	16
Other financial expenses	2	3
Net financial expenses on defined benefit plans	2	1
TOTAL	57	53

8. TAXES

MAJOR COMPONENTS OF TAX EXPENSE

<i>(CHF million)</i>	2017	2016
Current taxes	221	196
Deferred tax (credit)/expense relating to the origination and reversal of temporary differences	(34)	(11)
TOTAL	187	185

The Group has operations in various countries that have different tax laws and rates. Consequently, the effective tax rate on consolidated income varies from year to year. A reconciliation between the reported income tax expense and the amount that would arise using the weighted average statutory tax rate of the Group is as follows:

RECONCILIATION OF TAX EXPENSE

<i>(CHF million)</i>	2017	2016
<i>Profit before taxes</i>	851	771
Tax at statutory rates applicable to the profits earned in the country concerned	147	135
Tax effect of non-deductible or non-taxable items	21	8
Tax charge from/(usage of) unrecognised tax losses	(4)	7
Non-creditable foreign withholding taxes	30	34
Other	(7)	1
TAX CHARGE	187	185

DEFERRED TAX AFTER NETTING

<i>(CHF million)</i>	2017	2016
Deferred tax assets	168	165
Deferred tax liabilities	(45)	(42)
TOTAL	123	123

COMPONENTS OF DEFERRED INCOME TAX BALANCES

<i>(CHF million)</i>	2017		2016	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Fixed assets	41	7	38	7
Inventories and receivables	13	10	10	13
Defined benefit obligation	11	-	20	-
Provisions and other	35	15	38	14
Intangible assets	9	18	5	22
Tax losses carried forward	64	-	68	-
DEFERRED INCOME TAXES	173	50	179	56

Net change in deferred tax assets/(liabilities):

<i>(CHF million)</i>	TOTAL
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 1 JANUARY 2016	113
(Charged)/credited to the income statement	11
(Charged)/credited to other comprehensive income ¹	3
Exchange differences and other	(4)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2016	123
(Charged)/credited to the income statement	34
(Charged)/credited to other comprehensive income ¹	(30)
Exchange differences and other	(4)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2017	123

1. Related to measurement gains and losses on pensions CHF (30) million (2016: CHF 3 million) inclusive of a tax loss related to the enactment of the US tax reform of CHF (26) million.

The Group has unrecognised tax losses carried forward amounting to CHF 34 million (2016: CHF 59 million), of which none will expire within the next five years. No tax losses carried forward expired in 2017.

At 31 December 2017, the retained earnings of subsidiaries and foreign incorporated joint ventures consolidated by the Group include approximately CHF 2 623 million (2016: CHF 2 387 million) of undistributed earnings that may be subject to tax if remitted to the parent company. As set out in note 21, the nature of the Group's business requires keeping a significant part of the cash reserves in the operating units. As a Group policy, no deferred tax is recognised in respect of undistributed earnings until the point at which the distributable earnings are determined and foreign statutory requirements, allowing the distribution, are fulfilled. Until that time, the Group takes the view that it is probable that they will not reverse in the foreseeable future.

9. EARNINGS PER SHARE

Basic earnings per share are calculated as follows:

	2017	2016
Profit attributable to equity holders of SGS SA (CHF million)	621	543
Weighted average number of shares	7 541	7 583
BASIC EARNINGS PER SHARE (CHF)	82.41	71.54

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 equity compensation plans (see note 31):

	2017	2016
Profit attributable to equity holders of SGS SA (CHF million)	621	543
Diluted weighted average number of shares ('000)	7 553	7 591
DILUTED EARNINGS PER SHARE (CHF)	82.27	71.47

Adjusted earnings per share are calculated as follows:

<i>(CHF million)</i>	2017	2016
Profit attributable to equity holders of SGS SA	621	543
Amortisation and impairment of acquired intangibles	29	26
Restructuring costs net of tax	5	40
Goodwill impairment	30	-
Other non-recurring items net of tax	7	20
ADJUSTED PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA	692	629
ADJUSTED BASIC EARNINGS PER SHARE (CHF)	91.74	83.00
ADJUSTED DILUTED EARNINGS PER SHARE (CHF)	91.59	82.91

10. LAND, BUILDINGS AND EQUIPMENT

<i>(CHF million)</i>	LAND & BUILDINGS	MACHINERY & EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2017				
COST				
At 1 January	448	1 891	684	3 023
Additions	18	150	107	275
Acquisition of subsidiaries	2	5	3	10
Disposals	(11)	(59)	(30)	(100)
Exchange differences and other	35	72	(28)	79
At 31 December	492	2 059	736	3 287
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January	222	1 390	439	2 051
Depreciation	16	174	67	257
Impairment	1	(3)	-	(2)
Acquisition of subsidiaries	1	4	1	6
Disposals	(4)	(56)	(27)	(87)
Exchange differences and other	9	40	11	60
At 31 December	245	1 549	491	2 285
NET BOOK VALUE AT 31 DECEMBER 2017	247	510	245	1 002
INCLUDED IN LAND, BUILDINGS AND EQUIPMENT ARE LEASED ASSETS AS FOLLOWS				
Purchase cost of leased tangible assets	1	3	-	4
Accumulated depreciation	1	2	-	3
NET BOOK VALUE AT 31 DECEMBER 2017	-	1	-	1

<i>(CHF million)</i>	LAND & BUILDINGS	MACHINERY & EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2016				
COST				
At 1 January	444	1 763	643	2 850
Additions	23	132	103	258
Acquisition of subsidiaries	2	25	6	33
Disposals	(27)	(68)	(40)	(135)
Exchange differences and other	6	39	(28)	17
At 31 December	448	1 891	684	3 023
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January	230	1 243	413	1 886
Depreciation	17	175	61	253
Impairment	-	29	1	30
Disposals	(25)	(63)	(37)	(125)
Exchange differences and other	-	6	1	7
At 31 December	222	1 390	439	2 051
NET BOOK VALUE AT 31 DECEMBER 2016	226	501	245	972
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 2016	-	-	-	-

At 31 December 2017, the Group had commitments of CHF 3 million (2016: CHF 4 million) for the acquisition of land, buildings and equipment.

Included in the other tangible assets are construction-in-progress assets amounting to CHF 28 million (2016: CHF 27 million).

11. GOODWILL

<i>(CHF million)</i>	NOTE	2017	2016
COST			
At 1 January		1 195	1 088
Additions	20	30	95
Consideration on prior years' acquisitions		3	-
Impairment		(30)	(1)
Exchange differences		40	13
AT 31 DECEMBER		1 238	1 195

Goodwill recognised by the Group is allocated to Cash Generating Units (CGUs) for impairment testing purposes and is annually tested for impairment at the end of each reporting period.

- For the following four business lines, the CGU covers the entire worldwide operations since customer activities executed by the local entities, the clients and customers that they serve and the drivers of cash inflows are largely interdependent on a worldwide basis across each business line:
 - Consumer and Retails
 - Oil, Gas and Chemicals
 - Environment, Health and Safety
 - Minerals
- The Industrial business line continues to be driven primarily by regional and local customer activities and therefore to have cash inflows, which are largely independent from each other. Consequently, a CGU organisation by region or by country has been maintained and goodwill has been allocated to seven CGUs.
- The Transportation business is split into two CGUs since the customer activities in this business (especially in testing and engineering activities) are globally interdependent, except for Spain, where regulated activities and related cash inflows represent almost entirely the whole business and therefore are assessed as a distinct CGU.
- The Agriculture, Food and Life business is split into three worldwide CGUs to reflect the global nature of customer activities and drivers of cash inflows in each of Agriculture and Food, Clinical Research and Life Science Laboratories.

ALLOCATION OF GOODWILL TO CGUS OR GROUP OF CGUS

Goodwill allocated to the main CGUs or groups of CGUs as of 31 December broken down as follows:

<i>(CHF million)</i>	2017	2016
Oil, Gas and Chemicals	143	137
Transportation	245	230
Agriculture, Food and Life	233	220
Environment, Health and Safety	157	143
Industrial	229	257
Minerals	122	123
Consumer and Retail	102	85
Certification and Business Enhancement	4	-
Government and Institutions	3	-
TOTAL	1 238	1 195

Goodwill impairment reviews have been conducted for all goodwill balances allocated to the CGUs as described above.

In 2017, the oil and gas sector in which the Industrial USA and Canada CGU operates has experienced a significant downturn with a material reduction in capital and operating expenditure by its main customers. As a result, the Group revised its cash flow forecasts considering multiple scenarios and has therefore reduced the CGU value to its recoverable amount. This has resulted in an impairment charge of CHF 30 million (2016: CHF 1 million in relation to the restructuring).

The recoverable amount of each of the CGUs, 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 depending on the business activities and geographic profile of each of the respective CGUs.

PRE-TAX DISCOUNT RATE USED IN 2017 FOR THE MAIN CGUS OR GROUP OF CGUS IMPAIRMENT TESTING

2017

Oil, Gas and Chemicals	6.7%
Transportation	5.4% – 6.2%
Agriculture, Food and Life	6.5% – 7.0%
Environment, Health and Safety	5.9%
Industrial	4.4% – 9.6%
Minerals	8.6%
Consumer and Retail	7.2%

The cash flow projections 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 calculations are consistent with the expected average growth rates of the segments served by the Group.

For all impairment tests the key assumptions used in the sensitivity analyses were the following:

- Reducing the expected annual revenue growth rates for the first five years by 2.0%
- Reducing the operating margin by 0.25%
- Increasing the discount rate assumption by 1.0%

For all impairment tests other than the Industrial USA and Canada CGU, changing the key assumptions retained in the scenario using sensitivity analyses described above would not result in any of the carrying amounts exceeding the recoverable amount.

For the Industrial USA and Canada CGU, it would not result in an impairment significantly higher than the impairment recorded. In addition, further sensitivity analyses have been performed and did not significantly change the conclusions of the tests.

12. OTHER INTANGIBLE ASSETS

<i>(CHF million)</i>	COMPUTER SOFTWARE AND OTHER ASSETS				TOTAL
	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	INTERNALLY GENERATED	PURCHASED	
2017					
COST					
At 1 January	77	243	106	294	720
Additions	-	-	9	18	27
Acquisition of subsidiaries	-	3	-	2	5
Disposals	-	-	-	(3)	(3)
Exchange differences and other	4	-	2	2	8
At 31 December	81	246	117	313	757
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January	52	93	87	242	474
Amortisation	7	21	9	15	52
Impairment	-	1	-	-	1
Acquisition of subsidiaries	-	-	-	1	1
Disposals	-	-	-	(2)	(2)
Exchange differences and other	3	2	1	3	9
At 31 December	62	117	97	259	535
NET BOOK VALUE AT 31 DECEMBER 2017	19	129	20	54	222

7. SGS GROUP RESULTS

<i>(CHF million)</i>	COMPUTER SOFTWARE AND OTHER ASSETS				TOTAL
	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	INTERNALLY GENERATED	PURCHASED	
2016					
COST					
At 1 January	76	188	96	283	643
Additions	1	-	8	21	30
Acquisition of subsidiaries	2	50	1	-	53
Disposals	-	-	-	(2)	(2)
Exchange differences and other	(2)	5	1	(8)	(4)
At 31 December	77	243	106	294	720
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January	47	74	79	225	425
Amortisation	7	19	8	18	52
Disposals	-	-	-	(2)	(2)
Exchange differences and other	(2)	-	-	1	(1)
At 31 December	52	93	87	242	474
NET BOOK VALUE AT 31 DECEMBER 2016	25	150	19	52	246

SIGNIFICANT INTANGIBLE ASSETS

The Group is improving its global management information systems, focusing on contract management, finance and sales order processing. Additions relating to the Group's ERP system amount to CHF 5 million (2016: 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 implementation.

13. OTHER NON-CURRENT ASSETS

<i>(CHF million)</i>	NOTE	2017	2016
Non-current loans or amounts receivable from third parties		9	14
Retirement benefit asset	24	73	60
Other non-current assets		55	48
TOTAL		137	122

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 5%.

In 2017, other non-current assets included deposits for guarantees and CHF 39 million (2016: CHF 29 million) of restricted cash. Typical examples of restricted cash are cash deposits for performance bonds, rentals and other operating obligations.

At 31 December 2017 and 2016, the fair value of the Group's other non-current assets approximates their carrying value.

14. UNBILLED REVENUES AND INVENTORIES

<i>(CHF million)</i>	2017	2016
Work in progress	106	62
Unbilled revenues	187	187
Inventories	46	41
TOTAL	339	290

15. TRADE ACCOUNTS AND NOTES RECEIVABLE

<i>(CHF million)</i>	2017	2016
Trade accounts and notes receivable	1 181	1 111
Allowance for doubtful accounts	(113)	(114)
TOTAL	1 068	997
Ageing of trade accounts and notes receivable:		
Not overdue	397	411
Past due not more than two months	454	413
Past due more than two months but not more than four months	113	86
Past due more than four months but not more than six months	53	42
Past due more than six months but not more than one year	63	59
Past due more than one year	101	100
TOTAL	1 181	1 111

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>	2017	2016
Balance at beginning of the year	(114)	(98)
Acquisition of subsidiaries	(1)	(2)
Increase in allowance recognised in the income statement	(24)	(25)
Utilisations	24	12
Exchange differences	2	(1)
TOTAL	(113)	(114)

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 2017 is represented by the carrying amounts of receivables in the balance sheet.

16. OTHER RECEIVABLES AND PREPAYMENTS

<i>(CHF million)</i>	2017	2016
Accrued income, prepayments	71	68
Derivative assets	16	3
Other receivables	149	181
TOTAL	236	252

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties. Other receivables consist mainly of sales taxes and other taxes recoverable as well as advances to suppliers.

17. MARKETABLE SECURITIES

<i>(CHF million)</i>	2017	2016
Available for sale	10	9
TOTAL	10	9

Unrealised gains or losses on marketable securities designated as available for sale and which are recorded in other comprehensive income amounted to less than CHF 1 million for 2017 (2016: CHF 1 million).

18. CASH AND CASH EQUIVALENTS

<i>(CHF million)</i>	2017	2016
Cash and short-term deposits	1 342	954
Deposits on demand	40	20
Short-term loans	1	1
TOTAL	1 383	975

19. CASH FLOW STATEMENT

19.1. NON-CASH AND NON-OPERATING ITEMS

<i>(CHF million)</i>	NOTES	2017	2016
Depreciation of buildings and equipment	10	257	253
Impairment of land, buildings and equipment and other intangible assets	10 and 12	(1)	30
Amortisation of intangible assets	12	52	52
Impairment of goodwill	11	30	1
Net financial expenses	6 and 7	43	45
Decrease in provisions and employee benefits		(18)	(20)
Share-based payment expenses		17	16
Gain on disposals of land, buildings and equipment		(2)	(2)
Taxes	8	187	185
NON-CASH AND NON-OPERATING ITEMS		565	560

19.2. (INCREASE)/DECREASE IN WORKING CAPITAL

<i>(CHF million)</i>	2017	2016
(Increase)/decrease in unbilled revenues and inventories	(45)	12
Increase in trade accounts and notes receivable	(45)	(30)
Decrease in other receivables and prepayments	14	11
Increase in trade and other payables	22	86
Increase in other creditors and accruals	59	3
Decrease in other provisions	(6)	(7)
(INCREASE)/DECREASE IN WORKING CAPITAL	(1)	75

20. ACQUISITIONS

ASSETS AND LIABILITIES ARISING FROM ACQUISITIONS

<i>(CHF million)</i>	TOTAL FAIR VALUE ON ACQUISITION 2017	TOTAL FAIR VALUE ON ACQUISITION 2016
Tangible assets	4	33
Intangible assets	4	53
Other long-term assets	1	3
Trade accounts and notes receivable	9	42
Other current assets	1	13
Cash and cash equivalents	6	15
Current liabilities	(11)	(49)
Non-current liabilities	(3)	(8)
Non-controlling interests	(1)	(4)
NET ASSETS ACQUIRED	10	98
Goodwill	30	95
TOTAL PURCHASE PRICE	40	193
Acquired cash and cash equivalents	(6)	(15)
Consideration payable	(3)	(13)
Payment on prior year acquisitions	5	8
Prepayment on acquisitions	(1)	(1)
NET CASH OUTFLOW ON ACQUISITIONS	35	172

The goodwill arising on these acquisitions relates mainly to the value of expected synergies and the value of the qualified workforce that do not meet the criteria for recognition as separable intangible assets.

Consideration payable relates mainly to environmental and commercial warranty clauses and the fair value of contingent future earn-out payments.

The Group incurred transaction-related costs of CHF 6 million (2016: CHF 6 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 counterparty exposure and hedging practices. Counterparties to these agreements are major international financial institutions with high credit ratings and positions are monitored using market value and sensitivity analyses. The associated credit risk is therefore limited. These agreements generally include the exchange of one currency for a second currency at a future date.

The following table 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	
	2017	2016	2017	2016	2017	2016
<i>(CHF million)</i>						
FOREIGN EXCHANGE FORWARD CONTRACTS						
Currency:						
Australian Dollar (AUD)	(7)	(10)	-	-	-	-
Brazilian Real (BRL)	(9)	(63)	-	2	-	2
Canadian Dollar (CAD)	1	(24)	-	-	-	-
Chilean Peso (CLP)	(39)	(34)	1	-	1	-
Chinese Renminbi (CNY)	2	4	-	-	-	-
Colombian Peso (COP)	(7)	(8)	-	-	-	-
Euro (EUR)	(197)	(243)	(1)	-	(1)	-
British Pound Sterling (GBP)	49	26	-	-	-	-
Hong Kong Dollar (HKD)	24	24	-	-	-	-
Indian Rupee (INR)	(2)	(4)	-	-	-	-
Japanese Yen (JPY)	(1)	-	-	-	-	-
Kenyan Shilling (KES)	(3)	(3)	-	-	-	-
Korean Won (KRW)	(2)	(5)	-	-	-	-
New Zealand Dollar (NZD)	(5)	(5)	-	-	-	-
Philippines Peso (PHP)	(5)	(4)	-	-	-	-
Polish Zloty (PLN)	(4)	(5)	-	-	-	-
Russian Rubble (RUB)	(1)	4	-	-	-	-
Turkish New Lira (TRY)	(12)	(13)	-	-	-	-
US Dollar (USD)	(570)	(351)	7	(6)	7	(6)
South African Rand (ZAR)	(25)	(42)	(2)	(1)	(2)	(1)
Other	(8)	(8)	-	-	-	-
TOTAL	(821)	(764)	5	(5)	5	(5)

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. 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).

Of marketable securities, CHF 10 million (2016: CHF 9 million) qualify as Level 1, fair value measurement category.

Derivative assets (2017: CHF 16 million; 2016: CHF 3 million) and liabilities (2017: CHF 13 million; 2016: CHF 12 million) qualify as Level 2 fair value measurement category in accordance with the fair value hierarchy.

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.

The fair values of financial assets and financial liabilities included in 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 counterparties.

The maximum credit risk to which the Group is theoretically exposed at 31 December 2017 is the carrying amount of financial assets including derivatives.

Analysis of financial assets by class and category at 31 December 2017:

	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		
<i>(CHF million)</i>								
Cash and cash-equivalents	1 383	1 383	-	-	-	-	1 383	1 383
Trade receivables	1 068	1 068	-	-	-	-	1 068	1 068
Other receivables ¹	143	143	-	-	-	-	143	143
Unbilled revenues and Work in progress	293	293	-	-	-	-	293	293
Loans to 3 rd parties – non-current	9	9	-	-	-	-	9	9
Marketable securities	-	-	10	10	-	-	10	10
Derivatives	-	-	-	-	16	16	16	16
TOTAL FINANCIAL ASSETS	2 896	2 896	10	10	16	16	2 922	2 922

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.

7. SGS GROUP RESULTS

Analysis of financial assets by class and category at 31 December 2016:

(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	975	975	-	-	-	-	975	975
Trade receivables	997	997	-	-	-	-	997	997
Other receivables ¹	154	154	-	-	-	-	154	154
Unbilled revenues and Work in progress	249	249	-	-	-	-	249	249
Loans to 3 rd parties – non-current	14	14	-	-	-	-	14	14
Marketable securities	-	-	9	9	-	-	9	9
Derivatives	-	-	-	-	3	3	3	3
TOTAL FINANCIAL ASSETS	2 389	2 389	9	9	3	3	2 401	2 401

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.

LIQUIDITY RISK MANAGEMENT

The objective of the Group's liquidity and funding management is to ensure that all its foreseeable financial commitments can be met when due. Liquidity and funding are primarily managed by Group Treasury in accordance with practices and limits set in the risk management policies and objectives approved by the Board of Directors.

The nature of the Group's business requires keeping a significant part of the cash reserves in the operating units.

Due to the significant cash position liquidity risk is limited. The Group has various committed and uncommitted bilateral credit facilities with its banks.

Analysis of financial liabilities by class and category at 31 December 2017:

(CHF million)	AMORTISED COST OTHER LIABILITIES		FAIR VALUE		TOTAL	
	CARRYING AMOUNT	FAIR VALUE	AT FAIR VALUE THROUGH P&L		CARRYING AMOUNT	FAIR VALUE
			CARRYING AMOUNT	FAIR VALUE		
Trade payables	344	344	-	-	344	344
Other payables and financial liabilities ¹	171	171	-	-	171	171
Advances from clients	33	33	-	-	33	33
Loans and obligations under finance leases	2 091	2 181	-	-	2 091	2 181
Derivatives	-	-	13	13	13	13
Bank overdrafts	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	2 639	2 729	13	13	2 652	2 742

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 2016:

(CHF million)	AMORTISED COST OTHER LIABILITIES		FAIR VALUE AT FAIR VALUE THROUGH P&L		TOTAL	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	Trade payables	300	300	-	-	300
Other payables and financial liabilities ¹	189	189	-	-	189	189
Advances from clients	31	31	-	-	31	31
Loans and obligations under finance leases	1 719	1 811	-	-	1 719	1 811
Derivatives	-	-	12	12	12	12
Bank overdrafts	1	1	-	-	1	1
TOTAL FINANCIAL LIABILITIES	2 240	2 332	12	12	2 252	2 344

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 2017:

(CHF million)	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	32	4	1 178	(1 178)	481	-	517
Within the second year	406	2	-	-	1	-	409
Within the third year	21	1	-	-	1	1	24
Within the fourth year	314	1	-	-	-	-	315
Within the fifth year	260	1	-	-	-	-	261
After five years	1 206	1	-	-	-	-	1 207

The Group hedges its foreign exchange exposure on a net basis. The net gross settled derivative financial instruments of less than CHF 1 million (2016: CHF 10 million) represents the net nominal value expressed in CHF of the Group's foreign currency contracts outstanding at 31 December 2017.

Contractual maturities of financial liabilities including interest payments at 31 December 2016:

(CHF million)	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	31	8	1 116	(1 126)	446	-	475
Within the second year	29	11	-	-	1	-	41
Within the third year	403	2	-	-	-	1	406
Within the fourth year	19	-	-	-	-	-	19
Within the fifth year	316	-	-	-	-	-	316
After five years	1 082	-	-	-	-	-	1 082

7. 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 2017 and 2016, with all other variables remaining constant. Sensitivity analysis at 31 December 2017 and 2016:

<i>(CHF million)</i>	2017		2016	
	INCOME STATEMENT IMPACT INCOME/(EXPENSE)	EQUITY IMPACT INCREASE/(DECREASE)	INCOME STATEMENT IMPACT INCOME/(EXPENSE)	EQUITY IMPACT INCREASE/(DECREASE)
US Dollar (USD)	3	(8)	3	9
Euro (EUR)	(3)	-	(3)	-
CFA Franc BEAC (XAF)	3	-	2	-
New Cedi (GHS)	(1)	-	(1)	-
Taiwanese Dollar (TWD)	-	(1)	-	1
Australian Dollar (AUD)	-	(2)	-	2
Canadian dollar (CAD)	-	(4)	-	4
Brazilian Real (BRL)	-	(2)	-	2
Colombian Peso (COP)	-	(1)	-	1
Chilean Peso (CLP)	-	(3)	-	3

INTEREST RATE RISK MANAGEMENT

The Group is exposed to fair value interest rate risk because the Group borrows funds at fixed interest rates. Where appropriate, the risk is managed by the Group 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.

If interest rates were 50 basis points higher/lower, the profit for the year ended 31 December 2017 would increase/decrease by CHF nil (2016: nil).

22. SHARE CAPITAL AND TREASURY SHARES

	SHARES IN CIRCULATION	TREASURY SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL <i>(CHF million)</i>
BALANCE AT 1 JANUARY 2016	7 605 460	216 976	7 822 436	8
Treasury shares released into circulation	49 162	(49 162)	-	-
Treasury shares purchased for equity compensation plans	(6 315)	6 315	-	-
Treasury shares purchased for cancellation	(109 800)	109 800	-	-
BALANCE AT 31 DECEMBER 2016	7 538 507	283 929	7 822 436	8
Treasury shares released into circulation	30 133	(30 133)	-	-
Treasury shares purchased for equity compensation plans	(17 232)	17 232	-	-
Treasury shares cancelled	-	(188 704)	(188 704)	-
BALANCE AT 31 DECEMBER 2017	7 551 408	82 324	7 633 732	8

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 633 732 (2016: CHF 7 822 436) fully paid in and divided into 7 633 732 (2016: 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 2017, SGS SA held 82 324 treasury shares. The shares purchased for cancellation are directly held by SGS SA, while the shares to cover the equity compensation plans are held by a subsidiary company.

In 2017, 30 133 treasury shares were sold to cover the equity compensation plans and 17 232 were purchased for an average price of CHF 2 484.

In 2017, the Group initiated a share buyback programme for a total of up to CHF 250 million.

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 21 March 2019.

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 ten years from the date of issuance of the equity-linked instruments.

23. LOANS AND OBLIGATIONS UNDER FINANCE LEASES

CURRENT YEAR INFORMATION

(CHF million)	2017	2016
Bank loans	2	2
Bank overdrafts	-	1
Corporate bond	2 088	1 716
Finance lease obligations	1	1
TOTAL	2 091	1 720
Current	1	1
Non-current	2 090	1 719

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans from third parties range between 0% and 5.75% and on short-term loans from third parties range between 0% and 7.57%.

The loans from third parties exposed to fair value interest rate risk amounted to CHF 2 088 million (2016: CHF 1 718 million) and the loans from third parties exposed to cash flow interest rate risk amounted to CHF 2 million (2016: CHF 1 million).

The fair value of corporate bonds was CHF 2 178 million (2016: CHF 1 808 million).

The only non-cash items are the finance lease obligations.

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 %
08.03.2011	375	2.625	2019	100.832	100.000
27.05.2011	275	3.000	2021	100.480	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
03.03.2017	375	0.550	2026	100.153	100.000

7. SGS GROUP RESULTS

Loans and finance lease obligations mature as follows:

<i>(CHF million)</i>	BANK LOANS, OVERDRAFTS AND CORPORATE BOND		FINANCE LEASE OBLIGATIONS	
	2017	2016	2017	2016
On demand or within one year	1	1	-	-
Within the second year	375	-	-	-
Within the third year	-	375	1	1
Within the fourth year	293	-	-	-
Within the fifth year	247	297	-	-
After five years	1 174	1 046	-	-
TOTAL	2 090	1 719	1	1

The currency composition of loans and finance lease obligations is as follows:

<i>(CHF million)</i>	BANK LOANS, OVERDRAFTS AND CORPORATE BOND		FINANCE LEASE OBLIGATIONS	
	2017	2016	2017	2016
Swiss Franc (CHF)	2 088	1 716	-	-
Euro (EUR)	2	1	1	-
Malagasy Ariary (MGA)	-	1	-	-
Other	-	1	-	1
TOTAL	2 090	1 719	1	1

24. DEFINED 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, South Korea and Taiwan. Contributions to most plans are paid to pension funds that are legally separate entities.

The Group also operates post-employment benefit plans, principally healthcare plans, in the United States of America and Switzerland. They represent a defined benefit obligation at 31 December 2017 of CHF 13 million (2016: 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.

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 employees and representatives of the employer. This foundation covers all the employees in Switzerland and provides benefits on a defined contribution basis.

Each employee has a retirement account to which the employee and the Group contribute at a rate set out in the foundation rules based on a percentage of salary. Every year, the foundation decides the level of interest, if any, to apply to retirement accounts based on the agreed policy. At retirement, employees can elect either to withdraw all or part of the balance of their retirement account or to convert it into annuities at pre-defined conversion rates.

As the foundation board is expected to eventually pay out all of the foundation's assets as benefits to employees and former employees, no surplus is deemed to be recoverable by the Group. Similarly, unless the assets are insufficient to cover minimum benefits, the Group does not expect to make any deficit contribution to the foundation.

According to IFRS, the foundation has to be classified as a defined benefit plan due to underlying benefit guarantees and has to be accounted for on this basis.

The 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 15 years.

The Group expects to contribute CHF 7 million to this plan in 2018.

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 a percentage of the current year's pensionable compensation; the cost of additional benefit accrual is evaluated annually. The Group reserves the right to make future changes to the benefit accrual structure of the plan.

Eligible employees become participants in the plan after the completion of one year of service and after reaching the age of 21. Participants become fully vested in the plan after five years of service.

The weighted average of duration of the expected benefit payment is approximately 13 years.

The Group expects to contribute CHF 8 million to this plan in 2018.

UNITED KINGDOM

The Group operates two defined benefit plans through trusts. 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 and was bought out in 2017. 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 22 years.

The Group expects to contribute CHF 1 million to this plan in 2018.

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 11 million to those plans in 2018.

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
2017					
Fair value of plan assets	409	238	209	43	899
Present value of funded defined benefit obligation	(392)	(208)	(226)	(64)	(890)
FUNDED/(UNFUNDED) STATUS	17	30	(17)	(21)	9
Present value of unfunded defined benefit obligation	(10)	-	(7)	(62)	(79)
NET ASSET/ (LIABILITY) AT 31 DECEMBER	7	30	(24)	(83)	(70)

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2016					
Fair value of plan assets	384	232	231	39	886
Present value of funded defined benefit obligation	(374)	(215)	(254)	(66)	(909)
FUNDED/(UNFUNDED) STATUS	10	17	(23)	(27)	(23)
Present value of unfunded defined benefit obligation	(10)	-	(8)	(53)	(71)
NET ASSET/ (LIABILITY) AT 31 DECEMBER	-	17	(31)	(80)	(94)

7. SGS GROUP RESULTS

The net liability of CHF 70 million (2016: CHF 94 million) includes CHF 73 million (2016: CHF 60 million) of pension fund assets recognised in the item Other Non-Current Assets in note 13 and CHF 143 million (2016: CHF 154 million) of pension fund liability recognised in the item Defined Benefit Obligation in the balance sheet.

Amounts recognised in the income statement:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2017					
Service cost expense	8	1	3	7	19
Net interest expense on defined benefit plan	-	-	1	1	2
Administrative expenses	-	-	-	-	-
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	8	1	4	8	21
<i>Expense charged in:</i>					
Salaries and wages	8	1	3	7	19
Financial expense	-	-	1	1	2
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	8	1	4	8	21

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2016					
Service cost expense	9	1	2	5	17
Net interest expense on defined benefit plan	-	(2)	1	2	1
Administrative expenses	-	1	1	-	2
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	9	-	4	7	20
<i>Expense charged in:</i>					
Salaries and wages	9	2	3	5	19
Financial expense	-	(2)	1	2	1
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	9	-	4	7	20

Amounts recognised in the statement of other comprehensive income:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2017					
<i>Remeasurement on net defined benefit liability</i>					
Change in demographic assumptions	6	(5)	(2)	-	(1)
Change in financial assumptions	-	4	10	(1)	13
Experience adjustments on benefit obligations	9	(1)	2	-	10
Actual return on plan assets excluding net interest expense	(23)	(10)	(11)	-	(44)
TOTAL RECOGNISED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	(8)	(12)	(1)	(1)	(22)

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2016					
<i>Remeasurement on net defined benefit liability</i>					
Change in demographic assumptions	(11)	-	(4)	-	(15)
Change in financial assumptions	(1)	48	8	7	62
Experience adjustments on benefit obligations	(4)	-	4	-	-
Actual return on plan assets excluding net interest expense	(13)	(25)	(7)	1	(44)
TOTAL RECOGNISED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	(29)	23	1	8	3

Movements in the net asset/(liability) during the period:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2017					
NET ASSET/ (LIABILITY) AT 1 JANUARY	-	17	(31)	(80)	(94)
Expense recognised in the income statement	(8)	(1)	(4)	(8)	(21)
Remeasurements recognised in other comprehensive income	8	12	1	1	22
Contributions paid by the Group	7	1	9	8	25
Employer benefit payments	-	-	-	2	2
Exchange differences	-	1	1	(6)	(4)
NET ASSET/ (LIABILITY) AT 31 DECEMBER	7	30	(24)	(83)	(70)

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2016					
NET ASSET/ (LIABILITY) AT 1 JANUARY	(27)	43	(36)	(74)	(94)
Expense recognised in the income statement	(9)	-	(4)	(7)	(20)
Remeasurements recognised in other comprehensive income	29	(23)	(1)	(8)	(3)
Contributions paid by the Group	7	1	11	10	29
Special pension fund contribution	-	-	-	1	1
Exchange differences	-	(4)	(1)	(2)	(7)
NET ASSET/ (LIABILITY) AT 31 DECEMBER	-	17	(31)	(80)	(94)

7. SGS GROUP RESULTS

Change in the defined benefit obligation is as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2017					
Opening present value of the defined benefit obligation	384	215	262	119	980
Current service cost	8	1	3	7	19
Interest cost	3	7	10	2	22
Plan participants' contributions	5	-	1	-	6
Settlements	-	(17)	(24)	(3)	(44)
Actual net benefit payments	(13)	(6)	(16)	(7)	(42)
(Gains)/losses due to changes in demographic assumptions	6	(5)	(2)	-	(1)
(Gains)/losses due to changes in financial assumptions	-	4	10	(1)	13
Experience differences	9	(1)	2	-	10
Exchange rate (gains)/losses	-	10	(13)	9	6
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	402	208	233	126	969

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2016					
Opening present value of the defined benefit obligation	400	198	250	158	1 006
Current service cost	9	1	2	5	17
Interest cost	4	6	10	3	23
Plan participants' contributions	5	-	1	-	6
Settlements	-	-	(2)	(54)	(56)
Net increase in DBO from acquisitions	-	-	-	1	1
Actual net benefit payments	(18)	(7)	(16)	(6)	(47)
(Gains)/losses due to changes in demographic assumptions	(11)	-	(4)	-	(15)
(Gains)/losses due to changes in financial assumptions	(1)	48	8	7	62
Experience differences	(4)	-	4	-	-
Exchange rate (gains)/losses	-	(31)	9	5	(17)
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	384	215	262	119	980

Change in fair value of plan assets is as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2017					
Opening fair value of plan assets	384	232	231	39	886
Interest income on plan assets	3	7	9	1	20
Return on plan assets excluding amounts included in net interest expense	23	10	11	-	44
Actual employer contributions	7	1	9	10	27
Actual plan participants' contributions	5	-	1	-	6
Actual net benefit payments	(13)	(6)	(16)	(7)	(42)
Actual admin expenses paid	-	-	-	-	-
Settlements	-	(17)	(24)	(3)	(44)
Exchange differences	-	11	(12)	3	2
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	409	238	209	43	899

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2016					
Opening fair value of plan assets	373	241	214	84	912
Interest income on plan assets	4	8	9	1	22
Return on plan assets excluding amounts included in net interest expense	13	25	7	(1)	44
Actual employer contributions	7	1	11	10	29
Pension funds special contribution	-	-	-	-	-
Actual plan participants' contributions	5	-	1	-	6
Actual net benefit payments	(18)	(7)	(16)	(6)	(47)
Actual admin expenses paid	-	(1)	(1)	-	(2)
Settlements	-	-	(2)	(54)	(56)
Net increase in assets from acquisitions	-	-	-	1	1
Exchange differences	-	(35)	8	3	(24)
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	384	232	231	38	885

There are no reimbursement rights included in plan assets. The actual return on plan assets was a gain of CHF 64 million (2016: loss of CHF 66 million).

The major categories of plan assets at the balance sheet date are as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2017					
Cash and cash equivalents	75	2	1	18	96
Equity securities	113	51	49	-	213
Debt securities	61	92	159	-	312
Assets held by insurance company	-	-	-	21	21
Property	124	-	-	-	124
Investment funds	33	93	-	-	126
Other	3	-	-	4	7
TOTAL PLAN ASSETS AT 31 DECEMBER	409	238	209	43	899

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2016					
Cash and cash equivalents	79	1	1	16	97
Equity securities	105	47	73	3	228
Debt securities	57	83	157	1	298
Assets held by insurance company	-	17	-	18	35
Property	121	-	-	-	121
Investment funds	22	84	-	-	106
Other	-	-	-	1	1
TOTAL PLAN ASSETS AT 31 DECEMBER	384	232	231	39	886

In 2017 and 2016, the Group did not occupy any property that was included in the plan assets.

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 with the aim of generating long-term returns, which will enable the Board of the foundation to grow the accounts of the members of the pension fund, whilst taking on the lowest possible risk in order to do so.

7. SGS GROUP RESULTS

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 2017 and 2016 are as follows:

<i>(Weighted average %)</i>	CH	UK	USA	OTHER
2017				
Discount rate	0.7	2.6	3.6	2.2
Mortality assumption	LPP 2015 CMI 2016	SNA02 CMI 2016	RP 2014 SSA MP 2017	-
Salary progression rate	1.5	3.6	3.3	2.8
Future increase for pension in payments	0.2	3.1	-	0.6
Healthcare cost trend assumed for the next year	3.0	-	8.0	-
Ultimate trend rate	3.0	-	4.5	-
Year that the rate reaches the ultimate trend rate			2 025	

<i>(Weighted average %)</i>	CH	UK	USA	OTHER
2016				
Discount rate	0.7	2.9	4.0	2.0
Mortality assumption	LPP 2015 Proposed CMI 2016	SNA02 CMI 2015 Scale	RP 2014 SSA MP 2016	-
Salary progression rate	1.5	3.8	3.3	2.8
Future increase for pension in payments	0.2	3.5	-	0.6
Healthcare cost trend assumed for the next year	3.0	-	6.6	-
Ultimate trend rate	3.0	-	5.0	-
Year that the rate reaches the ultimate trend rate	-	-	2 022	-

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 32 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 not impact the obligation and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 9 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 8 million.

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation and assume no other changes in market conditions at the accounting date. This is unlikely in practice; for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the plans.

The amount recognised as an expense in respect of defined contribution plans during 2017 was CHF 71 million (2016: CHF 67 million).

25. PROVISIONS

<i>(CHF million)</i>	LEGAL AND WARRANTY CLAIMS ON SERVICES RENDERED	DEMOBILISATION AND REORGANISATION	OTHER PROVISIONS	TOTAL
AT 1 JANUARY 2017	39	33	40	112
Charge to income statement	10	31	7	48
Release to income statement	(10)	(3)	(4)	(17)
Payments	(4)	(28)	(11)	(43)
Exchange differences	-	(2)	(2)	(4)
AT 31 DECEMBER 2017	35	31	30	96
ANALYSED AS:			2017	2016
Current liabilities			17	19
Non-current liabilities			79	93
TOTAL			96	112

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 the Group's exposure to legal and warranty claims on services rendered. The ultimate outcome of these matters is not expected to materially affect the Group's financial position, results of operations or cash flows.

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 payments to employees upon leaving the Group, which in some jurisdictions are a legal obligation.

26. TRADE AND OTHER PAYABLES

<i>(CHF million)</i>	2017	2016
Trade payables	344	300
Other payables	310	319
Other financial liabilities	23	22
TOTAL	677	641

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs. At 31 December 2017 and 2016, 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>	2017	2016
Accrued expenses	624	562
Advance billings	64	56
Advances from clients	33	31
Derivative liabilities	13	12
TOTAL	734	661

At 31 December 2017 and 2016, 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>	2017 ISSUED	2016 ISSUED
Guarantees	234	99
Performance bonds	227	217
TOTAL	461	316

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>	2017	2016
Less than one year	163	157
Between one and five years	360	341
More than five years	99	86
TOTAL	622	584

The Group leases the majority of its office and laboratory space and vehicles. During the year ended 31 December 2017, CHF 202 million was recognised as an expense in the income statement in respect of operating leases (2016: CHF 183 million). Comparatives have been adjusted to reflect additional commitments identified during the analysis conducted in relation to the future implementation of IFRS 16.

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

In 2017, a total of 863 Restricted Shares were granted to the members of the Operations Council, in settlement of 50% of the annual incentive related to the 2016 performance. The Restricted Shares fully vest at grant date, and are blocked for a period of three years from the grant date, until April 2020. The fair market value at grant date of the Restricted Shares granted, being defined as the average closing price of the share during a 20-day period following the payment of the dividends after the 2017 Annual general Meeting, was CHF 1 863 994.

50% of the Annual Incentive related to the 2017 performance will be settled in Restricted Shares. The grant of the Restricted Shares will be done after the 2018 Annual General Meeting; the total number of Restricted Shares to be granted will be calculated based on the average closing price of the share during a 20-day period following the payment of the dividends after the 2018 Annual General Meeting. The Restricted Shares will fully vest at grant date, and will be blocked for a period of three years from the grant date, until April 2021. Shareholding guidelines apply to the Restricted Share Plans.

II) GRANTS TO OTHER EMPLOYEES

In 2017, a total of 2 469 Restricted Share Units were granted to selected key employees under the framework of the Restricted Share Units Plan 2017. The Restricted Share Units vest 3 years after the grant date. The fair market value at grant date of the Restricted Share Units granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 5 251 933.

III) LONG-TERM INCENTIVE PLANS

In 2017, no Performance Share Units of the 2015 Long-Term Incentive plan were granted to employees. Additional information is disclosed in the SGS Remuneration Report (pages 153–173).

7. SGS GROUP RESULTS

OPTION PLAN

DESCRIPTION	EXERCISE PERIOD		STRIKE PRICE ¹	OPTIONS OUTSTANDING AT 31 DECEMBER 2016	CANCELLED	EXERCISED OR ADJUSTED	OPTIONS OUTSTANDING AT 31 DECEMBER 2017
	FROM	TO					
SGSKF-2012	Jan.15	Jan.17	1 448.85	145 321	(51 992)	(93 329)	-
SGSWS-2013	Jan.16	Jan.18	1 989.31	1 355 046	(99 657)	(1 091 923)	163 466
SGSPF-2014	Jan.17	Jan.19	2 059.00	2 950 403	(135 970)	(2 005 418)	809 015
SGSBB-2015	Jan.18	Jan.20	1 798.00	1 446 948	(6 831)	-	1 440 117
TOTAL				5 897 718	(294 450)	(3 190 670)	2 412 598
Of which exercisable at 31 December				1 500 367			2 404 641

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) AND RESTRICTED SHARE UNIT (RSU) PLANS

DESCRIPTION	EXERCISE PERIOD FROM	UNITS OUTSTANDING AT 31 DECEMBER 2016	GRANTED	CANCELLED	VESTED OR ADJUSTED	UNITS OUTSTANDING AT 31 DECEMBER 2017
SGS-PSU-15	Jan.18	37 997	-	(1 562)	(558)	35 877
SGS-RSU-16	Jan.19	1 608	-	(87)	(865)	656
SGS-RSU-17	Jan.20	-	2 469	(47)	-	2 422
TOTAL		39 605	2 469	(1 696)	(1 423)	38 955

The Group does not issue new shares to grant employees in relation to the equity-based compensation plans but uses treasury shares, acquired through share buyback programmes.

In total, as of 31 December 2017, the equity overhang, defined as the total number of share units, restricted shares and shares underlying options outstanding divided by the total number of outstanding shares (7 633 732 shares) amounted to 66 933 units, representing 0.88%.

The company's burn rate, defined as the number of equities (restricted shares and share units) granted in 2017 (3 332 units) divided by the total number of outstanding shares, was 0.04%.

The Group recognised during the year total expense of CHF 17 million (2016: CHF 16 million) in relation with equity compensation plans. Shares available for future plans excluding Restricted Shares annual incentive:

	TOTAL
AT 1 JANUARY 2016	(23 923)
Repurchased shares	5 029
Granted SGS-PSU-15 plan	(149)
Granted SGS-RSU-16 plan	(2 473)
Options cancelled and adjusted	752
Shares for PSU cancelled and adjusted	1 338
Shares for RSU cancelled and adjusted	50
AT 31 DECEMBER 2016	(19 376)
Repurchased shares	17 232
Granted SGS-RSU-17 plan	(2 469)
Options cancelled and adjusted	(38)
Shares for PSU cancelled and adjusted	(1 980)
Shares for RSU cancelled and adjusted	134
AT 31 DECEMBER 2017	(6 497)

At 31 December, the Group had the following shares available to satisfy various programmes:

	2017 TOTAL	2016 TOTAL
Number of shares held	82 324	95 225
Shares allocated to 2013 option plans	(1 878)	(31 004)
Shares allocated to 2014 option plans	(29 487)	(29 523)
Shares allocated to 2015 option plans	(14 401)	(14 469)
Shares allocated for 2015 PSU plans	(39 977)	(37 997)
Shares allocated for 2016 RSU plans	(656)	(1 608)
Shares allocated for 2017 RSU plans	(2 422)	-
SHARES REQUIRED FOR FUTURE EQUITY COMPENSATION PLANS AT 31 DECEMBER	(6 497)	(19 376)

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.

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>	2017	2016
Short-term benefits	15	14
Post-employment benefits	1	1
Share-based payments ¹	2	2
TOTAL	18	17

1. 2017 represents the market value of Restricted Shares granted in 2017 while 2016 represents the market value of SGSBB options and PSUs granted in 2016.

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 153–173).

During 2017 and 2016, 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 2017, Directors' fees were CHF 2 134 000 (2016: CHF 2 123 000).

The total compensation (cash and shares/options) received by the Operations Council (including Senior Management) amounted to CHF 16 510 000 (2016: CHF 15 249 000).

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 236–237 of this report.

LOANS TO MEMBERS OF GOVERNING BODIES

As at 31 December 2017, one member of the Operations Council has an outstanding loan for an amount equivalent to CHF 66 496 (2016: two members of the Operations Council had outstanding loans for a combined amount equivalent to CHF 28 365).

TRANSACTIONS WITH OTHER RELATED PARTIES

In 2017 and 2016, 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 2017, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 16.60% (2016: 16.20%). Mr. August von Finck and members of his family acting in concert held 15.52% (2016: 15.03%), BlackRock, Inc. held 4% (2016: 3.03%) and MFS Investment Management held 3.02% (2016: 3.01%) of the share capital and voting rights of the company. At the same date, the SGS Group held 1.08% of the share capital of the company (2016: 3.63%).

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 12 February 2018, and will be submitted for approval by the Annual General Meeting of Shareholders to be held on 19 March 2018.

On 9 January 2018, the Group announced the acquisition of 100% of Vanguard Sciences, a leading provider of food safety testing services in the areas of product testing, research and development in the United States of America for a purchase price of CHF 21 million and a goodwill of CHF 19 million.

On 11 January 2018, the Group announced the acquisition of 100% of Laboratoire de Contrôle et d'Analyse, offering chemical and microbiological testing and consultancy services to national and international pharmaceutical companies in Belgium.

On 2 February 2018, the Group announced the acquisition of 100% of TraitGenetics, based in Germany, providing services across a wide variety of crops to international client in the plant breeding industry and for academic research.

On 12 February 2018, the Group announced the acquisition of 100% SIT Skin Investigation and Technology Hamburg GmbH, based in Germany, providing applied dermatological research and studies for the cosmetics and personal care industries.

Statutory Auditor's Report

To the General Meeting of
SGS SA, Geneva

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of SGS SA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended.

In our opinion the consolidated financial statements (presented on pages 177 to 219) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our Audit Approach

Summary

Key audit matters

Based on our audit scoping, we identified the following key audit matters:

- Revenue recognition in respect of unbilled revenue and work in progress
- Goodwill and associated impairment testing
- Current and deferred income tax balances
- Retirement benefit obligations

Materiality

Based on our professional judgment we determined materiality for the Group as a whole to be CHF58 million, 7% of Profit before tax (adjusted for non-recurring items).

Scoping

Based on our understanding of SGS's operations, we scoped our audit of component operations based on the significance of account balances and significant risks. We gained sufficient and appropriate coverage across the Group. Coverage details are provided on page 226.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition in respect of unbilled revenue and work-in-progress

Key audit matter

The Group recognises revenue on fees for services rendered to third parties when the services have been completed. However, in certain circumstances, including where services are not billed at the end of each financial period, revenue is recognised in proportion to the stage of completion, normally by reference to costs incurred to the balance sheet date in comparison with the total estimated costs of the contracted services to completion. A margin is recognised based on cost incurred, providing it is expected that the project will be profitable once completed. Where services are completed, but unbilled, revenue is recorded at net selling price. Where services have been rendered but the project is still incomplete, revenue is recorded including a margin based on cost incurred and expected margin at the completion of the project.

At December 31, 2017, the Group balance sheet included work-in-progress of CHF106 million or 1.7% of total Group revenues of CHF6'349 million and unbilled revenues of CHF187 million or 2.9%.

Significant judgement is required by management at the operational level in certain cases to estimate the value of revenue and profit that should be recognised prior to the year-end, which is highly dependent on the nature and complexity of the services being provided and the contractual terms with customers. The incremental revenue and profit recognised at period-end is also included in the determination of management incentives, increasing the risk of inappropriate estimation. Accordingly the estimation of work-in-progress and unbilled revenues is considered to be an area of focus for the Board of Directors (page 34) and a key audit matter.

Refer to the accounting policy in note 2 and additionally note 14.

How the scope of our audit responded to the key audit matter

Our audit work during the year included the following procedures on work-in-progress and unbilled revenues:

- We tested the adequate implementation of Group policies and key controls regarding revenue recognition and the approval of unbilled revenue balances; and
- We tested a sample of unbilled revenue balances recorded at the prior year-end to subsequent invoices and recoveries from third party clients in order to perform our risk assessment.

Our audit work at the year-end consisted of the following:

- We used analytical procedures to identify businesses and geographies across the Group which had recorded significant work-in-progress and unbilled balances at the year-end compared to recurring monthly revenue levels and prior year-end balances, and challenged local management by tracing to contract and status reports to verify significant variances for a sample of contracts;
- We tested a sample of work-in-progress and unbilled balances to the related customer contracts and appropriate operational evidence to confirm that the services had been completed prior to the year-end; and
- We also considered the adequacy of the disclosures in the consolidated financial statements.

Based on the procedures performed, we consider management's estimates and disclosures regarding work-in-progress and unbilled revenue balances to be appropriate.

Goodwill and associated impairment testing

Key audit matter

The Group's balance sheet includes CHF1'238 million of goodwill, representing 20.8% of total Group assets. In accordance with IFRS, these balances are allocated to Cash Generating Units (CGUs) which are tested annually for impairment using discounted cash-flow models of each CGU's recoverable value compared to the carrying value of the assets. A deficit between the recoverable value and the CGU's net assets would result in impairment.

The inputs to the impairment testing model which have the most significant impact on CGU recoverable value include:

- Projected revenue growth, operating margins and operating cash-flows in the years 1-5;
- Stable long-term growth rates in years 6-10 and in perpetuity; and
- Country and business specific discount rates (pre-tax).

The impairment test model includes sensitivity testing of key assumptions, including revenue growth, operating margin and discount rate.

In 2017, SGS recorded a CHF30 million impairment in relation to the Industrial USA and Canada CGU, where the oil and gas sector has suffered a significant downturn with a material reduction in capital and operating expenditure by its main customers.

The annual impairment testing is considered to be a risk area for the Board of Directors (refer to page 34), a significant accounting judgement and estimate (note 2) and a key audit matter because the assumptions on which the tests are based are highly judgmental and are affected by future market and economic conditions which are inherently uncertain, and because of the materiality of the balances to the financial statements as a whole.

Refer to the accounting policy in note 2 and additionally note 11 for details of the goodwill balances and impairment testing inputs.

How the scope of our audit responded to the key audit matter

We considered the appropriateness of the methodology applied and the key internal controls implemented by management in testing for impairment and the judgements in determining the CGUs to which goodwill is allocated.

We evaluated the appropriateness of the definition of CGUs through discussions with senior operational management, confirmation of the reporting levels at which Group management monitors independent cash inflows and trading performance and our knowledge of the Group's operations.

We assessed the impairment testing models and calculations by:

- Checking the mathematical accuracy of the impairment models and the extraction of inputs from source documents;
- Assessing the discount rates applied in the impairment reviews with support from our valuation specialists, developing independent expectations for key macroeconomic assumptions, in particular discount rates, and comparing those independent expectations to those used by management; and
- Comparing forecast long-term growth rates to economic data.

Based on our knowledge of the Group's businesses and considering the performance of the different CGUs, we identified CGUs with significant goodwill balances, declining trading performance compared with prior year, specific risk factors (such as the impact of commodity price trends on CGUs in the Oil Gas and Industrials businesses and macro-economic factors in certain geographies) or lower headroom in recoverable value compared to net book value.

For these selected CGUs, we assessed the appropriateness of cash-flow assumptions by analysing projected revenue growth rates, margins and cash-flow levels against current and historic trading and relevant market data where available, and by meeting with senior operational and commercial management in key businesses and geographies to consider the evidence available to support projected future performance. We also developed our own independent expectations of recoverable value headroom by performing additional sensitivity testing of key assumptions.

We assessed the adequacy of the related disclosures in the consolidated financial statements.

Based on the audit procedures performed, we consider the judgements applied in the determination of CGUs and the assumptions included in the impairment testing models, together with the disclosures set out in the consolidated financial statements, to be appropriate.

Current and deferred income tax balances

Key audit matter

The Group operates in a large number of different jurisdictions and is therefore subject to many tax regimes with differing rules and regulations. Significant judgement is required in determining the calculation of income taxes, both current and deferred, as well as the assessment of provisions for uncertain tax positions including estimates of interest and penalties where appropriate.

The Group's balance sheet includes current tax assets of CHF104 million, current tax liabilities of CHF152 million, together with deferred tax assets of CHF168 million and deferred tax liabilities of CHF45 million. The tax expense of CHF187 million represents 22% of Group profit before taxes.

Due to their significance to the financial statements as a whole, combined with the judgement and estimation required to determine their values, the evaluation of current and deferred tax balances is considered to be an area of focus for the Board of Directors (page 34) and a key audit matter.

Refer to the accounting policy in note 2 and additionally note 8.

How the scope of our audit responded to the key audit matter

Our audit included the following procedures on current and deferred tax balances:

- We tested the adequate implementation of Group policies and key controls regarding current and deferred tax, as well as the reporting of uncertain tax positions;
- We examined the procedures in place for the current and deferred tax calculations for completeness and valuation and audited the related tax computations and estimates in the light of our knowledge of the tax circumstances. Our work was conducted with our tax specialists in key locations and centrally;
- We verified the consolidation and analysis of tax balances at Group level based on the information reported by Group affiliates, including the impact of the US Tax reform;
- We considered management's assessment of the validity and adequacy of provisions for uncertain tax positions, evaluating the basis of assessment and reviewing relevant correspondence and legal advice where available including any information regarding similar cases with the relevant tax authorities;
- In respect of deferred tax assets and liabilities, we assessed the appropriateness of management's assumptions and estimates, including the likelihood of generating sufficient future taxable income to support deferred tax assets for tax losses carried forward as disclosed in note 8 of CHF64 million, considering whether time limits applied for the set-off of losses and comparing the assumptions used to the Group's forecasts for revenue and profits in relevant countries;
- We also assessed the adequacy of the related disclosures in the consolidated financial statements.

Based on the audit procedures performed, we consider management's estimates and disclosures regarding current and deferred tax balances to be appropriate.

Retirement benefit obligations

Key audit matter

The Group maintains a number of defined benefit pension plans. The material defined benefit plans are in Switzerland, USA and UK.

At December 31, 2017 the Group recorded a net retirement benefit liability of CHF70 million, being the net of pension fund assets of CHF899 million and pension fund liabilities of CHF969 million.

The retirement benefit obligations recognised in the balance sheet represent the present value of defined benefit obligations calculated annually by independent actuaries. These actuarial valuations are sensitive to key assumptions such as discount rates, inflation rates and mortality rates. Changes in any of these assumptions, or amendments to the pension plans can lead to a material movement in the net retirement benefit liability.

Given the judgement required by management in setting these assumptions, the volatility in retirement benefit balances that can result from changes in assumptions, and the significance of the balances to the consolidated financial statements as a whole, the estimation of retirement benefit obligations is an area of focus for the Board of Directors (page 34) and a key audit matter.

Refer to the accounting policy in note 2 and additionally note 24.

How the scope of our audit responded to the key audit matter

We evaluated the Group's assessment of the assumptions used in the valuation of defined benefit liabilities, and evaluated the information contained within the actuarial valuation reports for the main plans. We also assessed the design and implementation of controls in respect of the valuation process for the retirement benefit plans.

We tested salary data used in the valuation of the retirement benefit plans by reconciliation to payroll records on a sample basis. We also verified retirement benefit assets to third party confirmations.

Working with our pension specialists both at central and local level, we considered the process applied by the Group's actuaries and the scope of the valuations performed and we evaluated their expertise and independence. We reviewed plan amendments to confirm their compliance with IAS 19 requirements and challenged key assumptions applied, including discount rates, inflation and mortality rates, benchmarking them against external data, where available, and forming our own independent expectations based on our knowledge of local market practices.

We also assessed the adequacy and completeness of the related retirement benefit disclosures in the consolidated financial statements.

Based on the procedures performed, we consider management's estimates and disclosures regarding retirement benefit obligation balances to be appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgment we determined materiality for the Group as a whole to be CHF58 million, based on a calculation of 7% of profit before tax adjusted for certain non-recurring items. We selected profit before tax as the basis of materiality because, in our view, it is the measure against which the performance of the Group is most commonly assessed.

The materiality applied by the component auditors ranged from CHF17.4 million to CHF34.8 million depending on the scale of the component's operations, the component's contribution to Group profit before tax and our assessment of risks specific to each location. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF2.9 million as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We designed our audit by obtaining an understanding of the Group and its environment, including Group-wide controls, determining materiality and assessing the risks of material misstatement in the consolidated financial statements.

Based on our scope assessment, we performed full scope component audits at 23 key locations in 2017. In aggregate, these components represented scope coverage of 74% of Group revenue, 77% of total assets and 71% of net income for the year (see table below):

Group audit coverage	2017
Group revenue	74%
Total assets	77%
Net income for the year	71%

All other wholly owned and joint venture businesses were subject to analytical review procedures for the purpose of the Group audit. Annual statutory audits are conducted by affiliates of Deloitte SA at the majority of the Group's subsidiaries, although these are predominantly completed subsequent to our audit report on the consolidated financial statements.

At the parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full scope audit.

The group audit team continued to follow a program of planned visits that has been designed so that the Senior Statutory Auditor visits most of the in-scope locations on a rotational basis. The program for the visits is established based on the significance of the components and the results of our risk assessment.

For all components in scope for group reporting, we have included the component audit partner in our team briefing, discussed their risk assessment, and reviewed documentation of the findings from their work.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company upon which we issue a separate Statutory Auditor's report, sections 4 and 5 of the Remuneration Report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse:

<http://expertsuisse.ch/en/audit-report-for-public-companies>.

This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and the 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



Matthew Sheerin
Licensed Audit Expert
Auditor in Charge



Joelle Herbette
Licensed Audit Expert

Geneva, 12 February 2018

8. SGS SA RESULTS

GREENHOUSE ANALYTICAL SERVICES

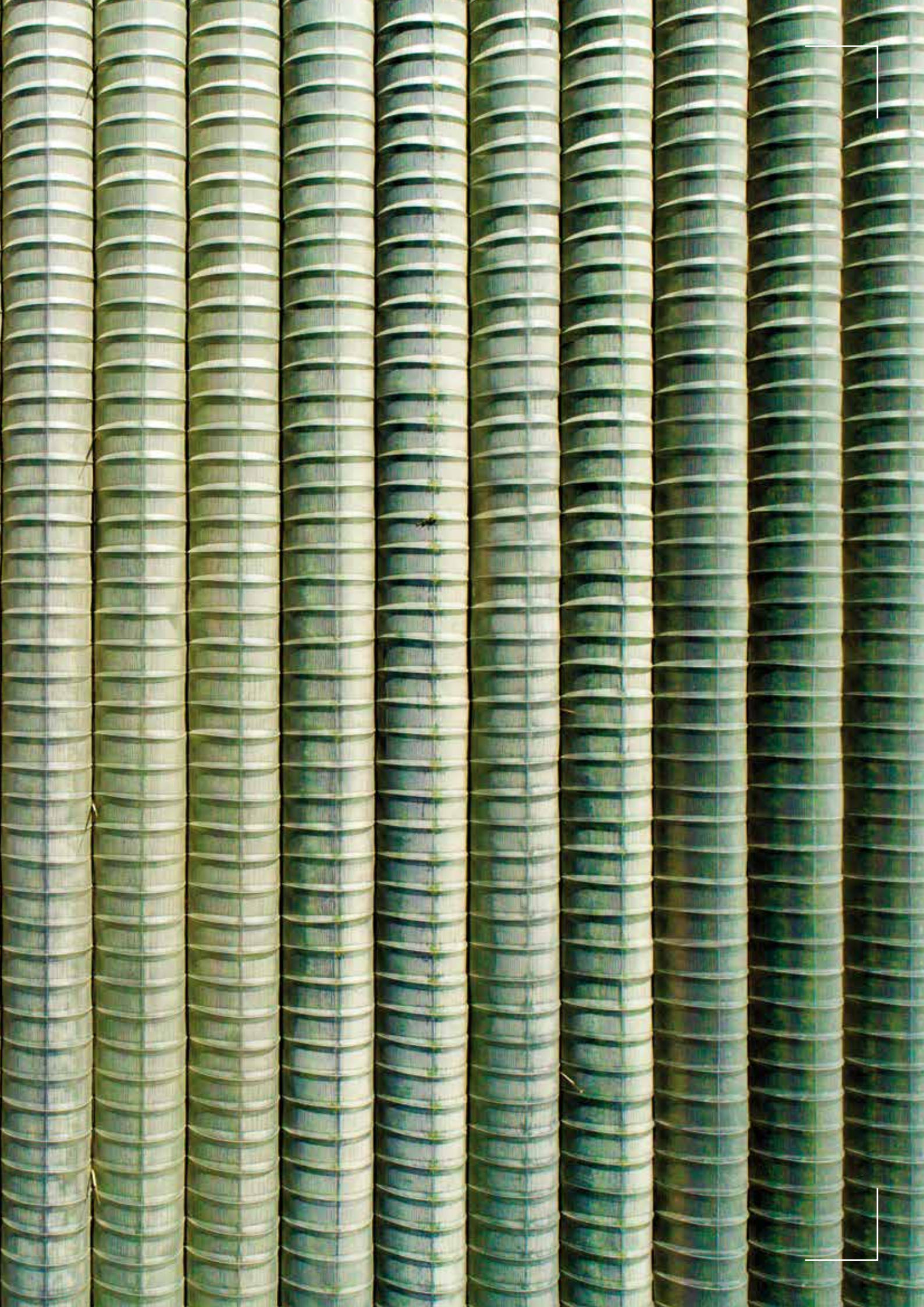
Our analytical services include water and tissue testing to make greenhouses more productive.

AGRICULTURE
FOOD AND LIFE



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION





INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	NOTES	2017	2016
OPERATING INCOME			
Dividends from subsidiaries		606	461
Other income		1	1
TOTAL OPERATING INCOME		607	462
OPERATING EXPENSES			
Other operating and administrative expenses		(6)	(5)
Depreciation of fixed assets		-	-
Other expenses		(7)	2
TOTAL OPERATING EXPENSES		(13)	(3)
OPERATING RESULT		594	459
FINANCIAL INCOME			
Financial income	7	57	51
Exchange gain, net		16	-
Liquidation of subsidiaries, net		-	7
TOTAL FINANCIAL INCOME		73	58
FINANCIAL EXPENSES			
Financial expenses	7	(47)	(48)
Exchange loss, net		-	(23)
TOTAL FINANCIAL EXPENSES		(47)	(71)
FINANCIAL RESULT		26	(13)
PROFIT BEFORE TAXES		620	446
Taxes		(2)	(1)
Withholding taxes		(9)	(9)
PROFIT FOR THE YEAR		609	436

BALANCE SHEET AT 31 DECEMBER

(BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS)

<i>(CHF million)</i>	NOTES	2017	2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		607	312
Other financial assets		46	28
Amounts due from subsidiaries		285	337
Accrued income and prepaid expenses		-	-
TOTAL CURRENT ASSETS		938	677
NON-CURRENT ASSETS			
Financial assets			
Investments in subsidiaries	2	1 651	1 503
Loans to subsidiaries		1 266	1 404
Other financial assets		-	-
Fixed assets			
Tangible fixed assets	3	2	2
TOTAL NON-CURRENT ASSETS		2 919	2 909
TOTAL ASSETS		3 857	3 586
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHORT-TERM LIABILITIES			
Other creditors		1	1
Amounts due to subsidiaries		60	56
Deferred income and accrued expenses		58	91
Provisions		33	34
TOTAL SHORT-TERM LIABILITIES		152	182
LONG-TERM LIABILITIES/NON-CURRENT LIABILITIES			
Long-term liabilities – subsidiaries		499	655
Corporate bonds	4	2 075	1 700
TOTAL LONG-TERM LIABILITIES/NON-CURRENT LIABILITIES		2 574	2 355
CAPITAL AND RESERVE			
Share capital	5 & 6	8	8
Statutory capital reserve	5 & 6	34	34
Statutory retained earnings	5 & 6	992	1 253
Own shares for share buyback	5 & 6	-	(361)
Reserve for own shares held by a subsidiary	5 & 6	97	115
TOTAL CAPITAL AND RESERVE		1 131	1 049
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3 857	3 586

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 headquarters are 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 accounting principles required by Swiss law.

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 a cash basis.

BONDS

Bonds are recorded at nominal value.

2. SUBSIDIARIES

The list of principal Group subsidiaries appears in the Annual Report on pages 249–252.

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 %
08.03.2011	375	2.625	2019	100.832	100.000
27.05.2011	275	3.000	2021	100.480	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
03.03.2017	375	0.550	2026	100.153	100.000

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 SHARE BUYBACK	STATUTORY RETAINED EARNINGS	TOTAL
BALANCE AT 1 JANUARY 2016	8	34	175	(145)	1 273	1 345
Dividends paid	-	-	-	-	(516)	(516)
Decrease in the reserve for own shares	-	-	(60)	-	60	-
Purchase of shares for buyback	-	-	-	(216)	-	(216)
Profit for the year	-	-	-	-	436	436
BALANCE AT 31 DECEMBER 2016	8	34	115	(361)	1 254	1 049
Dividends paid	-	-	-	-	(528)	(528)
Decrease in the reserve for own shares	-	-	(18)	-	18	-
Purchase of shares for buyback	-	-	-	361	(361)	-
Profit for the year	-	-	-	-	609	609
BALANCE AT 31 DECEMBER 2017	8	34	97	-	992	1 131

6. SHARE CAPITAL

	SHARES IN CIRCULATION	OWN SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL (CHF MILLION)
BALANCE AT 1 JANUARY 2016	7 605 460	216 976	7 822 436	8
Own shares released into circulation	49 162	(49 162)	-	-
Own shares purchased for future equity compensation plans	(6 315)	6 315	-	-
Own shares purchased for buyback	(109 800)	109 800	-	-
BALANCE AT 31 DECEMBER 2016	7 538 507	283 929	7 822 436	8
Own shares released into circulation	30 133	(30 133)	-	-
Own shares purchased for future equity compensation plans	(17 232)	17 232	-	-
Capital reduction by cancellation of own shares	-	(188 704)	(188 704)	-
BALANCE AT 31 DECEMBER 2017	7 551 408	82 324	7 633 732	8

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 633 732 (2016: CHF 7 822 436) fully paid-in and divided into 7 633 732 (2016: 7 822 436) registered shares of a par value of CHF 1. In 2017, SGS SA proceeded to a capital reduction of 188 704 shares. 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 2017, SGS SA held indirectly 82 324 of its own shares. In 2017, SGS SA proceeded to the cancellation of 188 704 of its own shares directly held by SGS SA while the shares to cover the equity compensation plans are held by a subsidiary company.

In 2017, 30 133 own shares were sold to cover the equity compensation plans and 17 232 were purchased for an average price of CHF 2 484.

In 2017, the Group initiated a share buyback programme for a total of up to CHF 250 million. Approximately CHF 200 million is expected to be bought back via a second trading line on the SIX Swiss Exchange for the purpose of share capital reduction. Approximately CHF 50 million is expected to be bought back via the ordinary trading line on the SIX Swiss Exchange for employee equity participation plans. The share buyback programme started on 15 May 2017 and will end on 31 December 2018

7. FINANCIAL INCOME AND FINANCIAL EXPENSES

(CHF million)	2017	2016
FINANCIAL INCOME		
Interest income 3 rd party	1	1
Interest income Group	56	50
FINANCIAL INCOME	57	51
FINANCIAL EXPENSES		
Interest expenses 3 rd party	(31)	(35)
Interest expenses Group	(3)	(2)
Other financial expenses	(13)	(11)
FINANCIAL EXPENSES	(47)	(48)

8. GUARANTEES AND COMFORT LETTERS

<i>(CHF million)</i>	2017 ISSUED	2017 UTILISED	2016 ISSUED	2016 UTILISED
Guarantees	460	286	284	237
Performance bonds	44	44	38	38
TOTAL	504	330	322	275

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 paragraph 2 in the Annual Report on pages 157–160.

9.2. REMUNERATION MODEL

This section appears in the SGS Remuneration Report paragraph 3 in the Annual Report on pages 160–168.

9.3. REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

This section appears in the SGS Remuneration Report paragraph 4 in the Annual Report on page 169.

9.4. REMUNERATION AWARDED TO THE CEO, SENIOR MANAGEMENT AND OTHER MEMBERS OF THE OPERATION COUNCIL

This section appears in the SGS Remuneration Report paragraph 5 in the Annual Report on pages 170–173.

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 2017:

NAME	SGSPF (2014)	SGSBB (2015)	RESTRICTED SHARES	SHARES
S. Marchionne	-	-	-	1 335
A. von Finck	-	-	-	19 670
A. F. von Finck	-	-	-	786 255
C. Grupp	-	-	-	-
P. Kalantzis	-	-	-	85
S.R. du Pasquier	-	-	-	10
P. Desmarais	-	-	-	-
I. Galienne	-	-	-	-
G. Lamarche	-	-	-	-
C. Kirk	222 818	206 806	46	1 199

8. SGS SA RESULTS

The following table shows the shares and vested options held by Members of the Board of Directors as at 31 December 2016:

NAME	SGSWS (2013)	SGSPF (2014)	SGSBB (2015)	RESTRICTED SHARES	SHARES
S. Marchionne	40 000	50 000	-	-	1 150
A. von Finck	-	-	-	-	19 670
A. F. von Finck	-	-	-	-	786 255
C. Grupp	-	-	-	-	-
P. Kalantzis	-	-	-	-	85
S.R. du Pasquier	-	-	-	-	5
P. Desmarais	-	-	-	-	-
I. Galienne	-	-	-	-	-
G. Lamarche	-	-	-	-	-
C. Kirk	48 576	188 546	206 806	46	1 199

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 2017:

NAME	CORPORATE RESPONSABILITY	SGSPF (2014)	SGSBB (2015)	RESTRICTED SHARES	SHARES
F. NG	Chief Executive Officer	-	55 152	325	-
C. De Geyseler	Chief Financial Officer	-	8 831	134	-
O. Merkt	General Counsel and Chief Compliance Officer	-	33 048	78	45

The following table shows the shares and vested options held by Senior Management as at 31 December 2016:

NAME	CORPORATE RESPONSABILITY	SGSWS (2013)	SGSPF (2014)	SGSBB (2015)	RESTRICTED SHARES	SHARES
F. NG	Chief Executive Officer	46 632	15 642	55 152	180	-
C. De Geyseler	Chief Financial Officer	-	26 667	8 831	91	-
O. Merkt	General Counsel and Chief Compliance Officer	-	17 643	33 048	53	45

Details of the various plans are explained in the Remuneration Report.

11. SIGNIFICANT SHAREHOLDERS

As at 31 December 2017, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 16.60% (2016: 16.20%). Mr. August von Finck and members of his family acting in concert held 15.52% (2016: 15.03%), BlackRock, Inc. held 4% (2016: 3.03%) and MFS Investment Management held 3.02% (2016: 3.01%) of the share capital and voting rights of the company.

At the same date, the SGS Group held 1.08% of the share capital of the company (2016: 3.63%).

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF AVAILABLE RETAINED EARNINGS

(CHF)	2017	2016
Profit for the year	609 792 420	436 216 325
Balance brought forward from previous year	364 829 480	610 633 820
Dividend paid on own shares released into circulation in 2016 prior the Annual General Meeting on 14 March 2016	-	(39 772)
Dividend paid on own shares released into circulation in 2017 prior the Annual General Meeting on 21 March 2017	(351 442)	-
Capital reduction by cancellation of own shares	188 704	-
Share buyback programme	-	(215 274 875)
Reversal from the reserve for own shares	17 259 460	60 989 472
TOTAL RETAINED EARNINGS AVAILABLE FOR APPROPRIATION	991 718 622	892 524 970
<i>Proposal of the Board of Directors:</i>		
Dividends ¹	(566 355 600)	(527 695 490)
BALANCE CARRIED FORWARD	425 363 022	364 829 480
Ordinary gross dividend per registered share	75.00	70.00

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 12 February 2018, and will be submitted for approval by the Annual General Meeting of Shareholders to be held on 19 March 2018.

Statutory Auditor's Report

To the General Meeting of
SGS SA, Geneva

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SGS SA, which comprise the balance sheet as at December 31, 2017 and the income statement and notes for the year then ended, including the summary of significant accounting policies.

In our opinion the accompanying financial statements as at December 31, 2017, presented on pages 231 to 238, comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investments in subsidiaries and related loans to subsidiaries

Key audit matter

As described in Note 2 to the financial statements, the company holds investments in subsidiaries with a carrying value of CHF1'651 million as of December 31, 2017, representing 42.8% of total assets. The list of principal Group subsidiaries can be found in the Annual Report on pages 249 to 252. The valuation of these assets is dependent on the ability of these subsidiaries to generate positive cash flows in the future. The company also has loans to subsidiaries amounting to CHF1'266 million.

In accordance with Article 960 CO, these investment balances are valued by individual investment and the values are therefore tested annually for impairment. An impairment would need to be recorded if the recoverable values of individual investments were lower than the associated carrying values, or if loan balances were no longer considered recoverable from the associated entities.

The company uses the "income approach" for its impairment tests of investments, and prepares a discounted cash flow forecast for each significant balance. The inputs to the impairment testing model which have the most significant impact on the recoverable value include:

- Projected revenue growth, operating margins and operating cash-flows in the years 1-5;
- Stable long-term growth rates in years 6-10 and in perpetuity; and
- Country and business specific discount rates (pre-tax).

The annual impairment testing is considered to be a risk area for the Board of Directors and a key audit matter because the assumptions on which the tests are based are highly judgmental and are affected by future market and economic conditions which are inherently uncertain, and because of the materiality of the balances to the statutory financial statements as a whole.

How the scope of our audit responded to the key audit matter

We tested the adequate implementation of accounting policies and the design and implementation of key controls regarding the valuation of investments in subsidiaries and related loans.

We challenged the impairment testing conducted by the company. We tested the valuations and amounts of investments on a sample basis by critically assessing the methodology applied and assessing the reasonableness of the underlying assumptions and judgements. Together with our valuation specialists, we performed the following procedures:

- checking the operational accuracy of the impairment models and the accuracy of extraction of inputs from source documents;
- challenging the significant inputs and assumptions used in the impairment testing models for investments, specifically the discount rates and the five year projected revenues and margins.

We challenged the recoverability of loans to subsidiaries and tested balances on a sample basis with reference with to the financial position of the subsidiaries.

We evaluated the appropriateness and completeness of the related disclosures in the financial statements.

Based on the audit procedures performed above, we consider management's estimates in the assessment of the recoverable value of investments in, and loans to, subsidiaries along with related financial statement disclosures to be appropriate.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse:

<http://expertsuisse.ch/en/audit-report-for-public-companies>.

This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and the 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.

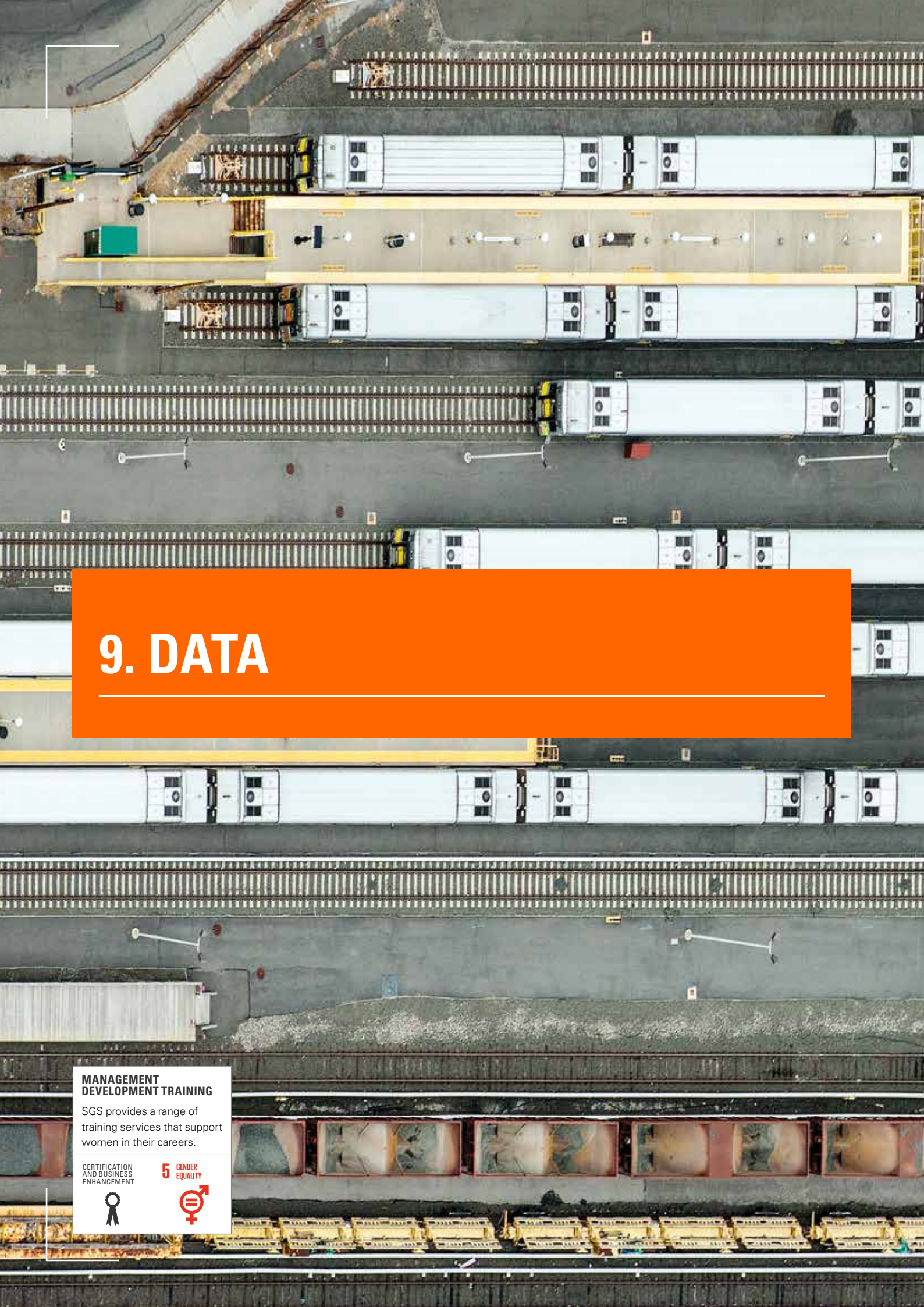
Deloitte SA

Matthew Sheerin
Licensed Audit Expert
Auditor in Charge



Joëlle Herbette
Licensed Audit Expert

Geneva, 12 February 2018



9. DATA

MANAGEMENT DEVELOPMENT TRAINING

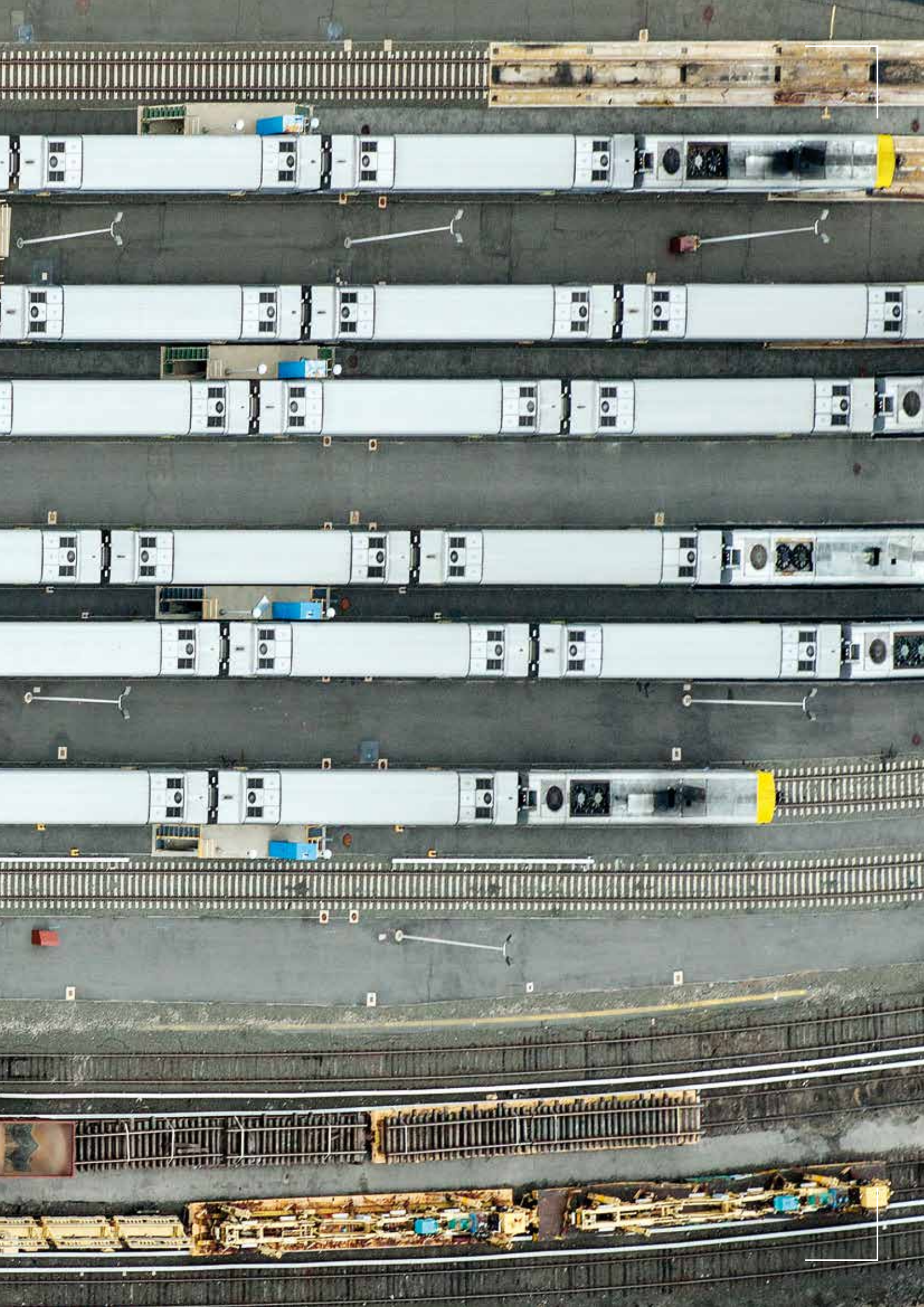
SGS provides a range of training services that support women in their careers.

CERTIFICATION AND BUSINESS ENHANCEMENT



5 GENDER EQUALITY





SGS GROUP – FIVE-YEAR STATISTICAL DATA CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	2017	2016	2015	2014	2013
REVENUE	6 349	5 985	5 712	5 883	5 830
Salaries and wages	(3 193)	(3 009)	(2 849)	(2 891)	(2 871)
Subcontractors' expenses	(394)	(368)	(345)	(361)	(357)
Depreciation, amortisation and impairment	(338)	(336)	(322)	(304)	(298)
Other operating expenses	(1 530)	(1 456)	(1 374)	(1 386)	(1 392)
OPERATING INCOME (EBIT)	894	816	822	941	912
Financial income/(expense)	(43)	(45)	(43)	(41)	(38)
PROFIT BEFORE TAXES	851	771	779	900	874
Taxes	(187)	(185)	(195)	(234)	(236)
PROFIT FOR THE YEAR	664	586	584	666	638
<i>Profit attributable to:</i>					
Equity holders of SGS SA	621	543	549	629	600
Non-controlling interests	43	43	35	37	38
OPERATING INCOME MARGINS IN %	15.3	13.6	14.4	16.0	15.6
AVERAGE NUMBER OF EMPLOYEES	93 556	89 626	85 903	83 515	80 510

SGS GROUP – FIVE-YEAR STATISTICAL DATA CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER

<i>(CHF million)</i>	2017	2016	2015	2014	2013
Land, buildings and equipment	1 002	972	964	1 043	1 029
Goodwill and other intangible assets	1 460	1 441	1 306	1 337	1 216
Investments in associated and other companies	36	38	32	24	18
Deferred tax and other non-current assets	305	287	315	244	215
TOTAL NON-CURRENT ASSETS	2 803	2 738	2 617	2 648	2 478
Unbilled revenues and inventories	339	290	288	330	330
Trade accounts and notes receivable	1 068	997	917	1 068	952
Other receivables and prepayments	236	252	272	298	247
Current tax assets	104	88	66	73	59
Cash and marketable securities	1 393	984	1 734	1 350	973
TOTAL CURRENT ASSETS	3 140	2 611	3 277	3 119	2 561
TOTAL ASSETS	5 943	5 349	5 894	5 767	5 039
Share capital	8	8	8	8	8
Reserves	1 911	1 765	1 898	2 319	2 135
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA	1 919	1 773	1 906	2 327	2 143
Non-controlling interests	86	80	75	76	69
TOTAL EQUITY	2 005	1 853	1 981	2 403	2 212
Loans and obligations under finance leases	2 090	1 719	1 723	1 672	1 293
Deferred tax liabilities	45	42	60	74	66
Provisions and retirement benefit obligations	222	247	278	273	190
TOTAL NON-CURRENT LIABILITIES	2 357	2 008	2 061	2 019	1 549
Loans and obligations under finance leases	1	1	494	18	15
Trade and other payables	677	641	526	511	502
Current tax liabilities	152	166	159	175	142
Provisions, other creditors and accruals	751	680	673	641	619
TOTAL CURRENT LIABILITIES	1 581	1 488	1 852	1 345	1 278
TOTAL LIABILITIES	3 938	3 496	3 913	3 364	2 827
TOTAL EQUITY AND LIABILITIES	5 943	5 349	5 894	5 767	5 039

SGS GROUP – FIVE-YEAR STATISTICAL SHARE DATA

(CHF unless indicated otherwise)

	2017	2016	2015	2014	2013
SHARE INFORMATION					
REGISTERED SHARES					
Number of shares issued	7 633 732	7 822 436	7 822 436	7 822 436	7 822 436
Number of shares with dividend rights	7 551 408	7 538 507	7 605 460	7 675 506	7 650 840
PRICE					
High	2 541	2 317	2 049	2 260	2 450
Low	2 051	1 734	1 577	1 802	1 952
Year-end	2 541	2 072	1 911	2 045	2 052
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	254.16	235.22	250.56	303.13	280.08
Basic earnings per share ¹	82.41	71.54	71.99	81.99	78.43
Dividend per share ordinary	75.00	70.00	68.00	68.00	65.00
Total dividend per share	75.00	70.00	68.00	68.00	65.00
DIVIDENDS (CHF MILLION)					
Ordinary ²	566	528	517	522	497
Total	566	528	517	522	497

1. Calculation of the basic earnings per share (weighted average for the year) is disclosed in note 9 of SGS Group Results.

2. As proposed by the Board of Directors.

SGS GROUP SHARE INFORMATION

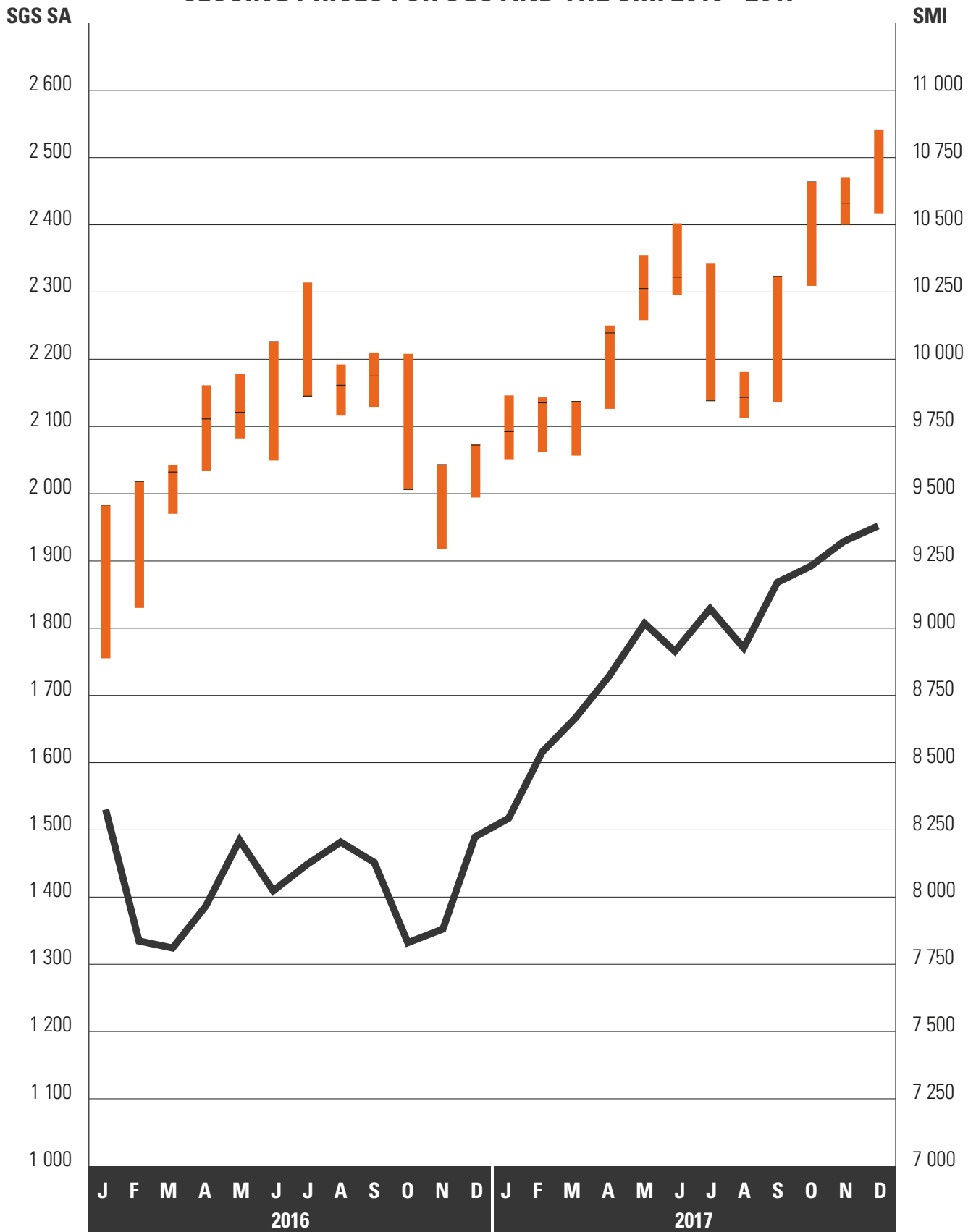
SHARE TRANSFER

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 2017, market capitalisation was approximately CHF 19 397 million (2016: CHF 16 208 million). Shares are quoted on the SIX Swiss Exchange.

CLOSING PRICES FOR SGS AND THE SMI 2016–2017



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	15 100 000	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
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	351 447 768	100	D
Brazil	SGS Enger Engenharia Ltda., Barueri-SP	BRL	21 152 379	100	I
Brazil	SGS Unigeo Geoprocessamento e Consultoria Ltda, Nova Mutum	BRL	4 870 257	75	I
Bulgaria	SGS Bulgaria Ltd., Sofia	BGN	5 010 000	100	D
Burkina Faso	SGS Burkina SA, Ouagadougou	XOF	601 080 000	100	D
Cambodia	SGS (Cambodia) Ltd., Phnom Penh	KHR	4 000 000 000	100	D
Cameroon	SGS Cameroun SA, Douala	XAF	10 000 000	98.9	D
Canada	SGS Canada Inc., Mississauga	CAD	20 900 000	100	D
Chile	SGS Chile Limitada, Santiago de Chile	CLP	27 022 991 237	100	D
Chile	SGS Minerals S.A., Santiago de Chile	CLP	17 435 309 703	99.9	I
Chile	SIGA Ingeniería y Consultoría S.A. Santiago de Chile	CLP	3 382 313 364	70	I
China	SGS-CSTC Standards Technical Services Co. Ltd., Beijing	USD	3 966 667	85	I
Colombia	SGS Colombia SAS, Bogota	COP	91 355 222 605	100	D
Colombia	Estudios Técnicos SAS, (ETSA), Bogota	COP	6 021 642 700	100	I
Colombia	Laboratorios Contecon Urbar SAS, Bogota	COP	2 489 200	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 Minerals RDC SARL, Lubumbashi	USD	50 000	100	D

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 Finland Oy, Helsingfors	EUR	102 000	100	I
France	SGS France SAS, Arcueil	EUR	3 172 613	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	52	I
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	GTO	4 250 000	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	99.99	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	228 146 527	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
Lao (People's Democratic Republic)	SGS (Lao) Sole Co., Ltd., Vientiane	LAK	2 444 700 000	100	D
Latvia	SGS Latvija Limited, Riga	EUR	118 382	100	I
Lebanon	SGS (Liban) S.A.L., Beirut	LBP	30 000 000	99.97	D

9. DATA

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT/INDIRECT
Liberia	SGS Liberia Inc, Monrovia	LRD	100	100	D
Lithuania	SGS Klaipeda Ltd., Klaipeda	EUR	711 576	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	750 000	70	D
Malaysia	SGS (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	60 000	100	D
Mali	SGS Mali Sarlu, 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	7 068 528	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, Matola	MZN	73 479 883	100	D
Myanmar	SGS (Myanmar) Limited, Yangon	MMK	300 000	100	D
Namibia	SGS Inspection Services Namibia (Proprietary) Limited, Windhoek	NAD	100	100	I
Netherlands	SGS Nederland B.V., Spijkenisse	EUR	250 000	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	49	D
Norway	SGS Norge A/S, Austrheim	NOK	804 000	100	I
Oman	SGS Oman (FZC) LLC, Sohar	OMR	500 000	100	D
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	18 850 000	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	43 081 182	100	D
Philippines	SGS Philippines, Inc., Manila	PHP	24 620 000	100	D
Poland	SGS Polska Sp.z o.o., Warsaw	PLN	27 167 800	100	I
Portugal	SGS Portugal – Sociedade Geral de Superintendência SA, Lisboa	EUR	500 000	100	I
Qatar	SGS Qatar LLC, Doha	QAR	200 000	49	D
Romania	SGS Romania SA, Bucharest	RON	100 002	100	I
Russia	SGS Vostok Limited, Moscow	RUB	18 000 000	100	D
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

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT/INDIRECT
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
South Africa	SGS Bateman (Pty) Ltd, Bryanston	ZAR	100	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	7 633 732		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
Taiwan	Compliance Certification Services Inc. New Taipei City	TWD	353 330 780	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
United States	SGS CyberMetrix Inc., Columbus	USD	241 111	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	10 000	100	I
Zimbabwe	SGS Zimbabwe (Private) Limited, Harare	ZWD	5 000	100	D

10. SHAREHOLDER INFORMATION

FOREST PRODUCT CHAIN-OF-CUSTODY CERTIFICATION

SGS' certifications demonstrate that traded and used wood comes from controlled sources and well-managed forests.

AGRICULTURE,
FOOD AND LIFE



15
LIFE
ON LAND





SGS SA CORPORATE OFFICE

1 place des Alpes
P.O. Box 2152
CH – 1211 Geneva 1
t +41 (0)22 739 91 11
f +41 (0)22 739 98 86
e sgs.investor.relations@sgs.com
www.sgs.com

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

INVESTOR RELATIONS SGS SA

Julie Engelen
SGS SA
1 place des Alpes
P.O. Box 2152
CH – 1211 Geneva 1
t +41 (0)22 739 92 78
f +41 (0)22 739 92 00
www.sgs.com

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Monday, 19 March 2018
Geneva, Switzerland

2018 HALF YEAR RESULTS

Wednesday, 18 July 2018

INVESTOR DAYS – EUROPE

Thursday and Friday
8 and 9 November 2018

DIVIDEND PAYMENT DATE

Ex-date: 21 March 2018
Record date: 22 March 2018
Payment date: 26 March 2018

MEDIA RELATIONS

Daniel Rufenacht
SGS SA
1 place des Alpes
P.O. Box 2152
CH – 1211 Geneva 1
t +41 (0)22 739 94 01
f +41 (0)22 739 92 00
www.sgs.com

PROJECT MANAGEMENT

John Coolican

CONCEPT, DESIGN, PHOTOGRAPHY, REALISATION AND PRODUCTION

Group Charlescannon SARL
Geneva, Switzerland

PRINTED BY

Druckcenter am Rigi
Küssnacht, Switzerland
Printed on 100% recycled BalancePure
offset paper, February 2018

WWW.SGS.COM

WHEN YOU NEED TO BE SURE

