

PROFESSIONAL  
EXCELLENCE

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PEOPLE

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ENVIRONMENT

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COMMUNITY

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**SUSTAINABILITY REVIEW 2014**

**SGS**

**>80 000**  
*employees*

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**ONE**  
*global network*

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**>1 650**  
*offices and laboratories*

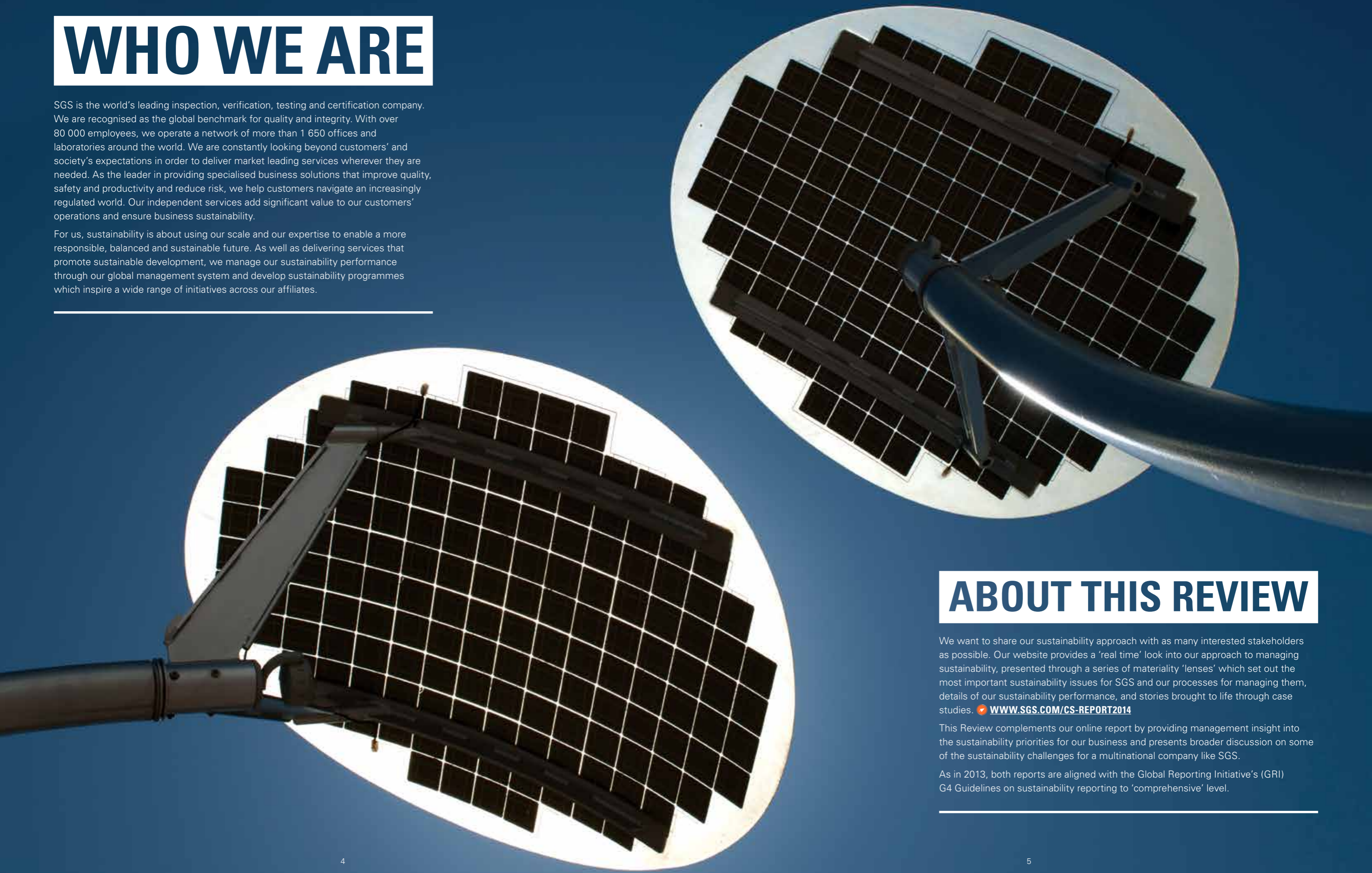
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# WHO WE ARE

SGS is the world's leading inspection, verification, testing and certification company. We are recognised as the global benchmark for quality and integrity. With over 80 000 employees, we operate a network of more than 1 650 offices and laboratories around the world. We are constantly looking beyond customers' and society's expectations in order to deliver market leading services wherever they are needed. As the leader in providing specialised business solutions that improve quality, safety and productivity and reduce risk, we help customers navigate an increasingly regulated world. Our independent services add significant value to our customers' operations and ensure business sustainability.

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



## ABOUT THIS REVIEW

We want to share our sustainability approach with as many interested stakeholders as possible. Our website provides a 'real time' look into our approach to managing sustainability, presented through a series of materiality 'lenses' which set out the most important sustainability issues for SGS and our processes for managing them, details of our sustainability performance, and stories brought to life through case studies. [WWW.SGS.COM/CS-REPORT2014](http://WWW.SGS.COM/CS-REPORT2014)

This Review complements our online report by providing management insight into the sustainability priorities for our business and presents broader discussion on some of the sustainability challenges for a multinational company like SGS.

As in 2013, both reports are aligned with the Global Reporting Initiative's (GRI) G4 Guidelines on sustainability reporting to 'comprehensive' level.

OVERVIEW



INTRODUCTION FROM OUR CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Our Chairman and CEO look back on our sustainability journey over five years and look forward to 2020 - PAGE 08

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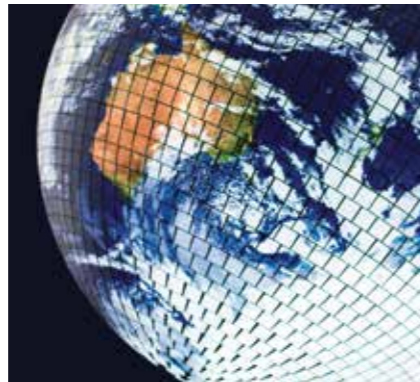
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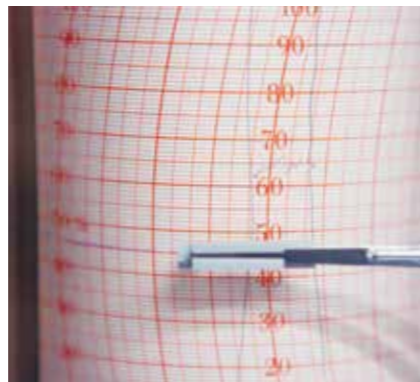
OUR VALUE TO SOCIETY

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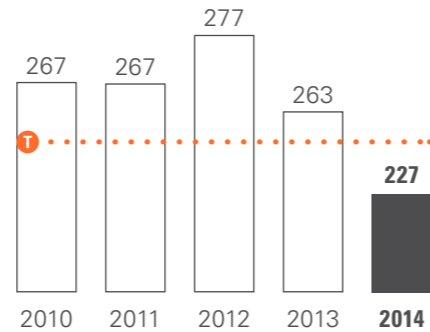
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SUSTAINABILITY IN FIGURES



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OUR REPORTING

OUR STAKEHOLDERS, OUR REPORTING AND OUR REPORT ASSURANCE

Our approach to engaging with our stakeholders – what we've heard and how we are responding - PAGE 100



FIND THE REPORT ONLINE AT WWW.SGS.COM/CS-REPORT2014

Our website is an integral part of our reporting covering a wide range of issues, data and case studies at global and affiliate levels



FOCUS AREAS

PROFESSIONAL EXCELLENCE

Trust lies at the heart of the value we deliver to our customers and society. We have a responsibility to maintain the highest levels of professional integrity - PAGE 42

PEOPLE

Our people are our most important asset. We must ensure that our employees are safe and healthy at work, treated fairly and with respect and are able to fulfil their potential - PAGE 52

ENVIRONMENT

We are committed to achieving sustainable growth while managing our impact on the environment, under our aim to "Do More With Less". We also recognise our role in supporting our customers to improve their own environmental performance. We support the precautionary principle through our commitment to measuring and reducing our carbon footprint - PAGE 70

COMMUNITY

We welcome local talent and knowledge to our business. We want to give back to the communities in which we operate and live - PAGE 88

# DEAR STAKEHOLDERS

Looking back on the last four years, there have been many noteworthy achievements. Our ability to attract 20 000 new people into our business, acquire 62 companies and further innovate and broaden our service offering has been key to us increasing our scale and sustaining our market leadership in an increasingly competitive sector.

The significant investment in our people and our network has strengthened our determination to succeed in an enduringly tough market environment, defined by economic and geopolitical instability and the unprecedented consequences from health and climate change-related crises. We have a highly efficient organisation and an established business model which is delivering operational efficiency improvements year-on-year.

In sustainability terms, the business has matured significantly, and we are pleased that our efforts are being recognised. In January 2015, SGS

received the Gold Class Sustainability Award and was named Industry Leader and Industry Mover by RobeccoSAM based on our performance in the 2014 Dow Jones Sustainability Indices (DJSI) World and Europe. We were also awarded a position on the 'A List' in the CDP Climate Performance Leadership Index 2014, a global ranking of 187 listed companies on their approach to climate change mitigation.

We have continued to evolve our reporting approach, migrating our report in 2013 to an online, interactive version with an accompanying executive summary. This resulted in SGS being ranked amongst the top three Swiss companies and the overall most improved reporter in the Lundquist CSR Online Awards. We have also achieved alignment to the Global Reporting Initiative's (GRI) G4 reporting framework at 'Comprehensive' level in 2013 and 2014.

We are on a journey to reduce our carbon emissions and minimise our impact on climate change. By 2020, we plan to have reduced our annual CO<sub>2</sub> emissions by 20% on a 2014 baseline, through improved energy efficiency and by switching to low carbon options including renewable energy sources. In addition, we annually offset all

residual CO<sub>2</sub> emissions associated with operations in our major countries to maintain our status as a carbon neutral company. Underlining our commitment to a low carbon future, in December 2014, SGS signed the RE100 pledge to use 100% renewable power by 2020. We complement technical solutions with behavioural change; our "Do More With Less" internal environmental campaign was extended to nine more countries in 2014, and we launched our first Lower Carbon Day aimed at encouraging employees to minimise their carbon footprint at work and at home.

Our unique Green Book – an innovative tool in the market measuring the triple bottom line of sustainability performance – enables us to manage a diverse range of sustainability issues, such as electricity consumption and employee turnover, by understanding the real and projected financial impact of our performance across more than 90 indicators. Overall, we estimate that our sustainability performance is equivalent to around 6.5% of our revenue in trend countries.

As always, a special mention should go to our employees. We are proud to have an engaged and motivated workforce. More than 50 000 employees

and contractors participated in our global Safety Day, and over 2 500 people in 34 countries competed in the Global Corporate Challenge to improve their health and well-being. More than 36 000 colleagues in 30 countries responded to our third annual engagement initiative, revealing that our employee engagement and performance excellence scores remain stable at 65% and 70% respectively, which are broadly in line with global norms. Our unique Sustainability Engagement Index indicates that 75% of employees are aware of how sustainability supports our business growth.

During 2014, our CO<sub>2</sub> emissions decreased by 0.4% against 2013, despite sustained business growth and expansion of our business through acquisitions. This can be attributed to the many sustainability projects across our affiliates that are focused on energy reduction and efficiency. Maintaining a relentless focus on optimising energy efficiency in our buildings and through our supply chain will help to ensure that we effectively 'de-couple' our CO<sub>2</sub> emissions from our business growth in the years ahead.

With successes, there have been challenges too. We will continue to reinforce our safety culture to ensure

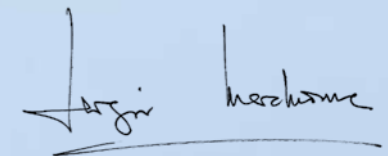
employees remain vigilant at all times, including when they are on the road or at client sites. We will also seek to further manage the underlying causes of sickness absence and employee turnover in key areas.

We feel it is important that we use our market position and our expertise in sustainability to tackle some critical challenges facing multinational companies like ours. That is why we have outlined in this document a number of ambitions for 2020 which will see us driving innovation in areas such as occupational safety, diversity and equal opportunities, responsible sourcing, energy management, and supporting communities.

Despite the importance of tackling sustainability issues in our own operations, we realise that SGS can have a much larger impact by helping customers to respond to the most critical sustainability challenges of our time. From reducing carbon to restoring trust in global food chains and ensuring the safety of new technologies, we are driven to offering innovative solutions that exceed their expectations. In 2014, we reinforced our position in the sustainability services market with the acquisition of the Search Group, a leading engineering and sustainability

advisory firm with a laboratory and training institute in the Netherlands, and US-based Galson Laboratories, a global leader in industrial hygiene analysis and monitoring solutions. Adding such services to our existing portfolio serves to enhance our value to society. During 2015, we will be examining our value to society to better understand how we can optimise our contribution to a more sustainable and economically viable future for everyone.

We would like to thank every one of our 80 000 employees for their professionalism, hard work, passion and entrepreneurialism. Together, we can contribute to a more sustainable society.



**SERGIO MARCHIONNE**  
Chairman



**CHRISTOPHER KIRK**  
Chief Executive Officer

## OUR MANAGEMENT SYSTEM

This is the framework by which we identify our sustainability impacts and material aspects, set targets, conduct audits, implement programmes and measure our progress, analyse and improve our performance, and engage with our stakeholders.

Strong governance structures underpin the delivery of our sustainability strategy. The Sustainability Steering Committee, a sub-group of the Operations Council, oversees and approves our sustainability strategy. The Board of Directors reviews sustainability risks as part of the annual Board risk review.

Our sustainability management system is built around four pillars: Professional Excellence, People, Environment and Community. Each is supported by goals which are the responsibility of everyone in the company. These 'shared goals' define our strategy and direction in support of our sustainability vision. We combine a top-down and bottom-up approach to embedding sustainability throughout our global business. As an industry leader, we are committed to upholding the highest standards

to ensure our business operates in a sustainable way. We align our management system to ISO 26000, and our data monitoring and reporting on material issues to the AA 1000 Principles, the Global Reporting Initiative's G4 Guidelines, as well as specific frameworks such as the ISO 14064 International Standard for emissions inventories and verification. We have also begun to monitor our sustainability performance in the context of our value to society and expect to be able to report on this in future years.

**PASSION**

**INTEGRITY**

**ENTREPRENEURIALISM**

**INNOVATIVE SPIRIT**

## OUR VALUES

We seek to be epitomised 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.

## OUR SUSTAINABILITY FOCUS

Our materiality matrix sets out the issues that are deemed most important to our stakeholders and our business. Our online sustainability report describes in detail the processes we use to identify our most important issues (see Materiality Process), and it explains how we manage each of these issues of importance through our sustainability management system.

# SGS MATERIALITY MATRIX



# SGS SUSTAINABILITY

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



# 2020 AMBITIONS

PROFESSIONAL EXCELLENCE

DELIVER MEASURABLE SUSTAINABLE **VALUE TO SOCIETY**

LINK SUSTAINABILITY GOALS TO EXECUTIVE **INCENTIVES**

PEOPLE

MAINTAIN A NATURAL TURNOVER RATE OF NO MORE THAN **10%**

20% OF SENIOR LEADERSHIP POSITIONS WILL BE HELD BY **WOMEN**

MAINTAIN OUR TOTAL RECORDABLE INCIDENT RATE (TRIR) **BELOW 0.5**

ENVIRONMENT

REDUCE OUR ANNUAL CO<sub>2</sub> EMISSIONS (PER FTE) BY **20%\***

REDUCE OUR ANNUAL CO<sub>2</sub> EMISSIONS (BY REVENUE) BY **20%\***

COMMUNITY

INCREASE OUR INVESTMENT IN COMMUNITIES AROUND THE WORLD BY **30%\***

*\*against a 2014 baseline*

# OUR VALUE TO SOCIETY

**SUSTAINABILITY SERVICES ARE PART OF 'BUSINESS AS USUAL' FOR US AND ARE TOTALLY INTEGRATED INTO THE STRATEGY OF EACH BUSINESS LINE, INSTEAD OF NEEDING A SEPARATE SUSTAINABILITY STRATEGY AND ACCOUNTING LINE.**

The services we offer reflect customers' needs. Inevitably during the economic downturn, demand for services directly related to more immediate sustainability concerns, such as product safety, has been higher than for more discretionary services, reflecting end-consumer price sensitivity. In recent years, we have been offering a wider range of sustainability services in developing economies in response to the growing interest in such services in Africa in particular.



**SGS**  
EXPERTISE

**SUSTAINABLE  
BUSINESS  
ADVANTAGE**

**VALUE TO  
SOCIETY**

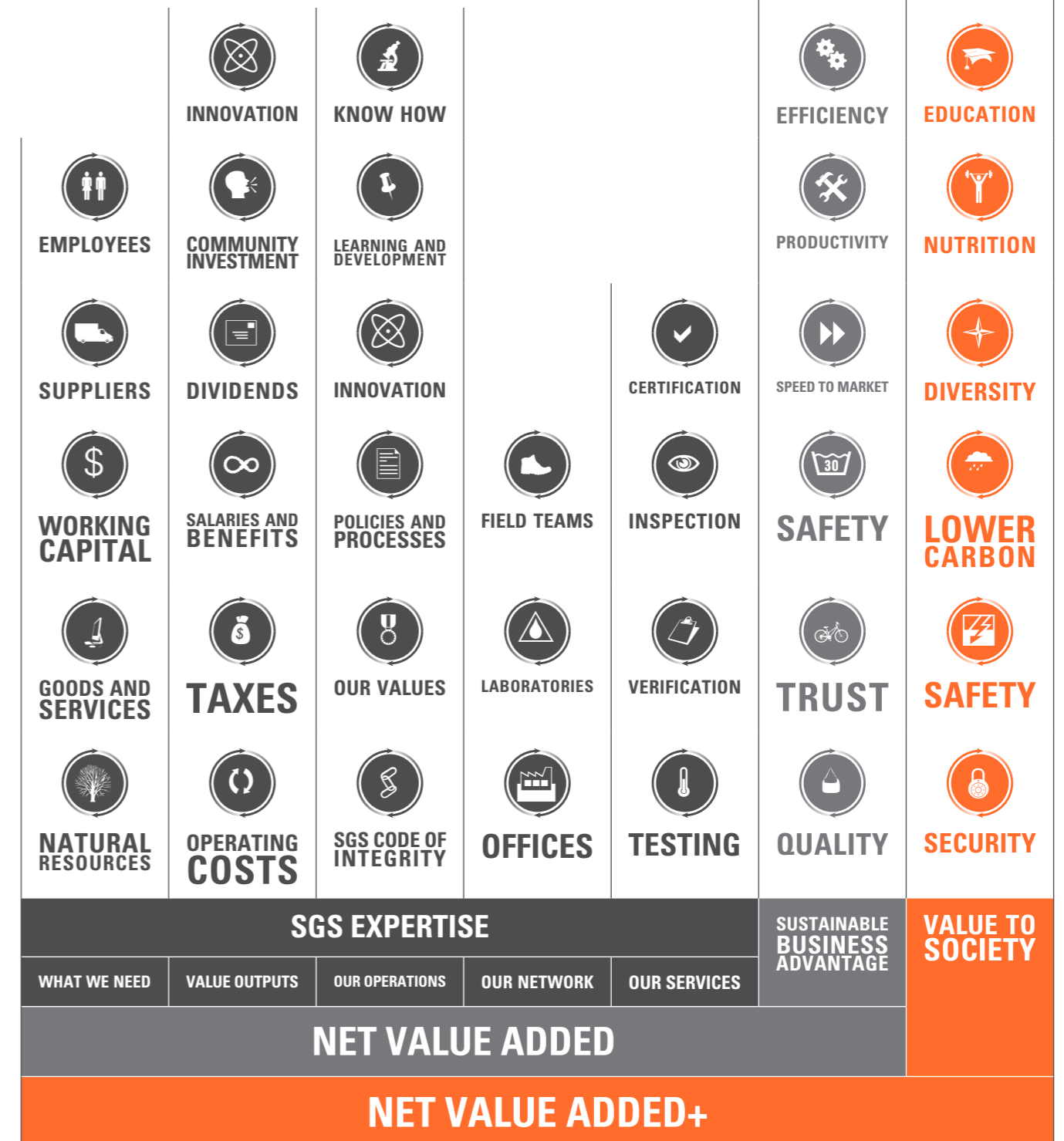






## GOING BEYOND GROSS VALUE ADDED (GVA)

Gross Value Added is employed by organisations to communicate their economic contribution to the countries they operate in. However GVA communicates a narrow view of contribution. Organisations do more good (and bad) than job creation, paying taxes and generating profits. Net Value Added 'Plus' (or NVA+) provides a better reflection of economic contribution by capturing the full range of positive and negative impacts on the natural environment, employees, customers, stakeholder networks and wider society.





# OUR SERVICES TOUCH ALMOST EVERY ASPECT OF SUSTAINABLE LIFESTYLES

## PRESERVING NATURAL RESOURCES

We support the agro-industry in protecting bees and non-target species from plant protection products using seed treatment applications.

Our fertigation monitoring service, involving plant tissue, soil and water analysis, helps to reduce costs, optimise resources and aid sustainability by helping farmers in important crop producing regions to make informed and timely decisions to apply nutrients and fertiliser appropriately to improve harvests. In 2014, SGS expanded its fertigation monitoring service, providing intelligent solutions for controlling and improving harvests in Tunisia, Egypt, Spain, Morocco and Chile.



Our Agricultural Services team in South Africa is transforming farming practices across the region through the use of a drone, enabling farmers and agronomists to maximise production with real time plant health inspections and detailed information about crop variability. We plan to extend this service to Latin America.

We support safe seed breeding programmes through effective quarantine to prevent the introduction of destructive pests and plant diseases which can damage native seeds, crops and wildlife with potentially devastating natural and commercial consequences. Working closely with the Brazilian authorities, our new post-entry quarantine station provides independent and accurate analysis of imported seeds to eliminate risks by detecting, identifying and containing pests and ensuring regulatory compliance.

## STRENGTHENING SAFETY AND HEALTHCARE



Controlling consignments using our truck and container tracking service, Omnis, enables us to alert customs administrations when unexpected events occur involving cargo that is in transit through their territories. Using real time analytics, customers can also optimise performance through the timing of journeys, route planning and fuel usage. We have deployed Omnis in Kenya and Ghana – both major road transit corridors – and we have helped to protect government revenues by ensuring that goods are delivered to the people who need them.

We conduct biosafety testing for vaccines to ensure they are free of potential contaminants.



Our web-based Airline Risk Calculator enables organisations to create and maintain aviation safety programmes that mitigate their exposure to airline risk and keep employees safe.

## CONTROLLING POLLUTION



In Australia we provide regular monitoring services to mines and baseline studies on contaminants in the Darwin and Mackay Harbours to control water pollution.

We provide ISO 17025 accredited stack testing at sites such as incinerators and power stations to help control air pollution.

**SUPPLY CHAIN  
MANAGEMENT**

**RESPONSIBLE  
PRODUCTION**

**COMMUNITY  
PROSPERITY**

## ENSURING PRODUCT SAFETY AND QUALITY



We test toys for chemicals and restricted substances in compliance with the chemical provisions under the European Union Toy Safety Directive.

**OUR TECHNICAL EXPERTS  
AND TOXICOLOGISTS CHECK  
COSMETICS ARE SAFE TO USE.**



SGS is helping footwear and leather goods companies to manage product safety, quality and functionality, as well as environmental and social impacts in their supply chains.

**WE PROVIDE OHSAS 18001:2007  
TRAINING FOR ALL LEVELS OF  
ABILITY AND AWARENESS.**

## PROMOTING ENERGY EFFICIENCY AND ALTERNATIVES TO FOSSIL FUELS

We provide energy management services to our customers.

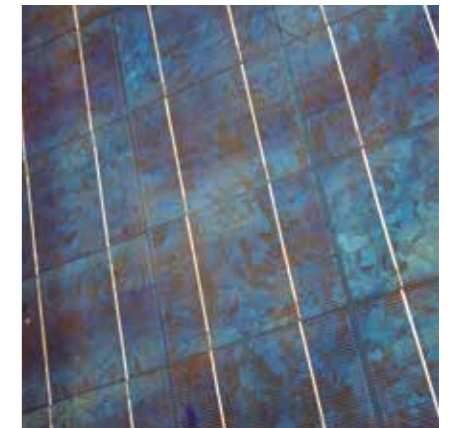
SGS Germany issued the first ISCC PLUS certificate for renewable fuels of non-biological origin in 2013. This was awarded to the renewable methanol plant of Icelandic company Carbon Recycling International (CRI).



We provide a variety of services related to energy efficiency in buildings, such as renewable energy feasibility studies, energy audits, energy performance certificates and ISO 50001 certification.



**WE CONDUCTED A STUDY OF  
NETBOOKS AND TABLETS TO  
HELP PRODUCT DESIGNERS  
CREATE LOWER ENERGY  
CONSUMPTION DEVICES.**



In 2014, SGS became the first worldwide testing laboratory to obtain accreditation for photovoltaic inverter standards in the CB Scheme, an international programme created by the International Electrotechnical Commission for Electrical Equipment (IECEE).

## ENABLING SUSTAINABLE TRANSPORT AND TOURISM



We test components of electric cars, such as batteries, to support safety, reliability and innovation.

In 2014, SGS became a member of the Global Sustainable Tourism Council and is contributing to the development of sustainable tourism standards.

## SECURING A SUSTAINABLE FOOD SUPPLY



We combat fraud by conducting species identification analysis on meat and fish.

**WE PROVIDE TRAINING ON FOOD HYGIENE.**



**WE PUBLISH WHITE PAPERS ON KEY TOPICS, SUCH AS THE CURRENT STATE OF GLOBAL SEAFOOD STOCKS AND HOW TO MEET DEMAND SUSTAINABLY.**

SGS is working with a major retail chain in France on a supplier improvement programme.



SGS is an approved certification body for UTZ, a programme for sustainable coffee, tea and cocoa farming and better opportunities for farmers.

## ENSURING RESPONSIBLE SUPPLY CHAINS

For a major technology company, we are retained to conduct supply chain audits, including checking social and environmental impacts and labour conditions.



SGS is involved in the Sustainable Apparel Coalition which is working to reduce the environmental and social impacts of apparel and footwear products globally using standardised measurement of the environmental and social impacts of apparel and footwear products across the product life cycle and throughout the value chain.



Through SGS Search, based in the Netherlands, we offer a range of specialist advisory services and engineering expertise on sustainable buildings. We also provide cradle-to-cradle product certifications for companies committed to the development of a circular economy.

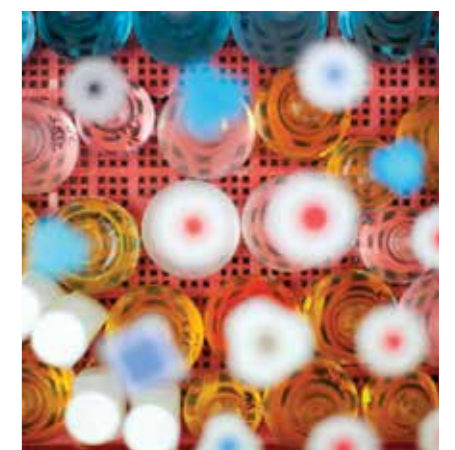
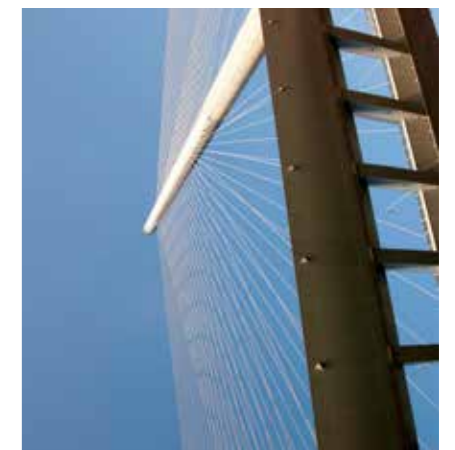
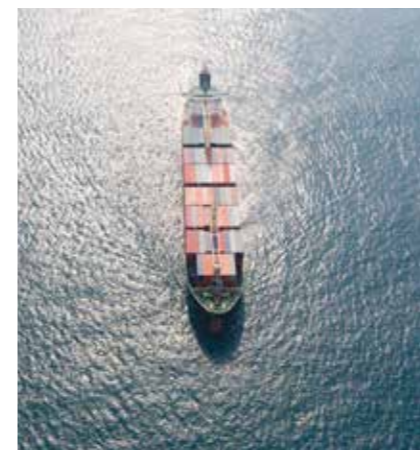
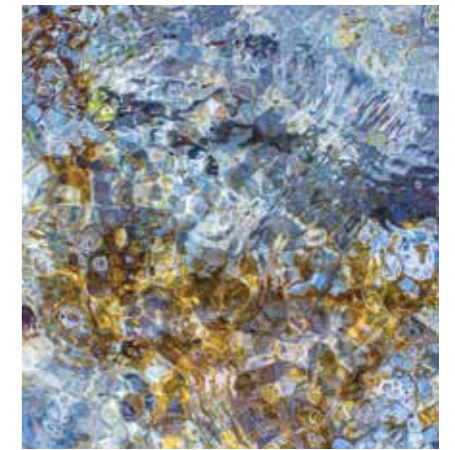
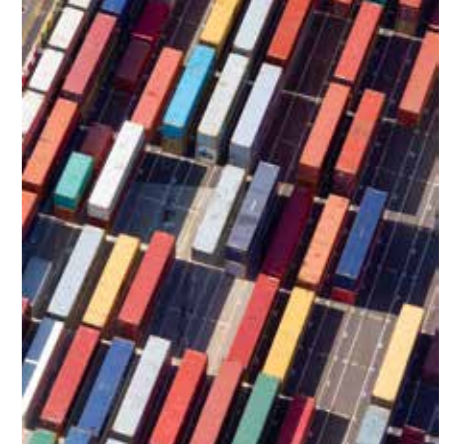


At our seven Paper and Packaging laboratories, located in America and Asia, we test packaging for chemical residues, biodegradability, life cycle impacts, carbon footprint and eco-labelling.

SGS provides assessment services and certification based on the European Water Stewardship (EWS) standard which encourages companies to become water stewards by assessing, acting on and improving the way they use and manage water.



# OUR 2014 HIGHLIGHTS





## LEADER

In January 2015, SGS received the Gold Class Sustainability Award and was named Industry Leader and Industry Mover by RobecoSAM based on our performance in the 2014 Dow Jones Sustainability Indices (DJSI) World and Europe



## TOP 3

SGS ranked amongst Top 3 Swiss companies and was the overall most improved reporter in the Lundquist CSR Online Awards



## A LIST

SGS awarded a position on 'The A List' in the CDP Climate Performance Leadership Index 2014, a global ranking of 187 listed companies on their approach to climate change mitigation



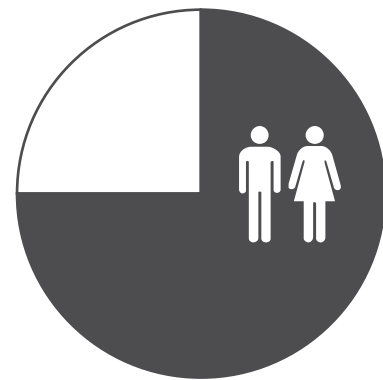
## 36 000+

employees in 30 countries took part in our annual employee survey



## 100%

of SGS employees signed SGS Code of Integrity



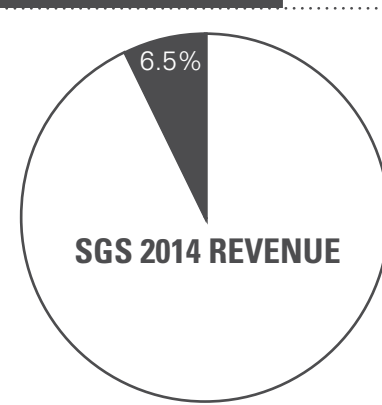
## 75%

of employees recognise the role that sustainability plays in supporting our business aims



## SAFETY

SGS received Nestoil Safety Award for non-destructive testing (NDT) service delivery in Nigeria which involved zero lost time incidents during the three-year project



## SGS 2014 REVENUE

Our sustainability performance represents around 6.5% of SGS revenue (based on the cost-benefit analysis of our sustainability performance in trend countries, as measured through our Green Book)



## SGS SAFETY DAY



## 50 000

More than 50 000 people took part in our annual Safety Day, "Prevention through Intervention"



## CARBON NEUTRAL

SGS achieved 100% carbon neutral status in 2014\*  
(\*having reduced GHG emissions through energy efficiency measures, sourcing renewable power, and purchasing emission reduction units to offset remaining emissions)

## RE 100

SGS became one of the first companies to sign up to the 'RE 100' initiative, pledging to use 100% renewable power by 2020



## DO MORE WITH LESS

12 000+ employees worldwide involved in changing environmental behaviour through the Do More With Less campaign

## 40 HOURS OF TRAINING

During the year, 40 hours per employee were spent on training and development

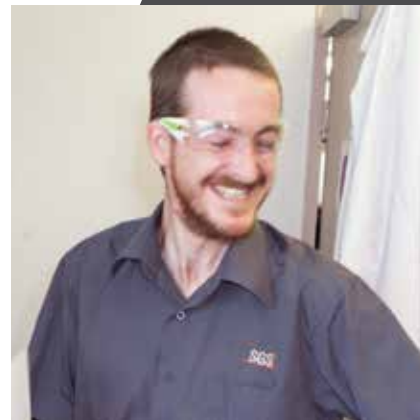


## 2 500

More than 2 500 employees committed to improving their health and fitness through the Global Corporate Challenge

## WASH

SGS became a signatory to the World Business Council on Sustainable Development's WASH initiative, pledging that employees in all our premises will have appropriate access to safe water, sanitation and hygiene



# OUR PROGRESS

Our focus in 2014 was on meeting the commitments made in 2013 to support the delivery of our 2014 Shared Goals. Here we summarise what we said we would do, where we are today and what we plan to do next.

## PROFESSIONAL EXCELLENCE

### 2014 SHARED GOALS

# 100%

of employees completing SGS sustainability e-learning

Address specific sustainability priorities in our affiliates through targeted sustainability workshops

### CONTINUE TO RAISE AWARENESS OF SUSTAINABILITY CONSIDERATIONS IN INVESTMENT DECISIONS

Pilot a screening programme for global suppliers setting new minimum thresholds for sustainability performance

Define specific sustainability criteria in procurement decisions

The recruitment of a Sustainability Manager, Sustainable Supply Chain was not completed until the end of 2014. Consequently, this commitment will be carried forward to 2015

We recruited two more members to the Investigation Network and provided training to all members

We are implementing practical measures to ensure integrity is integrated into operational processes in business lines and countries with identified exposure to fraud

### WHAT WE SAID WE WOULD DO IN 2014

Roll-out revised Code of Integrity e-learning

Launch the "SGS Guiding Principles for Sustainable Business"

### HUMAN RIGHTS

Conduct a human rights risk assessment and review human rights elements in our supplier assessment process

Deliver refresher training to all existing and new investigation network members

### FURTHER EXPAND OUR GLOBAL NETWORK OF TRAINED INVESTIGATORS

Expand our work to protect the integrity of the SGS brand and certificates



Expand our Green Book to cover external impacts and costs, and share our learning and expertise with peers

### WHERE WE ARE TODAY



Integrity e-learning module incorporated into SHINE on-boarding programme which employees must complete within three months of joining SGS

### E-LEARNING MODULE IMPLEMENTED ACROSS GLOBAL NETWORK BY END 2014

The SGS Guiding Principles for Sustainable Business have been drafted and formally approved as part of our sustainability agenda to 2020

### SUSTAINABILITY

considerations are an intrinsic part of our investment decisions. During 2014, we evaluated companies that we acquired using sustainability criteria covering social, environmental and human rights themes

We have started to share the methodology used to create our Green Book with other companies that are interested in developing financial metrics around their sustainability performance

### WORKSHOPS

During 2014, sustainability workshops took place in Argentina, Brazil, Chile, Colombia, Peru, South Africa and Uruguay. The main topics discussed related to employee turnover, energy efficiency in buildings, and waste management

**31% OF EMPLOYEES**

have completed our sustainability e-learning over the past three years

Sustainability e-learning content was revised and will be launched through a series of sustainability videos from early 2015

**WHAT WE PLAN TO DO NEXT**

Update the Annual Integrity Training with refreshed case studies and designs

**CODE OF INTEGRITY**

Launch revised and condensed e-learning on the SGS Code of Integrity to new employees in all affiliates

Monitor employee understanding of the SGS Code of Integrity through feedback captured as part of the new e-learning module

**500 TRAINERS**

Host a webinar for our network of around 500 trainers who are responsible for delivering Annual Integrity Training in the affiliates

**HELPLINE**

Conduct enhanced analysis of responses to the Integrity Helpline using a newly implemented request tracker tool

Recruit Security Network members in each affiliate to oversee local implementation of the SGS Global Security Standard and related procedures

Further expand our network of trained risk managers to ensure security risks are adequately assessed in our affiliates

Further expand our network of trained investigators to ensure appropriate coverage across all regions

**NET VALUE ADDED+**

Further examine the sustainability impact of our services and measure our net contribution to society using our Green Book and NVA+ methodology

Revise sustainability criteria in our supplier assessment processes following the appointment of our Sustainability Manager, Sustainable Supply Chain



Implement the SGS Guiding Principles for Sustainable Business as part of the launch of our sustainability agenda to 2020

**WORK WITH COLLEAGUES ACROSS THE BUSINESS TO AGREE ACTIONS INFORMED BY THE GREEN BOOK**

Address specific sustainability priorities in our affiliates through targeted sustainability workshops

**SUSTAINABILITY PERFORMANCE**

Pilot a more comprehensive and transparent screening programme for global suppliers in 2015, setting new minimum thresholds for sustainability performance

**WE WILL FURTHER REINFORCE SUSTAINABILITY CONSIDERATIONS AS PART OF OUR PROGRAMME TO UPDATE AND STRENGTHEN OUR INVESTMENT DECISION-MAKING AT THE CORPORATE LEVEL**



**LAUNCH AN INTERNAL CAMPAIGN TO ENGAGE EMPLOYEES IN UNDERSTANDING THEIR WIDER CONTRIBUTION TO SOCIETY THROUGH OUR SERVICES AND OPERATIONS**

**FOR MORE INFORMATION**

**READ OUR LEADERSHIP POINT OF VIEW ON BUSINESS INTEGRITY IN A CHANGING WORLD. P. 46**

**PEOPLE**

**2014 SHARED GOALS**



Equal opportunity ratio: 1.0

**NATURAL TURNOVER: <14%**

Training costs as % of total employment costs: 1.0%

**100%**

of employees receiving regular performance reviews

**SICKNESS ABSENCE RATE: <1.5%**

**TOTAL RECORDABLE INCIDENT RATE: <1.0**

**WHAT WE SAID WE WOULD DO IN 2014**

Roll out the recruitment module and pilot the learning management system module of our HR information system

Launch e-recruitment in all affiliates by end of 2015

**SUPPORT OUR AFFILIATES IN PROMOTING DIVERSITY OPPORTUNITIES**

Continue to benchmark critical job roles in 2014 and launch the rewards and recognition element of our HR information system to improve performance monitoring and reporting of data linked to remuneration

**MONITOR EMPLOYEE FEEDBACK ON SHINE USING THE 2013 BASELINE, ON A CONTINUOUS BASIS**

Continue to support affiliates in developing a globally consistent approach to L&D while ensuring that it reflects local business priorities

**LEADERSHIP**

Develop and pilot third module of Leadership Development Programme

Design the learning management system element of our HR information system for progressive roll out in 2014 and 2015

**PERFORMANCE REVIEWS**

Further develop our approach to conducting and measuring formal performance reviews



Expand the number of employees participating in CATALYST in 2014

**REPEAT THE GLOBAL CORPORATE CHALLENGE, AIMED AT IMPROVING HEALTH AND WELL-BEING AND REDUCING SICKNESS ABSENCE**



# SAFETY DAY

Conduct our second global Safety Day

Roll-out Operational Integrity Management System (OIMS) to the remainder of South America, in addition to Hong Kong, East Asia, and North America in 2014, and complete full global roll-out in 2015

Put into practice the Operational Integrity OI tools and associated skills in 2014, such as the risk assessment methodology, incident investigation methodology and industrial hygiene training, to H&S professionals, and further field coaching sessions for senior management

Ensure the quality of data collected through Crystal and make greater use of data analysis to identify trends

## 1 WHERE WE ARE TODAY

# 16 AFFILIATES

E-recruitment was launched in 16 affiliates during 2014 and is on schedule to be implemented globally by the end of 2015

# TALENT

During 2014, we developed a critical talent programme focusing on high potential managers and technical experts

During the period 2013-2014, 89% of employees responding to our SHINE feedback survey were satisfied or highly satisfied with their on-boarding experience

## WE CONTINUED TO SUPPORT AFFILIATES IN PROMOTING DIVERSITY OPPORTUNITIES LINKED TO EDUCATION AND EMPOWERMENT

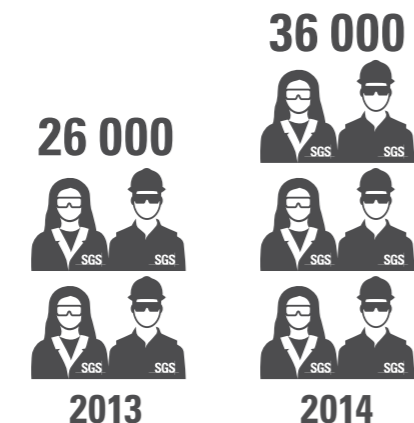
We benchmarked critical job roles and we piloted the rewards and recognition element of our HR information system during 2014

We continued to collaborate with affiliates on aligning learning programmes to business priorities

Our critical talent programme will replace the planned third module of the leadership development programme

We piloted the learning management system and this is on track for roll out in 2015

Following feedback from our CATALYST employee survey in 2014, we have been working with managers to improve their support of employee growth and career progression



More than 36 000 employees took part in the survey in 2014 compared to 26 000 in 2013

More than 2 500 employees across 369 teams in 34 countries took part in the Global Corporate Challenge in 2014



Second global Safety Day held in June 2014, using the theme, "Prevention through Intervention"

OIMS rolled out in Hong Kong, Brazil, East Asia, Western Europe, Southern and Central Europe, and North America

While significant progress was made in implementing our risk assessment and incident investigation methodologies during 2014, our industrial hygiene (IH) programme has been deferred to 2015 following the appointment of a new IH team

Crystal 2.0 launched in response to feedback from affiliates requesting a more streamlined and user-friendly interface

## ▶ WHAT WE PLAN TO DO NEXT

**LAUNCH GLOBAL CORE LEADERSHIP COMPETENCIES BY MID-2015. THESE COMPETENCIES WILL SUPPORT OUR CRITICAL TALENT PROGRAMME**

Pilot critical talent programme in selected regions

Pilot new management development programme involving structured development plans with defined objectives



# EXTEND CATALYST

Extend the scope of CATALYST to more than 50 000 employees

# 100%

of new employees and 80% of existing employees to have viewed our new sustainability learning videos

# LEADERSHIP

Explore opportunities to encourage more women into leadership positions within SGS

## EQUAL OPPORTUNITIES

Ensure that our approach to talent mobility respects diversity and equal opportunities across our global network

Launch revised Operational Integrity vision, mission, strategy and objectives

## SUPPORT LEADERSHIP IN DEMONSTRATING VISIBLE COMMITMENT TO OI

Reinforce OI global structure with defined roles and strengthen areas of expertise (in industrial hygiene, learning and development, chemicals, and behaviour-based safety)

Enhance OI performance management and reporting through tools, KPIs, targets, communication and visibility

Develop communications and training on OI linked to key topics

## UPGRADE SGS RULES FOR LIFE



Continuously improve audit and compliance-based processes, including self-assessments

## ROLL OUT OIMS IN SOUTH EAST ASIA PACIFIC AND NORTHERN AND CENTRAL EUROPE IN EARLY 2015 AND COMPLETE THE GLOBAL ROLL-OUT BY MID-2015

Hold our annual Safety Day

# TRAINING ON SAFETY

Ensure every employee receives at least 14 hours of training on safety and health by 2020

## FOR MORE INFORMATION

**READ OUR LEADERSHIP POINT OF VIEW ON MAKING DIVERSITY A SOURCE OF STRATEGIC ADVANTAGE. P. 58**

**READ OUR LEADERSHIP POINT OF VIEW ON OUR SAFETY JOURNEY AT SGS. P. 65**

# ENVIRONMENT

## 2014 SHARED GOALS

**CARBON INTENSITY (PEOPLE): -10%\***

**CARBON INTENSITY (REVENUE): -10%\***

Building energy intensity in SGS-owned offices: -10%\*

Building energy intensity in SGS-owned laboratories: -10%\*

*\*against a 2010 baseline.*

Complete waste inventory and reduction plan for SGS operations

## WHAT WE SAID WE WOULD DO IN 2014

**EXPAND REPORTING OF OUR GREENHOUSE GAS EMISSIONS BY TYPE BY 2014**

Further expand the implementation of our Green Building Guidelines

Review our methodology to provide information on our Energy Efficiency in Buildings (EEB) project under the WBCSD Manifesto

## ELECTRIC

Further investigate possibilities linked to electric vehicles for our fleet

Further support the in-country programmes, sharing best practices and providing further guidance and communications on waste management

We will work on providing more comprehensive reporting on water indicators



Every affiliate in Europe will have implemented the Do More With Less campaign by the end of 2015

Facility management conference in Germany to bring awareness to facility managers to energy saving

## GREEN BUILDING

Further promote the Green Building guidelines and sustainable CAPEX projects through our affiliates

Strengthen the network of facility managers engaged in Energy Efficiency in Buildings throughout the company in 2014

Conduct a further 50 energy audits in major facilities around the world

**CONSIDER A 10% CO<sub>2</sub> REDUCTION IN SUPPLY CHAIN BY 2020**

Roll-out the Do More With Less campaign in at least 10 more affiliates in 2014

Share the best practice learnings from our video conferencing pilot to promote this technology and reduce business travel



Share best practices with other WBCSD members on green buildings

Review fleet procurement for the Europe region in 2014, incorporating sustainability criteria

Further support the in-country programmes, sharing best practices and providing further guidance and communications on waste management

## WHERE WE ARE TODAY

**OUR GREEN BUILDING GUIDELINES WERE IMPLEMENTED ACROSS ALL AFFILIATES BY END 2014**

Progress against our EEB targets is tracked via the SGS Energy Rating Tool for Offices and Laboratories, and reported to WBCSD. In 2014 we expanded the coverage of the data collection from 23 to 39 buildings



By the end of 2014, 17 affiliates had taken the Do More With Less campaign. Further affiliates are planning to run the campaign in 2015. By the end of 2015, all affiliates in Europe will have run the campaign

We participated in a facility management conference in Taunusstein to bring awareness of energy saving to facility managers

We promoted the Green Building guidelines and sustainable CAPEX projects as part of our sustainability workshops in 2014

During 2014, we established our network of facility managers engaged in Energy Efficiency in Buildings throughout the company

**WE CONDUCTED 34 ENERGY AUDITS IN MAJOR FACILITIES AROUND THE WORLD IN 2014**

We shared best practice with other WBCSD members on green buildings in 2014 through our membership of the EEB project

We provided support to affiliates on waste management as part of our EEB audits



## FOR MORE INFORMATION

**READ OUR LEADERSHIP POINT OF VIEW ON UNLOCKING INNOVATION IN ENERGY MANAGEMENT. P. 51**

# COMMUNITY

## 2014 SHARED GOALS

**100%**

of community projects and investments aligned to SGS Group Community Policy and Guidelines

## WHAT WE SAID WE WOULD DO IN 2014

**SELECT AND INVEST IN LOCAL MICRO-CREDIT PROJECTS LINKED TO CARBON REDUCTION FROM 2014**

Improve our mechanisms for assessing the impacts of community projects

**IMPROVE OUR RESPONSE MECHANISMS FOR DISASTER RELIEF**

## WHERE WE ARE TODAY

We invested in local micro-credit projects linked to carbon reduction from 2014

We revised our annual community survey to align it to our new Community Policy and Guidelines and enhance reporting on projects at affiliate level

We have established an online platform that enables us to coordinate disaster relief at corporate level

## WHAT WE PLAN TO DO NEXT

Roll out our revised Community Policy and Guidelines

Launch global match funding scheme for affiliates, individual employees, corporate businesses and functions

Launch a global partnership with Save the Children

Implement a Community Portal to support affiliates in developing community programmes

# PERFORMANCE

**IN ADDITION TO OUR SHARED GOALS, WE ALSO MADE A SERIES OF MORE SPECIFIC COMMITMENTS FOR 2014.**

**THESE APPEAR ON PAGES 31-37 OF THIS REPORT AND ARE ALSO AVAILABLE TO VIEW IN OUR ONLINE SUSTAINABILITY REPORT. OUR COMPLETE 2014 DATA IS AVAILABLE AT [WWW.SGS.COM/CS-DATABANK2014](http://WWW.SGS.COM/CS-DATABANK2014)**

**FIND THE REPORT ONLINE AT [WWW.SGS.COM/CS-REPORT2014](http://WWW.SGS.COM/CS-REPORT2014)**

*Unless stated otherwise, data covers our trend countries, representing three-quarters of revenue and two-thirds of headcount.*

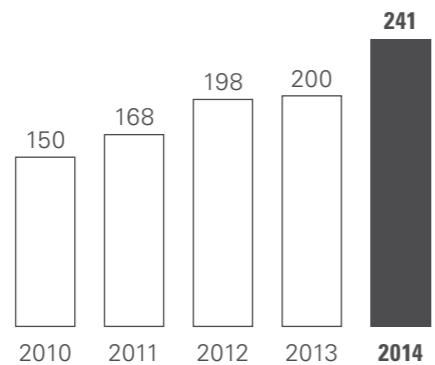
Our sustainability goals and ambitions define our strategy and are the responsibility of every employee. Our Green Book tracks performance on these goals. We have comprehensive programmes covering each area and have achieved considerable progress. However, our performance has not fully met our ambition given the important growth in our company. Looking back over the past four years, we have seen 20 000 new people join our company and we have acquired 62 businesses. Despite the important growth and transformation of the business, we have not been able to reduce our sustainability impact in absolute terms. Importantly, however, we have managed to stabilise our impacts (for instance, in areas such as carbon emissions and employee natural turnover), which is an important indicator that we are managing our sustainability performance at levels below the incremental growth of our business.

## FIVE YEAR DATA

The following pages summarise our sustainability performance between 2010 and 2014, using selected KPIs.

## PROFESSIONAL EXCELLENCE

### CODE OF INTEGRITY REPORTS TO HELPLINES



*Total number of integrity issues reported through integrity helplines*

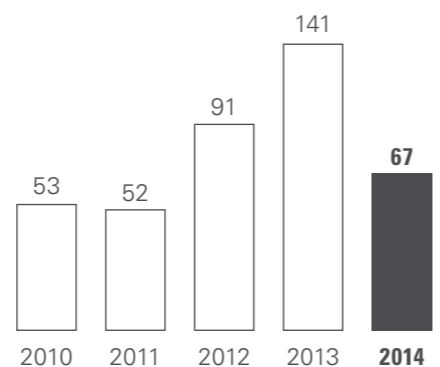
## SUSTAINABILITY E-LEARNING

**TARGET: 100% of employees completing SGS sustainability e-learning by 2014**

## PROGRESS IN 2014

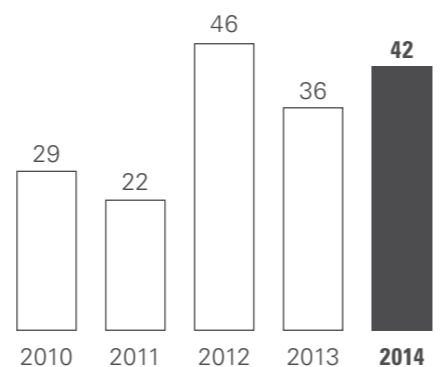
More than 25 000 employees have completed sustainability e-learning since it was launched in 2011.

## CODE OF INTEGRITY INVESTIGATIONS



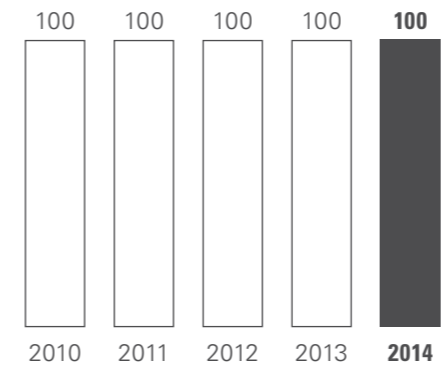
*Total number of valid reports investigated concluding in no breaches*

## CODE OF INTEGRITY NON-COMPLIANCES



*Total number of breaches of the Code of Integrity identified through integrity helplines*

## EMPLOYEES SIGNING THE CODE OF INTEGRITY



*% of employees signing the Code of Integrity*

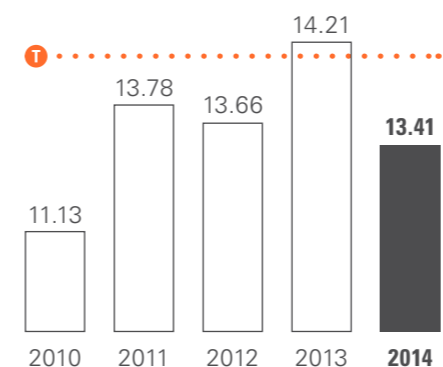
*The Code of Integrity figures cover all affiliates in which SGS operates, not just trend countries.*

**SEE MORE PERFORMANCE UNDER THE PROFESSIONAL EXCELLENCE PILLAR AT [WWW.SGS.COM/CS-DATABANK2014](http://WWW.SGS.COM/CS-DATABANK2014)**

# PEOPLE

## NATURAL TURNOVER

**TARGET: <14% by 2014**



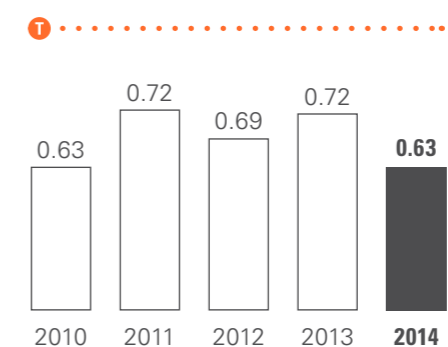
*% of employees who leave SGS each year of their own will*

## PROGRESS IN 2014

Natural turnover has decreased by 5.6% against 2013 to 13.4%. Performance varies between affiliates, with turnover remaining low in Europe due to the economic situation and increasing slightly in countries where it has been high historically. Employee natural turnover remains one of the highest areas of spend in our Green Book. Through our programmes to ensure we recruit the right people, and integrate and develop them, we expect turnover to continue to fall.

## TRAINING RATIO

**TARGET: Training costs as a percentage of total employment costs to be 1.0% by 2014**



*% of total employment costs spent on training (includes safety training hours)*

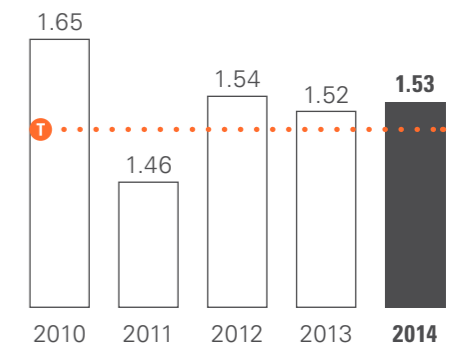
## PROGRESS IN 2014

This ratio has decreased by 13.6% against 2013 to 0.63%. As previously reported, we recognise that the cost of training as a proportion of total employment costs may not be the most meaningful indicator of our investment in training. This is because the methods of training – such as e-learning and cloud-based platforms - which are designed to improve accessibility, are also more cost-effective. A more accurate measure of our investment in training is the time spent by employees on their learning. Our performance on training hours reflects a greater focus on training in technical and managerial skills, Operational Integrity training,

and employee on-boarding. Our performance on training hours reflects the average hours spent on training per employee increased by 31.5% to 40 hours.

## SICKNESS ABSENCE RATE

**TARGET: <1.5% by 2014**



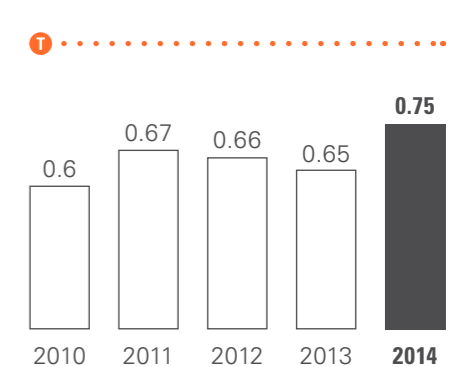
*Number of days of sickness absence as a percentage of total days worked*

## PROGRESS IN 2014

Sickness absence has remained stable at 1.53%. Our Global Corporate Challenge initiative, first launched in 2013, will be repeated in 2015 to encourage more employees to maintain healthy lifestyles.

## EQUAL OPPORTUNITY RATIO

**TARGET: Equal opportunity ratio of 1.0 by 2014**



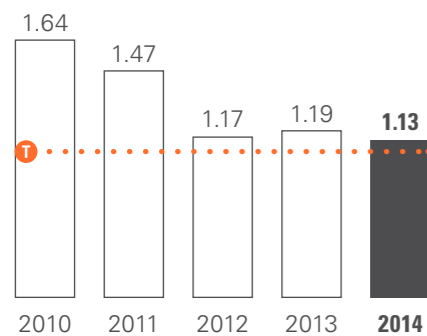
*(Female managers/female employees)/(Male managers/male employees)*

**PROGRESS IN 2014**

Our equal opportunity ratio has improved by 15.41% on 2013 to 0.75. Although the total number of female employees has decreased by 2.3%, the total number of female managers as a proportion of all female employees increased by 8%. While we did not achieve our goal by the end of 2014, we expect continued improvement in our performance beyond 2014

**TOTAL RECORDABLE INCIDENT RATE**

**TARGET:** Below 1 by 2014



Number of lost time, restricted duty, medical treatment incidents and fatalities per 200 000 hours worked

**PROGRESS IN 2014**

Although our five-year data reveals a downward trend, the TRIR is slightly above our 2014 goal at 1.13. We are deeply saddened that this included three\* employee and contractor fatalities.

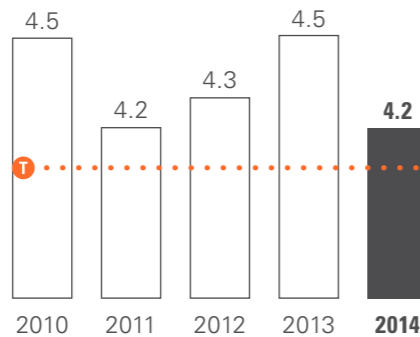
\*This figure covers all affiliates in which SGS operates, not just trend countries.

**SEE MORE PERFORMANCE UNDER THE PEOPLE PILLAR AT**  
[WWW.SGS.COM/CS-DATABANK2014](http://WWW.SGS.COM/CS-DATABANK2014)

**ENVIRONMENT**

**CARBON INTENSITY(PEOPLE)**

**TARGET:** Reduce CO<sub>2</sub> emissions per employee (full time equivalent employee) by 10% by 2014 against the 2010 baseline



Annual CO<sub>2</sub> emissions per employee (tonnes/FTE)

**PROGRESS IN 2014**

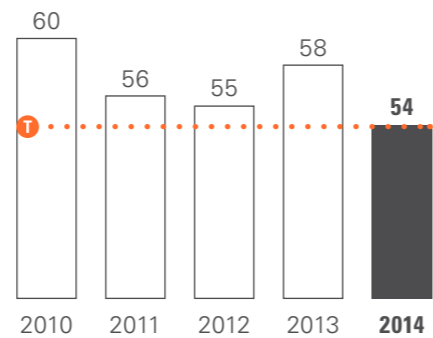
CO<sub>2</sub> emissions intensity per employee has decreased by 5.1% against 2013 to 4.20 tonnes, indicating an improvement in overall energy consumption linked to FTE headcount.

Despite a higher use of video conferencing across our operations, air and train business travel used to generate revenue has increased by 20% on 2013. We will continue to monitor this closely in 2015.

Since 2010, we have reduced our CO<sub>2</sub> emissions per employee by 6.6%, which is a significant improvement. However, this falls short of our target of 10% by the end of 2014. This is against a backdrop of our headcount growing by more than 25%, and our revenue growing by over 40% since 2010.

**CARBON INTENSITY(REVENUE)**

**TARGET:** Reduce CO<sub>2</sub> emissions per unit revenue by 10% by 2014 against the 2010 baseline



Annual CO<sub>2</sub> emissions per revenue (tonnes/CHF million)

**PROGRESS IN 2014**

CO<sub>2</sub> emissions intensity per unit of revenue has decreased by 6.1% to 54.25 tonnes\*. This was mainly due to improved facilities management, the implementation of around 80 energy efficiency projects – many of which have helped us to significantly reduce energy consumption in our buildings and deliver improvements in our vehicle fleet efficiency.

At 9.8%, we came close to achieving our target of a 10% reduction in emissions intensity per unit of revenue. This is against a backdrop of our headcount growing by more than 25%, and our revenue growing by over 40% since 2010.

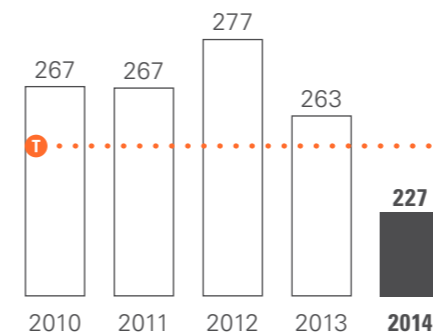
Factors influencing our emissions intensity per revenue include increased revenue, higher electricity consumption (particularly in some of our larger markets due to a greater reliance on electricity generators which are considered to be more reliable than diesel generators), the acquisition of one significant business in France, the relocation of some offices, and increases in business volume, particularly in more energy-intensive industries. Despite the higher use of video conferencing across our operations, air and train travel used to generate revenue has increased by

20% on 2013. We remain committed to further reducing our emissions intensity as part of our Energy Efficiency in Buildings commitments.

\*Constant currency basis

**BUILDING ENERGY INTENSITY IN SGS-OWNED OFFICES**

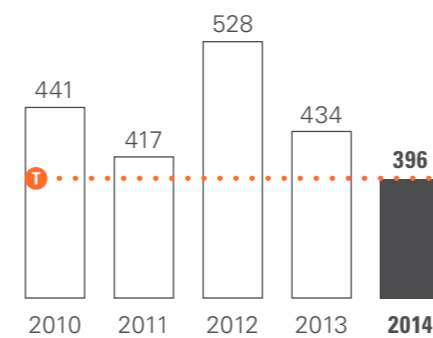
**TARGET:** Reduce CO<sub>2</sub> emissions associated with SGS offices by 10% by 2014, and by 20% by 2020, against the 2010 baseline



Annual kilowatt hours per square metre for SGS-owned offices

**BUILDING ENERGY INTENSITY IN SGS-OWNED LABORATORIES**

**TARGET:** Reduce CO<sub>2</sub> emissions associated with SGS laboratories by 10% by 2014, and by 20% by 2020, against the 2010 baseline



Annual kilowatt hours per square metre for SGS-owned laboratories

**PROGRESS IN 2014**

**BUILDING ENERGY INTENSITY IN OUR OFFICES HAS DECREASED BY 15% AGAINST OUR 2011 BASELINE TO 227 KWH/M<sup>2</sup> WITHIN THE MONITORED SCOPE (FIVE OFFICES).**

During this period, we added three offices to the scope and closed one.

Building energy intensity in our laboratories has decreased by 5% against our 2011 baseline to 396 kWh/m<sup>2</sup> within the monitored scope (34 laboratories). During the period, we added 14 laboratories to the scope.

While the laboratory areas of these additional buildings are more energy efficient (on average 228 kWh/m<sup>2</sup>), the office areas are less energy efficient (on average 251 kWh/m<sup>2</sup>).

In 2014, CO<sub>2</sub> emissions from both offices and laboratories represented 28 000 tonnes.

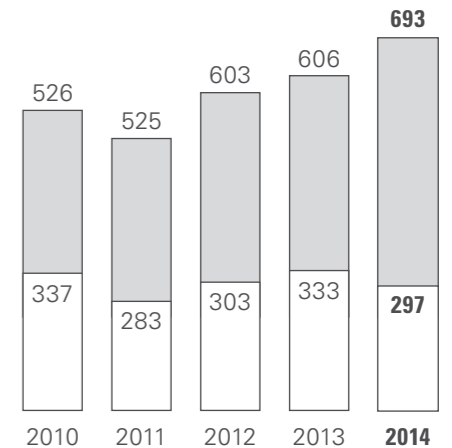
**SEE MORE PERFORMANCE UNDER THE ENVIRONMENT PILLAR AT** [WWW.SGS.COM/CS-DATABANK2014](http://WWW.SGS.COM/CS-DATABANK2014)



**COMMUNITY**

**COMMUNITY INVESTMENT**

**TARGET:** 100% of community projects aligned to SGS Group Community Policy and Guidelines



□ Donation to community organisations and volunteer groups (CHF thousands)  
 ■ Sponsorship of community programmes (CHF thousands)

**PROGRESS IN 2014**

100% of the 91 global projects tracked in our community survey are aligned to the United Nations Millennium Development Goals.

**SEE MORE PERFORMANCE UNDER THE COMMUNITY PILLAR AT** [WWW.SGS.COM/CS-DATABANK2014](http://WWW.SGS.COM/CS-DATABANK2014)

A person wearing a lab coat and safety glasses is adjusting a microphone mounted on a blue metal frame. The setting is an anechoic chamber, indicated by the blue acoustic foam walls. The microphone has a yellow label that reads "SGS F4114AEC310H6".

# PROFESSIONAL EXCELLENCE

# SGS CODE OF INTEGRITY

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

## ENSURING COMPLIANCE

Training forms part of a continuous process of learning and reinforcement, which begins with employees signing the Code, completing integrity e-learning as part of their on-boarding programme, and attending Annual Integrity Training (AIT).

The content of our AIT is updated each year using real-life case studies drawn from the business. Training is typically conducted face-to-face and in teams by trained managers using scenarios adapted to the employees' areas of work. New employees must sign the Code at the start of their employment

with SGS and are expected to complete an integrity e-learning module within three months of joining.



During 2014, we piloted a new e-learning module which will be implemented globally from January 2015.

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

## REPORTING AND INVESTIGATING INCIDENTS

The SGS Code of Integrity encourages employees and customers to report suspected violations of the Code using confidential integrity helplines or directly to the corporate and local Compliance teams. Investigations into internal and external incidents are conducted by our network of trained investigators.

During 2014, four incidents of bribery and corruption were identified via the Integrity Helplines. A total of 109 investigations were conducted.

## CORPORATE SECURITY

SGS businesses and assets (i.e. people, equipment, physical locations, intellectual property and funds) are inevitably exposed to security risks. Our comprehensive Global Security Standard and Security Guidelines and local security arrangements (including security guarding) focus on protecting our defined asset group while respecting human rights. These are supported by a Security Network which assists local implementation.

## RISK ASSESSMENTS

Human rights risks are managed through our business risk management system. Regional monitoring and decision-making are overseen by the Operations Council which assesses our scope of involvement in particular regions and evaluates the risks to individuals and communities as well as our assets. When assessing human rights risks, the Operations Council considers four critical factors: (1) compliance with international legislation, (2) safeguarding the safety and security of employees, (3) ensuring the continuity of essential services that enable civil society to function, and (4) preserving our independence, impartiality and neutrality.



## PROTECTING AGAINST FRAUD

The SGS brand is used across the world to validate the quality of goods and materials that are sold or traded. Purchasing an item with an SGS logo or certificate verifies that it has met a required standard. The Corporate Security team is responsible for investigating incidents of fraudulent use of the SGS name and brand which includes a growing number of counterfeit certificates and inspection reports. We continue to implement practical measures to ensure that integrity is built into every stage of our operational processes in business lines and countries with identified exposure to this type of fraud.

## CASE STUDY

# SGS ADOPTS TOUGH STANCE ON COUNTERFEIT PRODUCTS

During 2014, more than 78 000 advertisements fraudulently bearing the SGS name were removed from the internet. Many of these related to e-cigarettes (which are not certified by SGS), baby and infant products, food and beverages, scrap metal and bio oil. These represented almost CHF 1 million in trade value.

Alongside web surveillance, we work with trading standards agencies to have products fraudulently bearing the SGS logo removed from shelves. In the UK, this work included an appearance on the prime time television show, 'Fake Britain'.



# PROTECTING EMPLOYEES WHILE TRAVELLING

During 2014, SGS joined forces with the Anvil Group, an internationally renowned security organisation which specialises in travel risk management and crisis avoidance, to implement a comprehensive global support system for employees while travelling. Working in partnership with a dedicated travel agency, SGS employees are provided with access to generic and tailored pre-travel advice, advice or immediate assistance while travelling, a manned, multi-lingual 24-hour hotline, and a smartphone app which tracks employee movements while travelling in high risk locations. In addition, travel advice is available to employees through a dedicated online portal which includes policies, procedures and guidelines.

During 2014, 43 887 travel itineraries were logged onto the global support system, 32 576 pre-trip information packs were provided to employees and 665 travellers were provided with targeted training. In total, 12 travellers called the travel hotline to seek assistance. Of these, two travellers were provided with practical support.



LEADERSHIP POINT OF VIEW

# BUSINESS INTEGRITY IN A WORLD OF CHANGE

**OLIVIER MERKT**, General Counsel and Chief Compliance Officer, shares his thoughts on how companies like SGS must continually strive to reinforce integrity at every opportunity

**AT SGS, WE HAVE IMPLEMENTED A COMPREHENSIVE INTEGRITY MANAGEMENT SYSTEM (SEE BOX). HOWEVER, WE RECOGNISE THAT SYSTEMS AND PROCESSES CAN NEVER BE ENOUGH. INTEGRITY CAN ONLY REALLY BE DELIVERED IF IT IS A PRINCIPLE THAT APPLIES ACROSS THE ORGANISATION, AND IF IT PERMEATES EVERY ASPECT OF THE ORGANISATION'S CULTURE. THREE ASPECTS ARE PARTICULARLY IMPORTANT IN THIS REGARD: EMPLOYEES, BUSINESS LEADERS AND OPEN COMMUNICATION.**

**ENSURING INTEGRITY THROUGH SYSTEMS AND PEOPLE**

We start with our employees. In order to achieve our goals, we aim to attract and retain employees who are passionate about delivering their work with leadership, fairness and honesty. We make it the personal responsibility of each SGS employee to read and understand the SGS Code of Integrity and commit to uphold its principles.

We require our senior managers to walk the talk. They are expected to demonstrate visible and explicit support of the Code. For example, all employees, including the Chief Executive Officer and members of the Operations Council are expected to complete the annual integrity training.

We encourage open communication. To take just one example, our annual integrity training is not simply a one-way information flow where we tell our employees what they should and should not do. The training is an opportunity to engage employees in integrity issues that are relevant to their area of business. We listen to and understand the concerns of our employees based on real-life challenges they encounter. We learn from these examples and we discuss the actions that employees have taken to address issues. We feed these into our future training programme to ensure that our teachings remain

relevant and that our employees have the tools that enable them to respond appropriately when an issue arises which might test their judgement.



**BUT ARE WE DOING ENOUGH?**

The question we constantly ask ourselves is whether our integrity management systems remain fit for purpose. That is, can these systems guarantee that we – individually and collectively – continue to operate with integrity given the internal and external challenges we face? What are these challenges? Some of them include:

- We are a large, complex business. We have over 80 000 employees in more than 1 650 offices and laboratories in virtually every country of the world. How do we ensure that every one of our employees behaves with integrity at all times?
- We want to make a meaningful contribution to the countries in which we work, with one of our core objectives being to increase the number of local people we employ. How do we ensure that these new employees share our values?
- Our business changes constantly. We offer new services, we stop offering others. How do we ensure that we have the technical capabilities that underpin the services that we offer?
- Acquiring other businesses is an integral part of our growth strategy. How do we ensure that these companies share our core ethical values?
- We operate in highly priced competitive markets, where it is common to find that millions of pounds or dollars can depend on a product meeting certain quality or safety requirements. How do we ensure that commercial pressures do not compromise the quality of our work?

- We have demanding growth targets. Is it possible to win and deliver these additional volumes of work while also maintaining our high standards?

We recognise that our ability to maintain high standards of integrity and professional ethics is under constant pressure. We are particularly aware that, while issues such as illegal payments and bribery tend to receive the most media attention, they are only part of the picture. In fact, there is every possibility that some of the most critical challenges might lie within the business. They result from the business decisions that we make: our objectives for profit and for growth, the markets we decide to enter, the services we decide to offer. In fact, the higher the expectations that we have for our business, the greater the pressures on our employees to protect the integrity of our business. First, we have a responsibility to ensure that targets set for employees, while stretching, do not implicitly require them to cut corners with regard to business conduct. Second, incentives need watching – this is not just about executive remuneration but also covers areas like the career prospects of individual employees and subliminal signals which may be sent by line managers. Third, is to be alert to when products or practices, which may have started out benign, become a threat to our integrity.

**THERE IS NO ROOM FOR COMPLACENCY**

Implementing a robust integrity management system is critical to ensuring that our fundamental principles are integrated in our business decisions and our behaviour. Continual reinforcement through training, through communication and through trusted reporting mechanisms help to ensure that managers and employees feel that they have the support around them to manage their conduct and to seek reassurance if concerns arise.

**KEY ELEMENTS OF OUR INTEGRITY MANAGEMENT SYSTEM:**

The Code applies to all of our employees, officers and directors, our affiliated companies, our contractors, our joint-venture partners, our agents, our subcontractors and anyone acting on behalf of, or representing, SGS. Violations of the Code will result in disciplinary action, including termination of employment and criminal prosecution for serious violations

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

Mandatory annual integrity training for all employees

**AN INTERACTIVE E-LEARNING PROGRAMME, WHICH FORMS AN INTEGRAL PART OF THE INDUCTION PROCESS FOR NEW EMPLOYEES**

A confidential Integrity Helpline where employees and customers can report suspected violations of our Code. We ensure that no-one faces any adverse consequences for having sought advice or reported a violation of the Code

A compliance team that is responsible for implementing procedures governing the ethical behaviour of our employees and consultants, and for conducting investigations on alleged employee misconduct

Ongoing performance monitoring (including risk assessments, due diligence assessments, internal reporting and whistle-blowing procedures)

**MAINTAINING OUR PROFESSIONAL INTEGRITY IN OUR DEALINGS WITH CLIENTS, COLLEAGUES, SUPPLIERS AND IN THE PLACES WHERE WE DO BUSINESS IS THE ONLY WAY TO PROTECT OUR REPUTATION IN THE MARKETPLACE. IT IS THE SHARED RESPONSIBILITY OF EACH AND EVERY SGS EMPLOYEE.**





Inspection, verification, testing and certification services play a key role in modern economies. They enable companies to demonstrate that their products meet regulatory and client requirements. They provide governments and regulatory authorities with the confidence that products comply with relevant health, safety, labour and environmental standards. Ultimately, they provide consumers with the confidence that the goods and services that they use have met expected standards of quality, reliability, safety and ethical conduct. However, companies, governments and consumers can only rely on these services if they are able to trust the organisations that provide them.

**“OUR REPUTATION FOR INTEGRITY IS OUR LICENCE TO OPERATE. WITHOUT THIS REPUTATION, WE DO NOT HAVE A BUSINESS. TRUST IS OUR SINGLE MOST VALUABLE ASSET – THE FOUNDATION OF OUR BRAND AND OUR REPUTATION. IT NEEDS TO BE NURTURED AND SAFEGUARDED DAY AFTER DAY. IT CAN BE JEOPARDISED IN AN INSTANT.”**

**CHRISTOPHER KIRK**  
Chief Executive Officer

# SUSTAINABLE PROCUREMENT

SGS's supply chain includes global, regional and national sourcing and logistics. Our business lines have distinct and often specialised supply chains to meet customer needs, such as temperature-controlled transport and storage for the life sciences industry, or specialised movement of heavy freight for the oil and gas and automotive industries. We also make many small shipments of test samples, further adding to the complexity of our supply chain. In addition, with over 80 000 employees, our procurement of IT equipment such as laptops and mobile phones is considerable.

During 2014, we began to rationalise our global supplier base and pilot a more comprehensive and systematic assessment approach as part of a wider management programme for global suppliers, setting new revised minimum thresholds for supplier performance on a range of criteria including environmental and social issues (labour practices, societal impacts and human rights). We will continue to screen new suppliers and review significant existing suppliers using this revised methodology.

At the end of 2014, we appointed a Sustainability Manager, Sustainable Supply Chain, responsible for overseeing a Group-wide sustainable supply chain management system.

Across our trend countries, representing around CHF 2 billion of spend, we have more than 50 000 suppliers, giving us the opportunity to influence the sustainability performance of many companies at a local level.



## SUPPLIER DIVERSITY

SGS is committed to the principle of offering equal access to procurement opportunities through our supply chain. The SGS Supplier Diversity Programme led by SGS in North America is designed to provide minority, women-owned and disadvantaged business enterprises (MWDBE) with opportunities to participate as partners and suppliers of goods and services to SGS. This voluntary initiative has been shared with the region's 10 000 or more suppliers to encourage tier one or tier two suppliers who are certified to a recognised MWDBE standard to tender for work. We aim to have at least one supplier per tender process that meets our diversity criteria. The proportion of suppliers who are MWDBE-certified will be monitored via our database and will be measured against our 2014 baseline. We intend to report on this information in future years.

### CASE STUDY

## WOMEN-OWNED BUSINESS IN PENNSYLVANIA WINS HANDS-DOWN

“Bry-Lex Inc is a minority owned full-service sales promotion and marketing agency based in Pennsylvania, supplying more than 150 000 promotional items to corporations. This women-owned business is a member of the Women's Business Enterprise National Council (WBENC) and the National Association of Women Business Owners (NAWBO). As with any competitive tender, we reviewed a range of factors including capabilities, performance monitoring, service level agreements and costs. Bry-Lex was by far the strongest contender across our selection criteria and therefore was awarded the status of preferred supplier for the United States.”



**ERIC SOBEL**  
Strategic Buyer, Corporate Procurement,  
SGS North America



# INNOVATION

**INNOVATION IS AT THE EPICENTRE OF OUR BUSINESS, SPURRING THE DEVELOPMENT OF NEW SERVICES AND ENHANCEMENTS TO OUR EXISTING PORTFOLIO, INSPIRING US TO ACQUIRE NICHE BUSINESSES, AND ENCOURAGING US TO RECONSIDER THE WAY WE DO BUSINESS IN ORDER TO MAXIMISE OUR EFFICIENCY, REDUCE RISK AND INCREASE OUR PRODUCTIVITY.**



## SUPPLIER INNOVATION

During 2014, SGS launched its Supplier Innovation Club, a collaborative effort with suppliers aimed at creating ideas to drive revenue and create new business opportunities. The first workshop, which took place in Geneva, involved 32 delegates from 14 of our major suppliers as well as 23 representatives of SGS business lines. The session resulted in 244 ideas which translated into 50 ideas that have the potential to be developed into commercial propositions.

Romain Pouly, International Key Account Manager, Nissan Europe, commented on the event: "It was a really interesting and pioneering experience for us to participate in your Supplier Innovation Club. Thank you very much for having shared this opportunity with us; you can count on us to stay on track".

We intend to host similar sessions with suppliers in other regions during 2015.

## INNOVATION TEAMS

SGS brings together thought leaders and experts within the business to incubate ideas and develop commercial propositions. Our Innovation Steering Committee, chaired by our Chief Operating Officer, Africa Region, oversees the development of innovations around key themes. During 2014, 31 project submissions were approved. These included one linked to carbon capture and storage (see 'Leadership Point of View' on next page).



**PROFESSIONAL EXCELLENCE**  
**PEOPLE**  
**ENVIRONMENT**  
**COMMUNITY**

SUSTAINABILITY GREEN BOOK  
FULL YEAR 2014



## THE GREEN BOOK

Our Green Book provides senior managers with detailed analysis of the financial impact of our sustainability performance using a range of sustainability indicators including sickness and absence, and natural turnover.

By reporting comparative performance across affiliates, the Green Book identifies notable 'hot spots' which may impact the bottom line if they are not effectively managed. A number of affiliates are actively using the Green Book to inform strategies aimed at tackling key sustainability issues.

## LEADERSHIP POINT OF VIEW

# CARBON CAPTURE AND STORAGE: UNLOCKING INNOVATION IN ENERGY MANAGEMENT

*NICOLAS KYNDT, Global Business Development & Planning Manager, Environmental Services shares his thoughts on the opportunities and challenges linked to carbon capture and storage*

Carbon capture and storage (CCS) is widely seen as one of the key technologies to enable us to reduce global greenhouse gas emissions and avoid dangerous climate change. The International Energy Agency (IEA), for example, has estimated that CCS will need to deliver 14% of the total reductions needed in energy-related carbon dioxide (CO<sub>2</sub>) emissions by 2050 if we are to succeed in limiting the increase in global temperature to 2°C above pre-industrial levels. CCS has a similarly important role to play in reducing emissions from other industrial sectors. There are also compelling economic arguments for scaling up the deployment of CCS; the IEA, again, has estimated that by 2050, the cost of tackling climate change without CCS could be 70% higher than with CCS.

CCS is the process of capturing waste CO<sub>2</sub> from large point sources (for example, fossil fuel power, steel/fertiliser/cement plants, oil refineries) and transporting it to a storage site where the CO<sub>2</sub> is injected deep underground, preventing the gas from entering the atmosphere. This encompasses a range of different ways of capturing, transporting and storing waste CO<sub>2</sub>. It also includes enhanced oil recovery (EOR), where CO<sub>2</sub> is injected into declining oil fields to increase the amount of crude oil that can be extracted.

In its 2014 global review, the Global CCS Institute identified 22 large-scale integrated CCS projects that are in operation or under construction.

These projects are predicted to capture around 40 million tonnes of CO<sub>2</sub> per annum, equivalent to the total greenhouse gas emissions from Switzerland. Despite this, it is clear that the rate of deployment of CCS needs to increase if it is to fulfil its potential as a core greenhouse gas emission reduction technology.

### PRACTICAL CHALLENGES

CCS plants typically cost hundreds of millions of dollars to build. They also have significant energy requirements; it is estimated that between 10 and 40% of the energy produced by a power station could be consumed in CCS. Aside from cost, questions have been asked about the dependability of CCS, and whether the leakage of stored CO<sub>2</sub> will compromise CCS as a climate change mitigation option. These questions reflect the fact that there are relatively few CCS facilities in operation and that, while the technologies for gas collection, compression and transport have been used for many years in the oil and chemical sectors, combining these in CCS is seen as a novel application.

### HOW DO WE MAKE PROGRESS?

Addressing these challenges requires governments to encourage the development of CCS through financial incentives and regulatory interventions (for example, requiring CCS on new-build facilities) and through promoting the role that CCS plays in delivering an economically resilient, low carbon economy. In addition, governments, companies (both project developers

and service providers such as SGS), researchers and investors need to work together to accelerate the process of cost reduction, help address concerns about the security of the storage options, and facilitate the development of future game changing capture technologies needed.

### OUR CONTRIBUTION

At SGS, our technical expertise and our ability to manage complex, interdisciplinary projects allow us to provide our clients with engineering support, and help them ensure the integrity and safety of storage systems.

We can also work with the industry to innovate through identifying new approaches, improving existing practices and processes, and providing the evidence base that enables new technologies and ideas to be more widely deployed. Our skills and expertise mean we have a critically important and unique role to play in taking CCS off the drawing board and into practice. We can also help by advising on the policy measures that are required to make these projects a reality, by providing advice on the technical issues that are likely to be encountered (and how these have been overcome in other sectors), and by providing monitoring data (for example, on the integrity of transport and storage systems). In turn, this should help to reduce costs, increase confidence and expand the application of CCS in future years.

A male scientist with a mustache, wearing a white lab coat and clear safety glasses, is focused on looking through the eyepiece of a white microscope. He is also wearing blue nitrile gloves. The microscope is positioned on a lab bench, and the background shows a typical laboratory environment with yellow and white panels. The word "PEOPLE" is overlaid in large, bold, black letters with a white outline on the left side of the image.

**PEOPLE**



We are a people business, and we are competing for the best talent. We operate in virtually every country of the world and we need to play our role as an employer and as a good citizen in those countries. This means that we need to consider how we ensure that opportunities are available to all, how we bring new people into the business, how we develop their skills and how we retain those skills and talent over time. We also need to ensure that our business continues to grow, develop and innovate. This comes from our people. It means that we must recruit broadly. It means that bringing together individuals from different backgrounds, cultures and thinking styles is essential to build our collective resource of talent, perspectives and life and career experiences.

# TALENT ACQUISITION

We select talented, professional and creative people based on a combination of skills, competencies, experience and motivation using a systematic approach to short-listing candidates and conducting competency-based interviews. In 2014, over 1 700 people joined SGS. In order to feed our talent pipeline, we collaborate with universities, participate in on-campus job fairs and invite graduates and undergraduates to visit our facilities.



The SGS employer brand helps us to communicate to internal and external audiences what distinguishes us as an employer. During 2014, we deployed our employer branding in 30 countries, representing 83% of our highest recruitment areas, using a targeted communication campaign involving managing directors, HR managers and employees.

## E-RECRUITMENT

During 2014, we subscribed to a cloud-based recruitment service, enabling us to recruit top performers with the right talent skills who are aligned to our company values and needs. The service collates relevant information from candidates, and issues alerts for jobs of particular interest and relevance to their interests. By the end of 2014, 16 affiliates were actively using the service, resulting in more than 22 092 candidates applying for jobs.

This year, SGS conducted a large scale recruitment solution trial with the professional social networking site, LinkedIn. During the three-month trial, 138 SGS recruiters were trained and used a recruiter license to search candidates on LinkedIn. All SGS job vacancies – typically more than 600 at any one time – were automatically posted on LinkedIn. This resulted in a significant uplift in the number of SGS followers, which grew from 81 908 connections to more than 127 000. Since the trial, SGS has entered into a contract with LinkedIn which should not only help us to promote and monitor the effectiveness of our employer branding, but also feed our talent pipeline through greater visibility of the diverse career opportunities available across our global network.



## BUILDING A TALENT PIPELINE

We offer opportunities for graduates and undergraduates to work alongside professionals on challenging client-based projects across a range of industries. We also provide targeted, regional training programmes in key disciplines. For example, our HR Discovery Pass, launched in 2012, aims to build a talent pipeline in HR management. High-potential HR professionals are recruited to complete six-month work assignments in three SGS locations around the world. The aim is to develop their skills and enhance their knowledge of diverse cultures and businesses within SGS in order to actively contribute to the company's ongoing success.

CASE STUDY

# SGS CHINA OFFERS CAREER ORIENTATION TO ASPIRING UNDERGRADUATES

In March 2014, SGS China offered 26 high performing students from Donghua University a one-year career orientation programme. This was the fourth year that SGS had run the programme with the University. Students were provided with career guidance, professional courses, on-job training and mentoring, as well as a month-long summer camp. After graduation, some of the students were considered for our management trainee programme. During 2015, SGS China plans to expand the programme to chemistry students at the East China University for Science and Technology (ECUST) in Shanghai.



CASE STUDY

# SGS UNITED KINGDOM PRIMES FUTURE TALENT FOR THE OIL, GAS AND CHEMICALS SECTOR

"United Kingdom is partnering with local education providers to provide apprenticeship schemes for school leavers in the Oil, Gas and Chemicals (OGC) sector. Aimed at developing young talent, we combine hands-on training with mentor support through our OGC and Metrology & Instrumentation laboratories. During 2014, we recruited 13 school leavers in the scheme. Since starting the scheme six years ago, we have recruited more than 30 apprentices across a number of OGC sites. We plan to further expand the scheme throughout our OGC business."

**DAVID MARTLAND**  
*Human Resources Manager,  
SGS UK & Western Europe*

# VALUING DIVERSITY AND EQUAL OPPORTUNITIES

The SGS Code of Integrity and Employment policy underline our commitment to diversity and equal opportunity in our employment relationships. We focus on finding the right person for the right job and base all aspects of our employment relationships on the principle of equal opportunity. All SGS employees must be treated and evaluated solely on their job-related skills, qualifications, behaviour and performance. Discrimination is not tolerated. SGS establishes programmes to promote diversity

across our network, such as our HR Discovery Pass. Some regions also engage in programmes designed to empower women within and outside the company. For example, SGS India celebrates International Women's Day on 8 March, through a series of events aimed at improving self-esteem and self-awareness.



CASE STUDY

# SENIOR MANAGER EMBRACES DIVERSITY IN LEADERSHIP OPPORTUNITY

"The 'Women on Board Next Gen Program' is a higher learning and development programme for women in management and executive roles. This excellent initiative provided an opportunity for me to meet some fantastic women from cross industry sectors and work alongside them in syndicates as part of an exercise called "Getting Ahead". This involved us interviewing senior leaders in business (including some on the SGS

Operations Council) to share their insights and experience on leadership and their advice on career progression. In addition, the programme's session on cultural diversity awareness was particularly relevant to me in my South East Asia Pacific role within SGS, where I interact with people from many different backgrounds and cultures. Following the course, I have been invited onto the board of the Australian Swiss Chamber of Commerce, and I am enjoying the opportunity to gain new insights into different cultural and gender perspectives across multiple industry sectors."

**YVONNE DICKSON**  
*Vice President, Environmental Services  
South East Asia Pacific, SGS Australia*

CASE STUDY

# SGS FRANCE INITIATES DISABILITY AWARENESS CAMPAIGN

"We recognised that the concept of disability can sometimes be misunderstood, potentially resulting in marginalisation of people with disabilities. Often, this is simply the result of a lack of knowledge and understanding. That's why we embarked on a two month awareness campaign working alongside France Intégration Handicap (FIH) to change perceptions of disability at work, and to highlight our responsibilities as an employer to ensure equal rights and create opportunities for full participation by all.

The awareness campaign launched in late 2014 with letters to all 2 600 employees detailing our approach and commitment to equal opportunities at work. The letters outlined the support and information available, namely access to a hotline and dedicated website content. At the same time, high impact posters were displayed in all our offices and laboratories and these visuals were

refreshed to re-capture attention and to maintain campaign momentum. A second letter to each employee is to be issued at the close of the campaign with a call to action using a detachable form to return for employees interested in learning more about the issue."

**FLORENCE CHARLES**  
*Human Resources Director, SGS France*



# INTEGRATING AND DEVELOPING TALENT

Our global on-boarding programme for new recruits, SHINE, aims to make every new employee feel that they are supported in their role and are engaged in the company's principles, values and business aims. During the period 2013-2014, 89% of employees responding to our SHINE feedback survey were satisfied or highly satisfied with their on-boarding experience.

During 2014, we further adapted SHINE to meet specific needs in the affiliates, For example, with a high proportion of employees on short-term contracts in countries such as Chile, Canada and Russia, we identified the need to develop a condensed version of SHINE which included the most critical elements of the core programme. We also piloted an online version to be run in parallel with the face-to-face approach to learning, for the benefit of employees working in remote locations or working shifts.

## LEADERSHIP POINT OF VIEW

# CAN WE MAKE DIVERSITY A SOURCE OF STRATEGIC ADVANTAGE?

**DOMINIQUE BEN DHAOU**, Senior Vice President, Human Resources shares her thoughts on the opportunities and challenges linked to gender diversity in multinational corporations

The business case for a diverse workforce – one that is made up of individuals with a wide range of characteristics (such as race, ethnicity, gender, age, religion, ability and sexual orientation) and experiences – is compelling. The academic evidence suggests that companies with diverse workforces are more likely to innovate, to have better financial performance, to be more creative, and to make better decisions. The case for diversity applies across business, from the boardroom to the workforce as a whole.

Large companies like SGS are increasingly expected to demonstrate leadership on diversity-related issues.

## PROMOTING OPPORTUNITIES FOR WOMEN IN TRADITIONALLY MALE-DOMINATED SECTORS

We have developed and implemented formal systems and processes to ensure we deliver on our goals of having a diverse workforce and providing equal opportunities for all. In many ways, we have been successful. To take one example, our Operations Council (OC) which sets Group-wide strategies and priorities, and reviews performance has 24 members representing our Executive Vice Presidents, our Chief Operating Officers and our functional Senior Vice Presidents, as well as our Chief Executive Officer, Chief Financial Officer and General Counsel. These individuals come from 11 different countries, signalling that individuals' country of origin is no obstacle to progression to the very top levels of our company. Our OC includes three women and there are plenty of examples of women in junior and middle management positions

across the network, particularly in our laboratories, in corporate functions and in certain business lines. Nevertheless, there is still more to be done to ensure that women are better represented at senior levels across our operating and geographic divisions, particularly in certain business lines – such as those operating in heavy industries including oil, gas and chemicals, mining and automotive – where roles can be physically demanding and may involve people working in remote locations such as offshore sites.

## SGS - A GENDER DIVERSE ORGANISATION?

Within SGS, we want people in senior management roles who have a breadth of experience, and we believe our customers value these traits in our leadership team. For our senior managers, we have extremely high expectations, irrespective of their gender. We expect them to be client-focused, to lead and support their teams, to be prepared to travel extensively, and to be willing to move – on short or long assignments – around our organisation. This is an integral part of how we develop their management expertise and competence and it is also integral to our building capacity and expertise across the business.

We are a global business and we need to constantly share insights, resources and knowledge across our operations. We are fundamentally committed to having a diverse organisation where people can succeed irrespective of their gender. But it has become clear to us that we have not yet determined how we reconcile the goal of diversity –

with all of its potential benefits – with the systemic challenges we have in our business.

Our commitments to diversity and equal opportunities are enshrined in the SGS Code of Integrity and in our Employment Policy. We monitor diversity through the organisation, we systematically track and analyse the obstacles to progression through the organisation, we provide employee and manager training on the principles of non-discrimination and we encourage employees and other stakeholders to report suspected cases of discrimination through our global integrity helplines.

**WE HAVE DEVELOPED AND IMPLEMENTED PROCESSES TO ENSURE THAT EMPLOYEES OF EITHER GENDER CAN SUCCEED WITHIN OUR BUSINESS. WE OFFER INTERNSHIPS AND TRAINING OPPORTUNITIES, WE PROVIDE ONGOING PROFESSIONAL TRAINING AND DEVELOPMENT FOR ALL EMPLOYEES, WE HAVE ANNUAL PERFORMANCE REVIEWS, WE OFFER STRUCTURED MANAGEMENT DEVELOPMENT PROGRAMMES, WE PAY COMPETITIVE SALARIES AND WE OFFER COMPETITIVE EMPLOYMENT PACKAGES, INCLUDING MANY FLEXIBLE WORKING OPPORTUNITIES.**



STATE-OF-THE-ART TESTING

PRODUCT SAFETY

PEOPLE'S HEALTH AND SAFETY

# EMPLOYEE RETENTION



Natural turnover remains one of the highest areas of spend in our Green Book. Performance varies between affiliates, with turnover remaining low in Europe due to the economic situation and increasing slightly in countries where there it has been historically high. There are many factors affecting natural turnover performance. Non-voluntary turnover, typically through redundancy, is an inevitable feature of a company of our scale which requires us to restructure certain parts of our business in response to changing market demands. What we are most concerned about is the turnover of employees who choose to leave the business. This can be due to a number of reasons including changes in personal circumstances, more attractive employment prospects elsewhere, and a dissatisfaction with their role within SGS. We are keen to better understand the motivations of employees who consider leaving the business. Through our engagement processes, such as our annual employee survey, CATALYST, and performance reviews, we hope to better understand the extent to which employees feel engaged and the factors that influence their relationship with the company.

## CASE STUDY

### SGS INDONESIA GETS TO WORK ON ADDRESSING EMPLOYEE TURNOVER 'HOT SPOT'

"We have been working hard to reduce natural turnover in Indonesia. Using information from the Green Book, it became evident that natural turnover here was unacceptably high at 23% in 2011. Through the involvement of all managers, effective streamlining of HR processes and a renewed focus on developing people through appropriate training and development plans, we have achieved drastic improvements. In 2012, the turnover figure reduced slightly to 21% but, by the following year, it reduced to 14% and by the close of 2014 turnover was at 9%.

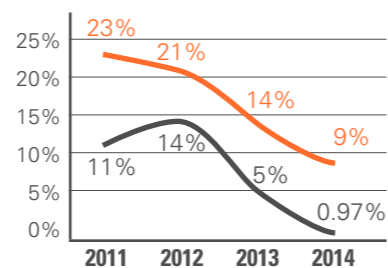
Employee engagement has also played an important role in creating the necessary environment for change. Since 2013, SGS Indonesia employees have participated in CATALYST, the annual employee survey, thus creating a formal channel for employee feedback and providing insight into areas requiring improvement. Involvement in CATALYST has enabled the management team to focus on addressing these priorities and feeding back to employees regarding the actions it has taken. One example was a need to improve the working atmosphere through better team communications aimed at creating greater awareness of activities across the rest of the business. Another area of improvement was the working

environment itself which has seen more tables and chairs in the refectory, greater restroom cleanliness and the provision of a nursery room for new working mothers."



**GUY ESCARFAIL**  
Managing Director, SGS Indonesia

#### NATURAL TURN OVER VS REGRETTABLE LOSS 2011 - YTD 2014



Note: 'Regrettable loss' refers to non-voluntary turnover (e.g. redundancy)



## LEARNING AND DEVELOPMENT

Our global learning and development strategy uses a collaborative approach to helping our people to reach their full career potential while delivering high performance business results. Our programmes are designed to equip employees to meet customer requirements and our own standards. A combination of corporate-led and locally-developed programmes are used to develop employee, manager and leadership competencies using vocational, technical and compliance training which ensure that our employees retain necessary certifications and qualifications as part of their continuing professional development.



## LEADERSHIP DEVELOPMENT

Feedback from members of our OC indicated a gap between the skills managers acquired through participation in leadership development courses and their readiness to mobilise these skills at a leadership level. During 2014, we developed a critical talent programme which focuses on high potential and high performing managers and technical experts. We aim to develop talented leaders within SGS through effective high level succession planning that creates more visibility of critical talent across our global network among OC members. Managers identified as critical talent will have structured development plans, based on global core leadership

competencies, with defined objectives. 70% of these plans will focus on learning on the job, 20% will focus on stretch assignments, and 10% will focus on continued learning and evidence of this through the delivery of successful business outcomes. During 2015, we will pilot the programme in selected regions, identifying up to 20 people in each pilot region and will report on progress in 2015.

## MANAGEMENT DEVELOPMENT

We are currently designing a competency-based framework to enable affiliates to develop their own management development programmes linked to specific business and geographical needs. Mirroring our critical talent programme, our management development programme will involve structured development plans with defined objectives and will draw on the excellent work being undertaken in our affiliates. For example, in North America, managers have been involved in shaping their individual development plans, and in the Philippines, managers are evaluated using 360 degree profiling.

## SUSTAINABILITY LEARNING

SGS has, since 2011, provided sustainability learning to new and existing employees via e-learning modules. During 2014, we updated the content of our sustainability learning programmes and will launch a series of short videos starting in early 2015. These will both introduce employees to what sustainability means at SGS and will focus on individual topics such as energy efficiency in buildings and carbon neutrality. We will also launch a video based on our Sustainability Review 2014.



## ANNUAL PERFORMANCE REVIEWS

Managers and supervisors are expected to conduct a formal dialogue with employees every year to review performance in relation to their job description, expectations and goals. Training, guidance and online tools are provided to ensure that employee performance is fairly assessed and to ensure a consistent approach. In 2014, 67.26% of employees received regular performance reviews.

Feedback from employees through our 2014 CATALYST survey indicates there is more to be done to provide employees with feedback to help them achieve their growth and development potential within SGS. Just over half of employees agree that they can achieve their career goals at SGS, and the same proportion feel that there is a promising future for them at SGS. This suggests that employees need greater clarity on what their future may hold at SGS, and to better understand what potential career paths are available.

## ENGAGING EMPLOYEES

CATALYST, our annual employee survey, encourages employees to share confidential feedback on our strengths and the areas for improvement at organisation, team and leadership levels. In 2014, more than 44 000 employees in 30 countries were invited to participate in CATALYST and 83% (representing more than 36 000 employees) responded to the survey. This was the first year that all regions took part, with affiliates in Argentina, Brazil and Chile, Hong Kong, Ivory Coast, Kenya, the Philippines, Romania and Spain participating for the first time. Our leadership and management teams are committed to reviewing feedback within a month, sharing findings with their direct reports and teams within 10 weeks and submitting action plans within three months of the survey's completion.

The survey, comprising 52 questions (including new questions in 2014 linked to integrity, security and customer service), uses two defining indices: an Employee Engagement Index (EEI) – which measures the extent to which employees are motivated to contribute to organisational success, and a Performance Excellence Index (PEI) – which measures the extent to which employees believe the company is committed to excellent customer service and organisational excellence. By ranking both indices against global norms, our 2014 findings show that our EEI (at 64%) and PEI (at 70%) are similar to our 2013 findings despite a larger population being surveyed, and are slightly below external norms. Our unique Sustainability Engagement Index continues to show a high level of employee engagement in our sustainability programme, with 75% of employees recognising the role that sustainability plays in supporting our business aims and a similar proportion understand what sustainability means to their role and how they can actively contribute to our sustainability performance.

### CATALYST

## KEY SWINGS IN PERFORMANCE, 2014 VS 2013

In the 2014 survey, the most significant improvements could be seen in questions relating to: the opportunity to discuss the results of the previous year's survey (47% vs 34% in 2013), employees seeing positive changes as a result of the previous year's survey (34% vs 30% in 2013), the ability to speak with their managers about integrity issues (76% vs 72% in 2013), having the right environment where people with diverse backgrounds can succeed (61% vs 58% in 2013), and having good safety and physical working conditions (74% vs 71% in 2013).

Conversely, questions which saw the most decline in overall scoring related to: employees being provided with the right support to make them feel part of SGS (65% vs 70% in 2013), employees feeling adequately informed about changes affecting them directly (63% vs 65% in 2013), there being good collaboration across businesses and geographies (57% vs 59% in 2013), the regular use of customer feedback to improve work processes (71% vs 73% in 2013), and clear communication from the global leaders of SGS on the organisation's results and business priorities (58% vs 59% in 2013).

## EMPLOYEE REPRESENTATION AND CONSULTATION

Collective bargaining agreements exist in most of the countries we operate in. We strictly adhere to tariff structures and collective bargaining agreements negotiated with trade unions. In countries where freedom of association or collective bargaining is restricted by law, we facilitate parallel means of independent and free

association and bargaining. We respect statutory minimum notice periods and give reasonable notice of any significant operational changes in line with local practices and labour markets.

In 2014, 21.84% of our employees were covered by collective bargaining agreements. We recognise the need to inform and consult employees on relevant business activities.

Within the European Union, the SGS Euroforum ensures constructive dialogue with elected employee representatives on relevant transnational issues. During 2014, a series of questions were posed to management by Euroforum members on behalf of employees in their affiliates. These broadly related to three core themes: business strategy, leadership and principles; people management; and improving systems and processes.

➔ **SEE OUR SECTION ON STAKEHOLDER DIALOGUE IN OUR ONLINE REPORT FOR MORE DETAIL ON THIS CONSULTATION AND THE RESPONSES FROM MANAGEMENT TO THE QUESTIONS POSED AT THE EUROFORUM.**

## EMPLOYEE WELL-BEING

During 2014, teams across SGS participated in the Global Corporate Challenge (GCC). Aimed at reducing stress, encouraging team spirit and improving the health and well-being of employees, the Challenge was an opportunity to help address the upward trend in sickness absence in certain areas. More than 2 500 employees formed 369 teams across 34 countries and stepped their way to improved physical and mental shape over 16 weeks. With a daily average of 15 044 steps, employees reported a more positive attitude to exercise, 59% stated they had lost weight; and 78% felt that

increased activity levels had become habitual. 84% of employees would now rate their overall health as good, very good or excellent.



### OUR GLOBAL RESULTS

More than **2 500 EMPLOYEES** formed **369 TEAMS** across **34 COUNTRIES**

Daily average of **15 044 STEPS**

**84% OF EMPLOYEES** would now rate their overall health as good, very good, or excellent

## THE SGS ACADEMY

**THE SGS ACADEMY IS A GLOBAL NETWORK DELIVERING TRAINING COURSES TO SGS EMPLOYEES AND CUSTOMERS IN MULTIPLE LANGUAGES, WITH 35 CENTRES GLOBALLY. SGS PROVIDES TAILORED TRAINING PROGRAMMES IN PROFESSIONAL AND INDUSTRY-SPECIFIC SKILLS, CERTIFICATION STANDARDS AND LEGAL COMPLIANCE, MANY OF WHICH ARE ACCREDITED OR CERTIFIED.**

### CASE STUDY

## ORGANISATIONS IN INDONESIA WELCOME NEW SGS ACADEMY IN JAKARTA

Well-educated and skilled workforces play a critical role in creating sustainable organisations and achieving economic growth. Hence, education and training systems must be able to create human resources that support business growth as well as professional development in order to contribute to sustainable economic activity.

Our new SGS Academy in Indonesia, launched in September 2014, joins 34 other centres of excellence around the world offering flexible training and development solutions to suit individual and organisational needs. Through its 70 courses, which lead to formal qualifications, SGS Academy Indonesia will empower both individuals and organisations with public training programmes and bespoke in-house solutions.

Guy Escarfail, Managing Director, SGS Indonesia commented on the launch: "We chose to launch the new Academy at SGS Indonesia's 12th Quality Network Conference, where we were exploring the era of the knowledge-based economy and the role that learning and development plays in developing individuals, organisations and economies".

Mr Sofjan Wanandi, Chairman of the Indonesian Employers Association, stated that the SGS Academy is an opportunity to improve the position of each Indonesian company facing global competition, commenting that companies have been relying too heavily on natural resources as opposed to human resources and this needs to change if companies are to be able to compete effectively now. At SGS, we are looking forward to working with our client businesses across Indonesia to help them achieve this aim.

### CASE STUDY

## SGS INDIA ACADEMY PROVIDES CENTRE OF EXCELLENCE IN ACCREDITED TRAINING

"SGS Academy in India opened in July 2014 and became one of 35 SGS worldwide centres of excellence, offering more than 110 training courses across 18 categories, leading to formal qualifications. The Academy focuses on contributing to continuous improvement strategies by providing an integrated approach to all aspects of quality, health and safety, environmental, and sustainability management systems. Recognising the diverse needs of the Indian economy, the centre offers a range of solutions, from corporate management training and professional development training programmes to customised training solutions via public or in-house training.

The opening ceremony was held in Mumbai and attended by academics, trainers, business owners and business managers. Mr. Paul House, Managing Director, SGS India, spoke about the overall vision of the SGS Academy, adding, "SGS seeks to be recognised by its passion, integrity, entrepreneurialism and its innovative spirit, as we continually strive to fulfil the vision we have set for ourselves". The event was followed by informative sessions with speakers from the Symbiosis Institute of Business Management & MIT School of Business. A separate session, focused on equipping young Indians with skills for employment, was also held.

Strengthening the SGS Academy's presence in Mumbai, SGS India has also been formally accredited by EXIN as an Accredited Training Provider (ATP) and Accredited Examination Centre (AEC) for EXIN's courses on information security."

**MR. NAGRAJ RANGANATHAN**  
*Business Director, Systems and Services Certification, SGS India*

# OPERATIONAL INTEGRITY

Safety means good business. Everything we do relies upon the safety and well-being of our people and the communities around us, as well as the responsible management of the environment. Our customers expect us to demonstrate best-in-class performance through the quality of our services and the integrity and reliability of our working practices.

Maintaining a relentless focus on safety, health and the environment is a priority for us. The rigorous management of risk helps to keep our people, contractors, communities and environments in which we work safe, drives efficiency in our operations, and ultimately protects the value we create for society. We continue to enhance our systems, standards and our processes, including how we manage the risks associated with over 80 000 employees working in more than 1 650 locations around the world. Operating in sometimes physically and technically demanding geographies and locations, such as offshore sites, requires particular sensitivity to local environments. Reinforcing and instilling a safety culture across our global operations remains a primary objective for us.

# OPERATIONAL INTEGRITY MANAGEMENT

Operational Integrity (OI) is the name we give to our Quality, Health, Safety and Environment approach, which is managed through a global system. Our newly defined OI strategy now comprises seven pillars:

- ① COMMUNICATION
- ② TRAINING AND AWARENESS
- ③ RESOURCES AND SKILLS
- ④ MEASUREMENT (KPIs)
- ⑤ AUDITS AND COMPLIANCE
- ⑥ OI ASSESSMENTS
- ⑦ LEADERSHIP

Safety commands the highest attention at all times from our leadership team, our managers and our employees. Our OI Strategy is communicated via a Top Page Initiative to facilitate management support for and understanding of our OI priorities and responsibilities. This ensures that information is consistently cascaded through the network and that actions are tracked through the regions and lines of business in a systematic way.

## LEADERSHIP POINT OF VIEW

# OUR SAFETY JOURNEY AT SGS

*ALAIN DENIELLE, Vice President, Global Operational Integrity, reflects on the challenges and opportunities for companies in embedding a global safety culture*

At SGS, our leadership team, managers and employees place very high importance in ensuring the safety and well-being of our employees and others working on our behalf. In recent years, we have invested in building a robust Operational Integrity (OI) management system and instilling a safety culture through training, enhanced communications and internal campaigns. Our management tools, the SGS Rules for Life, our annual Safety Day, and various issue-specific campaigns, are designed to get everyone on the safety journey, and we have certainly made good progress. In fact, in our latest employee survey, 74% of employees agreed that the safety and physical working conditions where they work are good.

Instilling a fully integrated safety culture – where safety becomes part of who a company is rather than what it does – takes time. Companies need to follow an incremental process, which begins with creating awareness about safety through communications and consolidating their understanding of it through direct participation in activities. Over time, individuals gradually assume greater ownership for their actions and their decisions and, ultimately, safety becomes ingrained in the way that they think and behave. Employees in any company will find themselves at different stages of the journey and this will be dependent on various factors, such as the nature of their role, location and their exposure to risk; their knowledge of safety and their relevant experience; their cultural background; and their broader engagement with their employer.

SGS is well on the way to embedding safety in its DNA. There is a strong commitment to OI from the leadership team. Managers and employees have a positive mindset and a willingness to do things properly, and there is culture of openness and transparency – a readiness to explain, discuss, understand and improve our performance. We have deployed significant OI resources globally and we have sound OI skills across our network at corporate, regional, country and site levels. We have numerous and effective programmes in place for raising awareness and facilitating understanding of safety amongst managers and employees, and we have robust tools to help manage and monitor our performance.

Our new OI strategy seeks to build on this solid base and further embed safety in our culture, whilst also progressing our strategic management of quality, health, safety and environmental aspects. The strategy, which is aligned to the European Foundation for Quality Management (EFQM) standard, is structured around seven key pillars: Communication, Training and Awareness, Resources and Skills, Measurement (KPIs), Audits and Compliance, OI Assessments, and Leadership. Our strategic priorities, organised under these pillars, will involve:

- Raising awareness and employee engagement through enhanced communications and awareness programmes
- Ensuring our senior management team, Managing Directors and employees are equipped with the

necessary skills and knowledge to manage their safety responsibilities

- Reinforcing our global OI structure with defined roles and expertise (linked to industrial hygiene, learning and development, chemicals and behaviour-based safety) and an enhanced Operational Integrity Steering Committee on which all regions, businesses and corporate functions are represented
- Enhancing the reporting and visibility of our performance, and managing a continuous improvement programme based on SMART and operational targets
- Continuing to conduct high quality audits of our management systems and our physical conditions, and ensuring a consistent approach across our network that is overseen by the OC and senior management teams
- Conducting OI self-assessments to determine the intrinsic and absolute value of our performance across all SGS offices and laboratories

For me, the defining measure of our success will be when every individual within SGS appreciates that the management of safety is not just something that we have (in terms of structures, processes, and the like), but that it is also entirely integrated into our beliefs, our attitudes and our values.



## OPERATIONAL INTEGRITY MANAGEMENT SYSTEM (OIMS)

OIMS is a company-wide, integrated management system, providing employees and contractors (and customers at their request) with a single interface to all our health and safety documentation. The system is aligned with internationally recognised standards, including Quality (ISO 9001), Health and Safety (OHSAS 18001), Environmental (ISO 14001), Inspection Management (ISO 17020), Testing and Calibration Laboratory (ISO 17025), and Social Responsibility (ISO 26000) standards. A Steering Committee for this system, which includes a range of senior managers, is chaired by the Chief Executive Officer.

By the end of 2014, the system had been implemented in approximately three-quarters of SGS regions, with plans to roll it out to South East Asia Pacific and Northern and Central Europe regions in early 2015. We expect our OIMS to be rolled-out globally by mid-2015.

## INCIDENT MANAGEMENT AND REPORTING

Our Crystal system provides a standardised incident management and reporting interface in 10 languages and has been implemented across the Group. This data-driven approach expedites our regulatory and client-mandated incident reporting, ensures all data collected meets our high standards, and encourages greater use of data analysis to identify trends. Despite its enhanced reporting facility, we streamlined the tool in 2014 following feedback from affiliates. Crystal 2.0 will be launched in early 2015.

## RAISING AWARENESS

Our CATALYST survey shows that 82% of our employees believe that SGS is committed to employee safety, such as providing appropriate equipment and training on safety rules.

Encouragingly, 74% (up from 71% in 2013) of employees feel that the safety and physical working conditions at SGS are good. We raise awareness of safety issues in a variety of ways.

Findings from our 2014 CATALYST survey suggest a correlation between the frequency of incidents reported and the degree to which employees feel engaged with the company and feel enabled to do their jobs. As indicated in the graph below, the five countries that scored lowest in the employee engagement index showed a recordable incident rate of 2.1. When you compare this to the five countries that scored highest on employee engagement, the recordable incident rate was just 0.36. A similar pattern can be seen when analysing our performance excellence index (PEI) score, which indicates the extent to which employees feel enabled to do their jobs. The five countries scoring lowest in the PEI had a recordable incident rate of 1.07 compared with the top five countries in the PEI which had a score of only 0.12.

### TOTAL RECORDABLE INCIDENTS RATE

#### ENGAGEMENT

Bottom 5 countries **2.1**

Top 5 countries **0.36**

#### PERFORMANCE EXCELLENCE

Bottom 5 countries **1.07**

Top 5 countries **0.12**



## RULES FOR LIFE

The SGS Rules for Life are 12 non-negotiable rules that help save lives. They apply to all employees, contractors and others working on behalf of SGS. In 2014, the Rules for Life continued to be incorporated in all our safety-related communications, including Safety Day and our quarterly campaigns. We will further develop our Rules for Life in 2015.

## OI LEADERSHIP WALKS

Active leadership engagement by supporting OI in the field and in our office and laboratory locations is key to reinforcing our safety culture and driving OI performance. Chief Operating Officers and Managing Directors as well as site and laboratory managers are coached by OI managers on how to conduct such visits, supported by a guidance document, a training video on how to conduct an effective site visit, a mobile app which provides managers with quick safety talks and short interactive audits that allow them to conduct OI reviews in any situation. In 2014, more than 7 000 leadership site visits were conducted.

## GLOBAL CAMPAIGNS

In addition to our annual Safety Day, we conduct quarterly global OI campaigns to further our commitment to creating a safer and healthier work environment. In 2014, there were campaigns focusing on Leadership Walks, Manual Handling and Slips, Trips and Falls.



### CASE STUDY

## SGS SAFETY DAY 2014 – 'PREVENTION THROUGH INTERVENTION'

"Our second annual Safety Day took place in June 2014. Safety Day is aimed at generating understanding and driving long-term behavioural change, by building a stronger safety culture and contributing to performance improvement.

The 2014 campaign was officially launched by Chief Executive Officer, Chris Kirk, with the quote "Let's keep SGS a safe place to work". This year's theme focused on the identification of risks and actions to avoid potential incidents. A bespoke campaign micro-site and blog were created, along with a video, email templates, posters and other promotional materials to be tailored and deployed across the network.

### NEARLY 50 000 EMPLOYEES AND CONTRACTORS PARTICIPATED IN THE ACTIVITIES, REPRESENTING A POSITIVE 26% UPLIFT IN ENGAGEMENT SINCE 2013.

Equally encouraging were the efforts by our affiliates in making the campaign bigger and better through their blog posts. Teams in Russia, Romania, Brazil, Korea, Egypt, Mauritius, Saudi Arabia and Portugal, to name a few, outlined their Safety Day activities, demonstrating how the event and its underlying ethos are becoming firmly embedded in SGS culture."

**SARAH ANDERSON**  
*Global Operational Integrity Manager, Communications Manager and Technical Development*



### CASE STUDY

## FLEET MONITORING SYSTEMS



The benefits of installing Global Positioning Satellite (GPS) tracking and In-Vehicle Monitoring Systems (IVMS) are well documented. Such systems can help to improve driver and passenger safety through controlling speed and reducing accidents and incidences of theft. More than that, they facilitate a proactive approach to managing vehicle use and driver behaviour as a key element in reducing company CO<sub>2</sub> emissions.

SGS Eastern Europe Middle East and South America regions have implemented a comprehensive IVMS, while SGS Chile and SGS Peru have successfully installed GPS tracking into their road fleets. The comprehensive IVMS fleet management solution being used in the Middle East will provide 24/7 real-time tracking with feedback to improve driver behaviour and notify management of any violations. In 2014, there has been a decrease in fuel consumption of more than 27% in the Middle East partially due to more fuel efficient driving techniques.

Across South America, a GPS system will provide speed monitoring, warning the driver if he exceeds limits, as well as delivering hourly reporting on vehicle location and daily event logs with historical data tracking.

Full regional roll-outs are now being conducted, working towards compliance with OIMS standards and SGS Rules for Life.



## INDUSTRIAL HYGIENE

Working in industrial environments can present potential hazards, such as exposure to carcinogens or damage to hearing. These hazards need to be identified and measured to determine if appropriate controls are in place or if additional controls are required.

Our global Industrial Hygiene (IH) programme uses a standardised approach to managing IH and includes training, employee exposure monitoring equipment for chemical and physical stressors, and an open range database for storing and analysing performance data. The open range database is currently in use in Australia, Canada, Mexico and USA. It will be used globally in 2015. During 2014, our Safety Data Sheet Management System, ChemWatch, was implemented across our global network, providing consolidated and up-to-date information on potential hazards associated with the chemicals used in our laboratories, and how to manage these.

## PREVENTING DISEASE

As part of a preventative strategy for managing the health and safety of employees and subcontractors in countries with a high risk of communicable diseases, and for employees travelling to these countries, we offer education, training, counselling, prevention, and risk-control programmes to assist employees, their families and community members.

### CASE STUDY

## MANAGING THE THREAT OF EBOLA

The Ebola outbreak in West Africa is said to be one of the most virulent viral diseases known to humankind. Following its well-reported outbreak, our OI team took rapid and comprehensive action.

“Recognising the remote areas which many SGS employees visit in the course of their work, we took prompt steps to help protect them and others against the risk of contracting Ebola. Key to this was widespread awareness raising and the provision of guidance to help keep people safe. First, we created an Ebola Contingency Plan, supported by dual language training, online information, emails and posters to highlight the need for vigilance at all times. Our intranet was updated immediately as new official information became available and included links for further advice. All communications outlined what Ebola is, how it is transmitted and symptoms to be aware of.

We took a dual approach to the emergency, considering both prevention, in the case of Ebola impacted countries, and containment in non-impacted areas. In affected countries, posters were displayed at the entrance to all SGS locations and strict protocols for visitors were put into practice. These included the provision of barriers, surgical masks and gloves for employees tasked with meeting visitors. Employees were given guidance on what to do if they felt unwell and we provided Ebola kits to issue accordingly if the need arose. We were also careful to consider travel and vessel management too, taking all necessary steps to contain the virus. Travel to impacted areas was reduced to business-critical missions and guidance was provided for anyone needing to board potentially at-risk vessels.”

**SARAH ANDERSON**  
Global Operational Integrity Manager,  
Communications Manager and  
Technical Development





# ENVIRONMENT

Climate change is one of the most important environmental issues of our time. According to the Intergovernmental Panel on Climate Change (IPCC), limiting climate change will require substantial and sustained reductions in GHG emissions. But slowing growth in CO<sub>2</sub> emissions alone will not be enough to limit warming below the 2°C threshold recognised by governments as limiting the worst impacts of climate change. Affordable renewable technologies and lower carbon technologies will be necessary to put the world on a lower carbon trajectory.

**IN ADDITION, INCREASED GLOBAL MANUFACTURING OUTPUT LINKED TO CHANGING CONSUMPTION PATTERNS FROM BURGEONING POPULATION GROWTH AND ECONOMIC DEVELOPMENT ARE CONTRIBUTING TO WIDER ENVIRONMENTAL CONCERNS. INCREASINGLY, COMPANIES ARE EXPECTED TO SHOW LEADERSHIP AND INNOVATION IN ADDRESSING CONCERNS LINKED TO RISING POLLUTION, DIMINISHING RESOURCES AND WATER SCARCITY.**

At SGS, we are on a journey to reduce our carbon emissions and minimise our impact on climate change. By 2020, we plan to have reduced our annual CO<sub>2</sub> emissions by 20% on a 2014 baseline through improved energy efficiency and by switching to low carbon options including renewable power sources. In addition, we offset all residual CO<sub>2</sub> emissions associated with our major operations to maintain our status as a carbon neutral company. It is also important that we maximise our contribution through our services by ensuring the integrity and safety of existing energy supply and storage systems, and ensuring that our customers have accurate and reliable data to manage their reduction strategies. New lower carbon technologies too are challenging us to think about how we combine our skills and competencies and test our technologies and services to generate new ideas and insights that will enable us to actively contribute to a lower carbon future. We are also committed to monitoring issues linked to waste, pollution and water scarcity as these become more material in certain affiliates in the future.

# REDUCING OUR EMISSIONS

**SGS IS NOT AN ENERGY INTENSIVE COMPANY, BUT WITH OVER 80 000 EMPLOYEES WORKING IN MORE THAN 1 650 OFFICES AND LABORATORIES AND WITH A BUILDING FLOOR AREA OF APPROXIMATELY TWO MILLION SQUARE METRES, WE CLEARLY HAVE A SIGNIFICANT FOOTPRINT. IN FACT, THE ELECTRICITY USED BY OUR BUILDINGS ACCOUNTS FOR ALMOST 60% OF OUR GLOBAL CARBON EMISSIONS.**

Buildings are therefore a key focus in our efforts to deliver on our global targets of:

**ACHIEVING A 20% REDUCTION IN CO<sub>2</sub> EMISSIONS PER FTE (FULL TIME EQUIVALENT EMPLOYEE) BY 2020 AGAINST A 2014 BASELINE**

**ACHIEVING A 20% REDUCTION IN CO<sub>2</sub> EMISSIONS PER UNIT OF REVENUE BY 2020 AGAINST A 2014 BASELINE**

Achieving a 20% reduction in CO<sub>2</sub> emissions for all offices and for all laboratories we own that are larger than 2 000 m<sup>2</sup> by 2020, against a 2010 baseline as part of our commitment under the World Business Council for Sustainable Development's Energy Efficiency in Buildings Manifesto

**USING 100% RENEWABLE POWER BY 2020 (AS PART OF OUR COMMITMENT TO THE RE100 INITIATIVE), AND MAINTAINING OUR STATUS AS A CARBON NEUTRAL COMPANY**

LEADERSHIP POINT OF VIEW

# ENERGY EFFICIENCY: DELIVERING INNOVATION THROUGH OUR OWN OPERATIONS

*DANIEL RÜFENACHT, Vice President, Corporate Sustainability considers the importance of innovation in driving energy efficiency through our services and our operations*

The World Business Council for Sustainable Development estimates that buildings represent nearly 40% of final energy used globally, with consequent implications for global greenhouse gas emissions. In many cases there is a strong commercial case for reducing energy use and improving energy efficiency. In fact, improving building energy efficiency is widely seen as one of the cost effective options available to reduce global greenhouse gas emissions within the service industry.

From SGS's perspective, building energy efficiency is an area of great commercial interest. We offer a comprehensive range of energy and carbon-related consultancy, assessment, testing and certification services to real estate developers, construction companies, property managers and building users. We help to certify against the Leadership in Energy and Environmental Design (LEED) and other green building certification schemes, we provide building energy and lighting simulation and modelling services, we conduct carbon footprint analysis, we help develop and implement energy management services, and we test and monitor the energy and environmental performance of buildings. Despite the fact that there is often a compelling business case for investing in energy efficiency, many companies are yet to be persuaded that they should analyse their energy use and invest capital to reduce consumption.

Some of the challenges relate to views and attitudes towards energy-related investments: companies are often sceptical about the business case (i.e. do the costs outweigh the benefits?), they are unwilling to make investments where the payback periods are greater than three to four years, they need to deploy their capital in areas that support business growth, and they have concerns that investing in energy efficiency will cause business disruption (for example, due to buildings or facilities being temporarily unavailable for use).

**ENERGY EFFICIENCY IN BUILDINGS (EEB)**

Our Energy Efficiency in Buildings programme allows us to show how we explore and evaluate opportunities for energy efficiency, and to showcase the expertise and innovation of our teams. We have also developed a series of case-studies that we can deliver. These include examples from 2013 (covering the conversion of our heating system from oil to gas at our laboratory in Taunusstein, Germany, the upgrading of our lighting, air conditioning and electric motor systems at our Booyens facility in South Africa, the design of a unique solar photovoltaic system able to withstand high winds for the rooftop of our laboratory in Kolkata) that demonstrate the energy and cost savings that we can deliver.

**DESPITE OUR IN-HOUSE SUCCESSSES, WE ARE AWARE THAT WE CANNOT BE COMPLACENT.**

In principle, EEB bridges the commitments and values that underpin our approach to sustainability with the needs and interests of our customers. But it is not that simple. There are three issues that we need to be particularly aware of.

**THE FIRST** is that our employees have multiple demands on their time – serving existing customers, developing new business and maintaining standards of professional excellence. For many, contributing to the delivery of our corporate targets or diverting their time to internal projects is seen as a lower priority, and even as a diversion from the activities that are central to their roles within SGS. This raises important questions about how we engage employees in contributing to the delivery of our sustainability agenda, and show how this directly supports our business objectives. We have begun to address this through our revised sustainability training which will be launched through a series of videos during 2015 and beyond.

**THE SECOND** is that technical innovation often requires us to invest in projects that do not meet our internal investment hurdles or to experiment with technologies that we are not familiar with. These can be difficult to justify when we, inevitably, are faced with tight budgets and customers who expect best-in-class service delivery. It is vital that we maintain an open dialogue with our customers, our investors, our suppliers and our peers on innovation and we



use our regular engagements as well as Investor Days and our Supplier Innovation Club to exchange ideas.

**THE THIRD** is that we need to think about the specific targets that we set for ourselves. We need to examine whether our targets require us to innovate or whether they can be met through the deployment of well tested and well understood technologies. We need to think about how our targets are perceived by the market. While our carbon neutrality commitments are, we think, market leading, our carbon reduction targets are broadly similar to those being set by many other multinational companies.

SGS's carbon-related objectives and targets signal the importance that we assign to energy efficiency across the business. They create the incentives and impetus to make energy efficiency central to every project that we carry out. We believe that we are on the right track, but we will continue to challenge ourselves and seek feedback from our customers, suppliers, peers and other stakeholders to ensure that we manage expectations and optimise our role in contributing to a lower carbon future for all.

# ENERGY EFFICIENCY IN BUILDINGS

We have established our Energy Efficiency in Buildings (EEB) programme to deliver on our overarching carbon reduction targets. Our Green Building guidelines and self-assessment checklist apply to all affiliates and our green buildings checklist applies to all new projects to identify potential savings opportunities and to ensure that energy saving and energy efficiency are integral parts of our capital investment processes.

Our two energy management specialists oversee day-to-day management of the EEB strategy, working across the affiliates to implement our green building guidelines globally and support local programmes through energy audits, technical notes, best practice sharing workshops and providing technical expertise.

**DURING 2014, WE ESTABLISHED A NETWORK OF FACILITY MANAGERS, WHICH PROVIDES A PLATFORM FOR INFORMATION SHARING AND ADVICE ON COMMON THEMES LINKED TO EEB.**



## GLOBAL ROUND-UP OF EEB INITIATIVES

"Our greatest challenge is the huge diversity of our company. Our building scope includes a range of laboratories operating a diverse range of activities. A consumer testing services laboratory, for example, is likely to have a lower energy demand than a geochemical laboratory with powerful crushing machines and an industrial laboratory may be high-tech, or it may be focused on more physical processes such as welding or extraction. Such diversity challenges us to find innovative solutions in managing energy efficiency.

For example:

- At our headquarters in Geneva, we have in recent years optimised lighting and heating levels, installed automated environmental controls, and established a 'cold aisle' in our data centre. So far, the building's electricity consumption has been reduced by 24% against a 2010 baseline
- Our laboratory in Taunusstein, Germany replaced an oil-fired heating system with a gas one and introduced a combined heat and power generator, condensing boilers and an energy management system. The installation was completed in 2014 and these measures have delivered a 20% reduction in CO<sub>2</sub> emissions, equivalent to one-third of the building's energy costs
- As reported in 2013, our Indian textile testing laboratories in Tirupur and Chennai have more than halved the volume of water purchased by using waste water that is processed in an effluent treatment plant. Furthermore, condensation from air conditioning units is collected, processed and recycled as laboratory grade water
- Our laboratory in Kolkata, India uses a unique rooftop solar photovoltaic system capable of withstanding high coastal winds. Since it became operational in July 2014, the system generated 2.5% of the building's energy consumption (corresponding to around 4 MWh in the six months to December 2014)
- Since 2013, all of our Minerals laboratories are using a newly designed crucible, which maximises the number of sample pots in a furnace at any one time, reducing fuel consumption per sample by 40%
- SGS is installing an energy management and navigation system designed by Siemens across a number of facilities in Belgium, Germany, the Netherlands and Switzerland, providing detailed intelligence on electricity, gas, water, fuel consumption levels and usage patterns. The system has the potential for us to have oversight of all installations globally
- Our facilities in Noorderlaan and Polderdijkweg, Antwerp – two of our largest laboratories in Europe – have implemented a number of EEB

measures, including the installation of a free cooling system in the server room, and diverting energy arising from the server room to heat the building. In addition, in our offices we have achieved an average weekly saving of 34 kWh, equivalent to 12% of our total electricity consumption for lighting. We are also in discussion with the Port of Antwerp to re-use water from the nearby dock in our cooling system

- SGS Search, a Dutch-based engineering and sustainability advisory services and asbestos testing company which we acquired in July 2014, received a CO<sub>2</sub> reduction certificate recognising its commitment to energy reductions across its supplier inventory
- Through our membership of the EEB project convened by the World Business Council for Sustainable Development (WBCSD), SGS is leading the EEB 2.0 project in India and is co-member of the EEB 2.0 project in the Benelux which aims to unlock financially viable energy efficiency investments that are currently not being realised because of financial or regulatory constraints"

**EDDY VAN EENOO**  
Global Sustainability EEB Project Manager,  
SGS Belgium

#### CASE STUDY

## SGS INDIA'S NEW LABORATORY IN KOLKATA AWARDED GOLD IN LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED) SCHEME

In a number of countries around the world, LEED certification is the recognised standard for measuring building sustainability. The certification process includes a rigorous third-party commissioning process which uses a rating system covering four certification

levels for new construction -- Certified, Silver, Gold and Platinum. These levels correspond to the number of credits accrued in five green design categories: sustainable sites, water efficiency, energy and atmosphere, materials and resources and indoor environmental quality.

"We worked hard to minimise our environmental impacts from the outset when relocating our new 15 000 square foot laboratory in Kolkata. While 100% of existing walls, flooring and roofing were reused, new technologies were deployed too. These included a rooftop photovoltaic system to offset 5% of the total building's energy cost, online energy monitoring, CO<sub>2</sub> sensors to monitor indoor air quality, and individual lighting controls for more than 90% of occupants. During the build, sustainable materials were specified including FSC certified wood for office furniture, green certified carpets and low volatile organic compound paints, adhesives and sealants.

Now, a team of facility managers looks after the building. With the environment at the top of their agenda, they encourage engagement at all levels, with daily energy and water consumption monitoring, key performance indicators on a permanent display system in reception, and green educational displays throughout the building to promote resource efficiency.

These measures have already delivered significant benefits to the business, including 23% energy savings and 42% water savings when benchmarked against average consumption. We are seeing benefits for our people and clients too. Employees say they feel healthier, and are enjoying the ability to set temperature and lighting levels to suit their needs, as well as the improved breakout spaces and outdoor views which are conducive to productivity. For our clients, our 'Gold' standard achievement enables us to provide tailored solutions to companies seeking to minimise their own environmental impacts in their supply chains."

**MONIKA SHARMA**  
Head – Consumer Testing Soft Lines and Corporate Sustainability, SGS India



## EEB 2.0 INDIA

SGS is leading on a new initiative in India coordinated by the WBCSD called EEB 2.0, which aims to raise awareness of the shared value of investing in EEB and remove barriers by identifying and enabling solutions. EEB 2.0 will see leading signatory companies working with partners to trigger market transformation and seek commitments from decision-makers that will effectively unlock financially viable energy efficiency investments that today are not being realised because of mostly non-technical (i.e. financial, regulatory and organisational) barriers. EEB 2.0 builds on the WBCSD's EEB 1.0 initiative, which highlighted the benefits of energy efficiency in buildings and set out a roadmap for market transformation to improve energy efficiency.

As stated by the WBCSD, the cornerstone of EEB 2.0 is the EEB Laboratory (EEB Lab) – "a practical

means of convening local and national stakeholders to facilitate dialogue, define action and agree commitments around four core topics: awareness raising, verifying the value and return on investment, financing and investment, and policy and regulation". Two EEB Laboratories (one in Bangalore focusing on retrofit buildings and one in Jaipur focusing on new builds) will be established in early 2015. These Laboratories, which build on similar initiatives in San Francisco, Shanghai, Warsaw and Houston, seek to raise awareness of the shared value of investment, enable joint action to overcome barriers, showcase results and secure commitments from various stakeholders. The EEB Lab project will culminate in a high-level plenary in Delhi in September 2015 where an action plan will be communicated.

## BACKGROUND TO BUILDINGS AND ENERGY CONSUMPTION IN INDIA

"According to the New Global Building Performance Network (GBPN), India has seen some of the fastest growth in new buildings in the world. Between 2001 and 2005, India

doubled its floor area, and by 2050 it is estimated that the country will have added 35 billion square metres of new building floor area. Already, buildings account for 35% of total energy consumption in India. Efforts by policymakers have so far centred on reducing energy consumption in new commercial buildings through a range of mechanisms including a national Energy Conservation Building Code, labelling and certification systems such as LEED, and various policy and schemes to promote energy efficiency in buildings. However, such efforts are not adequate in addressing the real and present danger of a reliable energy supply.

**TODAY, END-USE ENERGY DEMAND IN INDIA EXCEEDS ENERGY SUPPLY BY MORE THAN 12% AND THIS GAP IS EXPECTED TO GROW TO 25% IN THE NEXT 10 YEARS. THIS HAS MEANT THAT MANY LARGE CORPORATIONS HAVE STARTED INVESTING IN OFF-GRID RENEWABLE ENERGY IN ADDITION TO ADOPTING ENERGY EFFICIENCY MEASURES."**

**SHETTY SHIVANANDA**  
Director, Environmental Services,  
SGS India



## LEADERSHIP POINT OF VIEW

## MOVING ONE STEP CLOSER TO A CIRCULAR ECONOMY

**UDO WALTMAN**, Director, SGS Search, discusses how the pursuit of a circular economy can act as a catalyst for product design and innovation

A new paradigm has emerged in product design and utilisation, replacing the traditional, linear model of manufacturing, using and disposing of products at the end of their life. Dwindling natural resources, pollution and a build-up of waste, coupled with volatile prices and increased geopolitical tensions, have created major incentives to shift to a circular model; one where products are designed, manufactured and continuously used in a regenerative system. The call for adapting circular models has been embraced by leading institutions, including the World Economic Forum and the Ellen MacArthur Foundation. Research estimates the circular economy could save up to \$650 billion a year within the EU alone. This offers huge opportunities for companies across the globe.

In making the shift from a linear to a circular system, companies take responsibility for their products and production processes and collaborate with suppliers to do the same. The Cradle to Cradle Certified™ Products Program offers companies a concrete model to produce appealing, safe products made from pure materials which are designed for continuous use.

Since the Program began in 2006, more than 200 companies worldwide have participated, producing hundreds of different certified products. Many of the forerunners are now moving to expand certification from individual products to entire product ranges.

Offering certified C2C products offers clear market opportunities to companies linked to product innovation and the ability to appeal to consumers who may be concerned about the impact of consumption patterns on the environment and society at large. In addition, there are various business, environmental and societal benefits to

be gained. These can include:

- More efficient production processes from reduced resource use
- Enhanced product value
- New revenue streams
- Avoidance of risks associated with raw material availability and fluctuating costs as well as the elimination of hazardous materials
- Improved energy and water stewardship throughout a product's life cycle
- Reduced impact on pollution from the reduction or elimination of waste

At SGS Search, we have been appointed by the Cradle to Cradle Products Innovation Institute to guide companies through the process of getting their product(s) cradle to cradle certified. In addition to managing the certification process, our work involves providing management advice and collaborating with manufacturers to consider every aspect of a product's impact throughout its life cycle. This entire process is very innovative and iterative; encouraging – indeed challenging – companies to look at products differently. Here in the Netherlands, the building products sector, driven largely by the government's drive for more sustainable building materials, has been a forerunner in creating C2C products, which include ceiling and floor tiles, wall coverings and office furniture. Given that 70% of building production materials are said to have the potential to be C2C products, the potential opportunity for companies is huge. Across Europe, we are also seeing interest in C2C products in sectors such as baby products and clothing (given the clear benefits of using safer, less hazardous and more durable materials), and we expect demand to increase in line with regulatory and market drivers.

## PRACTICE WHAT YOU PREACH

Our interest in C2C dates back to 2006, when, as Search BV, we became familiar with the C2C philosophy and were growing aware of the problems surrounding the depletion of natural resources. Research indicates that office buildings usually “live” for 40 years and the life cycle of furniture, tapestry, curtains et cetera is on average only five years. So real estate is a vast contributor to the problems we are facing today. This awareness and knowledge combined with the necessity to create more space for our growing company inspired us to create our own C2C offices in Amsterdam and Heeswijk.



## BUILDINGS THAT PRODUCE ENERGY RATHER THAN WASTE... AND ARE BEAUTIFUL.

Not being content with simply providing professional services in this area, and inspired by the innovations we had seen taking place in projects such as the reconstruction of the Rotterdam Station, we embarked on a major initiative to create our own cradle to cradle offices in Amsterdam and Heeswijk. We applied the concept to external building materials, opting for FSC-certified wooden building panels that can be assembled and disassembled easily, without the loss of quality and for which no nails are used; the buildings have been designed to be entirely energy self-sufficient through the installation of on-site wind turbines and an energy roof with photovoltaic cells, so that we can use the power of the sun to produce electricity and hot water. We ensure optimum energy efficiency through the use of triple glazing, wooden fibre insulation, heat recovery and thermal energy storage systems, and, in Amsterdam, the innovative use of wooden panels which fully enclose

the building in the evening; the re-use of rainwater in toilets and for cooling our laboratory equipment via a grey water circuit; and the interior building components are made from re-used and re-usable materials. Not only do we have amazingly innovative and healthy buildings for our employees, we are also proud to have two of the most sustainable buildings in the Netherlands.

In our experience, the C2C philosophy is a more positive way of looking at sustainability. As Professor Dr Michael Braungart has articulated: “Sustainability is not about being less bad, it's about doing more good”. It is not purely focused on the management of risk and impact, but it enables companies to think about the value-added nature of their products in contributing to a healthier, collaborative and more sustainable economy.

## EEB 2.0 BENELUX

SGS is also involved as a co-organiser of a WBCSD EEB 2.0 project in Benelux, which will launch in Amsterdam in May 2015. Led by AkzoNobel, SGS will work alongside AGC and ArcelorMittal in organising the project. We will provide an update on this in our 2015 report.

## INVESTING IN RENEWABLE POWER

In December 2014, SGS became one of the first companies globally to sign the RE100 initiative, pledging to use 100% energy from renewable sources. Led by The Climate Group and in partnership with CDP, RE100 is collaborating with the International Renewable Energy Agency (IRENA) and others to get 100 of the world's largest companies committing to 100% renewable power by 2020. The RE100 campaign highlights the business and reputational benefits enjoyed by companies who make the commitment to using power exclusively from renewable sources. It will also help companies who wish to switch

to renewables by offering guidance on selecting and implementing the best approach to utilising renewable power, and information on the financial implications, risks and rewards of different options.

**RE 100**

## CASE STUDY

## EXPANDING THE SOCIAL AND ECOLOGICAL BENEFITS OF RENEWABLE ENERGY PROJECTS

“We believe that renewable energy projects should be sensitive to the needs of the local environment, community and economy. One of the plants from which we source guarantees of origin is the Hunderfossen Power Plant in Norway. This produces 600 GWh of renewable energy annually. For one local farmer, the new road constructed to serve the plant has enabled him to develop the Hunderfossen Family Park. The Park's Energy Information Centre, which focuses on hydropower and other renewable energy, and the power plant itself are popular attractions for schools and tourists.

This year, SGS increased its level of engagement in renewable energy investment and opted to buy guarantees of origin for electricity consumption in North America and Asia. The next phase will involve buying guarantees of origin with greater added value and lending support to projects in need of finance for implementation. These guarantees of origin are called GO<sub>2</sub>.”

## PREBEN MUNCH

Director, Corporate Customers, ECOHZ



## CARBON NEUTRALITY

In addition to sourcing renewable energy and increasing energy efficiency, we have offset all CO<sub>2</sub> emissions associated with operations in our major countries (representing 91% of Group revenue and 92% of headcount) for 2014.

We believe becoming carbon neutral has three main benefits:

- Taking action now – energy efficiency and carbon intensity reduction projects are key to tackling climate change. However, carbon emissions will continue to be generated while such projects are taking effect, and we know that each tonne of carbon eliminated today is more valuable than one tonne removed at some point in the future. Carbon neutrality bridges the gap between the current reality and a more sustainable future
- Quantifying carbon costs - we identify sustainability priorities by quantifying the costs associated with sustainability challenges as highlighted in our Green Book. However, the economic cost of carbon is difficult to quantify. Carbon neutrality enables a clear cost of carbon to be assigned. We incentivise affiliates to re-double their efficiency efforts by requiring each one to pay for their emission offsets
- Community commitment – Supporting carbon offsetting projects which benefit local communities aligns with our community investment strategy

# MANAGING ENVIRONMENTAL BEHAVIOUR



Encouraging environmental behaviour in the workplace forms a key part of our energy management approach. Our innovative Do More With Less behaviour change campaign, launched in 2012, was rolled out to a further nine affiliates in 2014. The campaign uses strategically positioned orange stickers to remind employees to take concerted action to improve our energy and resource efficiency. Our popular campaign mascot, Lëss the polar bear, reminds employees about the importance of Do More With Less in posters which reinforce the messages.



**TO DATE, 17 AFFILIATES HAVE TAKEN THE CAMPAIGN, WITH FURTHER AFFILIATES PLANNING TO IMPLEMENT IT DURING 2015.**

## 2014 HIGHLIGHTS INCLUDE: 51% REDUCTION

### UP TO 6% REDUCTION

in electricity consumption at our three largest facilities in SGS France within the first eight months of the campaign

A more responsible approach to the use of lighting and air conditioning controls and paper and ink consumption in SGS Malaysia

### 5% REDUCTION

SGS Bangladesh launched the campaign across five sites in September 2014 and set itself a target to achieve a 5% reduction in electricity consumption by the end of 2014

SGS Italy is running the campaign across four sites, and is focusing on reducing water and paper consumption and electricity through more effective control of lighting

SGS Poland launched the campaign in September 2014 across five sites, and plans to extend it throughout 2015 in order to create momentum amongst employees and entrench sound environmental behaviour in our culture

SGS Mauritius is targeting lighting, paper reduction and recycling, air conditioning and equipment and a reduction in water usage as its focus for the campaign

Greater employee awareness has led to a number of energy saving ideas being proposed by employees, such as switching off the water fountain and coffee machine at the end of the day and replacing our distilled water equipment with a more energy efficient model. The affiliate plans to replace all tube lighting to LED tubes in 2015

## 51% REDUCTION

SGS South Africa provided year-on-year electricity consumption data as part of its 'switch off' campaign. Lëss the bear visited six sites to raise awareness of the Do More With Less campaign. After an energy audit and an in-depth analysis of our major facility, we were able to reduce our energy consumption by 51%

SGS Benelux has established a taskforce to progress the campaign using energy, water and waste as its main themes

SGS Belgium has seen a marked reduction in the use of plastic coffee cups and printer paper following a concerted effort to reduce and recycle. Two buildings have installed special bins to collect used plastic cups, which are then made into recycled plastic

## 11% REDUCTION

Electricity consumption in SGS South Korea decreased by 2.7% and printing reduced by 11% in the first half of 2014

SGS Indonesia launched the campaign in September 2014 to coincide with Lower Carbon Day. Our focus is on reducing electricity and paper consumption. At the launch we distributed locally grown oranges to all employees as a lower carbon snack option, and we held an orange toast as a token of our commitment to the Do More With Less campaign

SGS UK is gearing up to run the campaign in 2015, creating a template for data capture drawn from sources such as electricity meter readings, which will be conducted three times per day over a four week period starting in January

## CASE STUDY

### SGS FRANCE GETS DOWN AND DIRTY

"In July 2014, SGS France launched the campaign across its three pilot sites: Arcueil (our head office housing 350 employees) and our laboratories in Evry (with 91 employees) and Harfleur (with 76 employees). The campaign focused on energy reductions and improved waste management with key messages delivered via posters and orange stickers and a specially-branded Lëss the polar bear eco-cup. Campaign ambassadors were nominated on each of the four floors at our head office, and at our laboratories we had one ambassador on each site.

Every month we collectively decide on a theme, which is then honed for the next month with the support of the Sustainable Development team in France. September focused on electricity consumption. With around one-third of our consumption coming from lighting, we looked carefully at where we could make savings. It has been such a simple thing to do and yet we have already achieved savings of 6%, reversing an upward trend in electricity consumption that we were beginning to see earlier in the year. October was hailed as 'waste sorting' month. Our aim was to demystify thoughts on what happens to waste once it has been placed in a bin, and to address widespread convictions that all waste ends up in the same place – a landfill site – irrespective of which bin is used. To help improve attitudes and awareness around recycling, we organised a trip to a local waste and recycling facility. On our return, having been reassured about the efficient handling of waste, we revised our guidelines for waste sorting and we encouraged people to bring in spent batteries and coffee capsules from home in order to reinforce the message that environmental behaviour applies in the workplace as much as it does at home and vice versa."

**JEAN-BAPTISTE MOLLET**  
Director Eco-design, SGS France



## CASE STUDY

### LËSS THE POLAR BEAR GETS INTO THE PARTY MOOD IN SOUTH KOREA

### LËSS THE POLAR BEAR, OUR ECO-EFFICIENCY MASCOT, VISITS SGS FACILITIES AROUND THE WORLD TO BRING OUR GLOBAL CAMPAIGN ON ENERGY AND RESOURCE EFFICIENCY TO OUR EMPLOYEES.

"We were excited to bring the Do More With Less initiative to our teams in South Korea. Following a presentation to managers, we officially launched our campaign in January 2014. It ran for two months across nine sites with the aim of reaching each of our 710 employees. Our specific objectives were to monitor and reduce our consumption of electricity and paper use, and to reduce CO<sub>2</sub> emissions.

The annual staff party provided the platform to engage employees on these topics and create a buzz around the launch. Here, we offered photo opportunities with Lëss the polar bear, which proved to be very popular! The launch event was followed by employee communications including email bulletins, posters, and of course, orange dots. Placed strategically around our premises – on doors, air conditioning controls and electrical appliances, including photocopiers and printers – the orange dots reinforced the serious sustainability message at every opportunity.

The results so far are encouraging and demonstrate that behaviours have changed well beyond the two month initial campaign period. Electricity usage declined during the first two months. The greatest success, however, has been seen in paper use. In our first half year to June 2014, we witnessed an 11% decrease in paper usage as a result of reduced printing and copying."

**JOHN SANGJOON LEE**  
Procurement Manager, SGS Korea



# LOWER CARBON DAY



SGS launched its first Lower Carbon Day on 3 September 2014, which saw employees across the company taking part in actions aimed at raising awareness around energy efficiency and supporting the principle of a lower carbon future. Below is a selection of activities that took place around the world.

were given carbon saving tips to help them to reduce their impact.

“Lower Carbon Day provided the perfect opportunity to get employees involved in thinking about their carbon impact during the working day. The lunchtime event and giant puzzle brought together colleagues from various functions and combined activities with a serious message about the need for everyone to do their bit for the environment.”

**NATHALIE GERVAZ**  
Global Community Coordinator, SGS Geneva

## EMPLOYEES AT SGS GENEVA HEADQUARTERS GET ACTIVE IN SOLVING THE CARBON PUZZLE

Colleagues at our Geneva headquarters, held a ‘Lower Carbon Lunch’ in the cafeteria, offering the choice of locally caught fish from the lake or a lasagne using locally grown vegetables, to raise awareness of the impact of our carbon ‘footprint’. After lunch, employees assembled a fun puzzle covered in carbon facts, and featuring Lëss the polar bear, our eco-efficiency mascot. The completed puzzle now hangs in the entrance lobby. Employees were also invited to calculate their personal carbon footprint using an online calculator and

## SGS SOUTH AFRICA DRESS DOWN

“SGS South Africa was already buoyed by the recent success of its Do More With Less eco-efficiency campaign when the SGS Lower Carbon Day international event was announced, and our colleagues responded with enthusiasm. In addition to a company-wide ‘Earth Hour’-style energy saving event (turning off all the lighting for an hour), we also ran environmental pledge-making projects and a ‘dress up in recycled material’ awareness raising initiative at our Maitland and Somerset West sites in Cape Town, our Kwazulu-

Natal premises, our Booyens and Randburg branches in Gauteng and our Mpumalanga sites.

We were tracking energy consumption at the Booyens site, and the impact of the Earth Hour-style event on electricity use was communicated to staff. Events such as this help to continue to raise awareness of the need to protect our planet, and it is only by repeating this message until saving energy becomes part of normal life, that we will see significant and lasting behavioural change.”

**VIVIANE LOKALE**  
Strategic Transformation, Africa Regional Manager, SGS South Africa

## SGS PAKISTAN EMPLOYEES ARE GREETED BY A BEAR ON ARRIVAL AT WORK

“After an opening speech by our Managing Director, the Director of Operations, Minerals and Environmental Services presented a slide show on how to protect our climate and the environment by reducing carbon emissions.

Guest speakers, including a professor from the Institute of Environmental Studies at the University of Karachi and the Chairman of the Federation of Pakistan Chambers of Commerce & Industry’s Environmental Committee, emphasised the need for energy saving, waste prevention and management, as well as forestation. At the end of the awareness session, prizes were distributed for the three best ideas for carbon saving from SGS employees. The event ended with a tree-planting session around the SGS head office grounds.”

**MUHAMMAD HARIS**  
Head of Human Resources, SGS Pakistan



## SGS CHINA CELEBRATES BY LAUNCHING A MONTH-LONG CALENDAR OF ACTIVITIES

“Employees took part in projects promoting walking and public transport, and taking the stairs. ‘Earth Hour’-style events during lunchtimes cut the unnecessary consumption of power, and environmental quizzes raised employee awareness of how they can help to save the planet. Local environmental clean-up expeditions collected rubbish from nearby streets, and ‘flea markets’ enabled employees to exchange second-hand goods to reduce consumption and waste. Colleagues in the Qingdao and Zhangjiagang branches took part in outdoor activities and sports at local beauty spots to gain a greater appreciation of nature. SGS Hangzhou and Shanghai implemented energy efficient lighting and SGS Guangzhou tackled food waste. In addition, the use of lighting, air conditioning, electrical equipment and paper is being cut as part of the rollout of the Do More With Less eco-efficiency campaign.”

**JULIANA ZHU**  
China Sustainability Committee Chairlady, SGS China

## SGS AUSTRALIA USES THE DAY TO STRENGTHEN EXISTING ENVIRONMENTAL PROJECTS

“With several environmental initiatives already underway in Australia, and to mark the SGS “Lower Carbon Day” event, we decided to celebrate and strengthen these projects. We also looked at how we travel to work, with our “Ride to Work” scheme experiencing higher participation and some colleagues choosing to car pool. Individual facilities held their own events:

- Our Shepparton laboratory held a re-education meeting about minimising waste power, such as ensuring equipment is turned off when not in use, using lower temperature settings if appropriate, and turning off of incubators overnight
- Staff in Kalgoorlie conducted a green building survey and a ‘walkabout’ to identify additional opportunities to save energy
- Our Perth, Brisbane and Wollongong facilities turned off non-essential air conditioning, lighting and equipment
- At Newburn and Malaga, staff are tracking power consumption to identify areas for further savings

We hope events like Lower Carbon Day will help maintain awareness of our environmental impact, and serve as a reminder to our colleagues to save energy wherever possible.”

**TREVOR PILBEAM**  
Lab Projects Manager, SGS Australia



## EMPLOYEES IN SGS MALAYSIA COMMIT TO ENERGY AND CARBON SAVINGS BY SIGNING ENVIRONMENTAL PLEDGE BANNERS

“SGS Malaysia launched its Do More With Less eco-efficiency campaign as part of its celebrations of the SGS Lower Carbon Day international event. Colleagues were invited to sign up to our environmental pledge banners, inspired by the Chief Operating Officer for the region, Anthony Hall, and the local Managing Director, Cresenciano Maramot, both of whom signed up themselves and gave motivational speeches on energy and carbon saving. Prizes were also presented to the winners of our eco efficiency quiz, who answered questions about recycling and energy saving. The Pasir Gudang branch celebrated by turning off the power for an hour to save energy, and by planting loropetalum and osmoxylon bushes around the car park.

The Port Klang branch promoted the understanding of eco-efficiency and safety principles by organising a mini Olympic event in which employees competed to win clues for a team presentation on these topics.

In total about 170 colleagues took part in the event, and we have ideas for further actions, such as switching unnecessary lights off during our lunch hour and continuing our tree planting in the community.

One colleague summarised the mood on Lower Carbon Day: “To contribute is not hard. It only requires willingness and understanding”.

**ZAINUN ABU BAKAR**  
National Quality Assurance Manager, SGS Malaysia

# GREEN

## IT

Our Green IT policy requires us to procure equipment responsibly, use IT to enable our operations to be greener, optimise the energy efficiency of our data centres and implement responsible disposal practices.

Virtualisation and centralisation are used to reduce energy demand in our major data centres. Cold aisles are used to contain the temperature-sensitive equipment in one chilled compartment, instead of air conditioning an entire room. Excess heat extracted from the cold aisle in Geneva is used to warm our offices. Where data space is rented, options for energy efficiency include virtualisation and purchasing renewable power; a leased data centre in Geneva uses 100% hydraulic power.

A number of affiliates across Europe have seen significant improvement in electricity consumption following improved heating, ventilation and air conditioning (HVAC) systems.

Specifically, free cooling of server rooms provides an economical method of using the lower external air temperatures in Europe – particularly in winter – to assist in chilling water, which is then used in air conditioning systems. When outdoor temperatures are lower relative to indoor temperatures, the system utilises the cool outdoor air as a free cooling source. In this manner, the system replaces the chiller in traditional air conditioning systems while achieving the same cooling result. The chilled water can either be used immediately or stored. We also conducted an audit of major suppliers of data centre equipment and software using quality criteria, which included sustainability dimensions.

During 2014, we completed an assessment and classification of 97 SGS data centres (representing around 90% of SGS revenues) using a standardised assessment methodology and toolkit, which included Green IT as one of five dimensions. All sites are now aligned with our defined SGS Green IT label, which awards a ranking of between A and F to sites based on their energy efficiency. Sites must meet criteria on five dimensions covering energy monitoring, recycling of IT equipment, cooling optimisation, virtualisation and use of renewable power, with a 'Green A' label awarded to sites fulfilling five criteria, 'Green B' fulfilling four criteria, 'Green C' fulfilling three criteria, 'Green D' fulfilling two criteria, 'Green E' fulfilling one criteria and 'Green F' not fulfilling any criteria.

### CASE STUDY



## SGS TAKES THE NATURAL STEP TO COOLING DATA CENTRES

In many climates, SGS is able to benefit from cooler outside environmental conditions to maintain IT equipment at optimum temperatures. In these conditions, the environmental cost savings can be so significant that the technology is often referred to as "free cooling". Nevertheless, even in temperate climates, fluctuations in outside temperate throughout the year mean that free cooling is best employed as part of a modular system, complementing existing air conditioning solutions.

### CASE STUDY

## USING FREE COOLING TO DRIVE DOWN ENERGY CONSUMPTION AND COSTS

"At our Noorderlaan site in Belgium, we conducted a cost-based analysis of replacing an existing air treatment system with a combined air conditioning and free cooling system. Based on average outside air temperatures in Northern Europe, we estimated that the free cooling system could be deployed for eight months of the year, with the air treatment system being utilised over the four months when outside air temperatures exceeded the optimum temperature needed to maintain the data centre. Based on our calculations, the projected reduction in energy consumption and costs was 62% per annum, and the return on investment (ROI) from using a combined free cooling and air conditioning system was 4.4 years compared to an ROI of 9.4 years from simply replacing our existing air conditioning system."

**EDDY VAN EENOO**  
Global Sustainability EEB Manager

## TRAVEL

Meeting with our customers is an integral part of our business. Technology enables us to use video and audio conferencing in situations where face-to-face meetings are not required, or to reduce the environmental impact of essential visits, such as onsite sampling and testing.

Across our network, we increasingly use video, audio and web conferencing to reduce travel costs, cut CO<sub>2</sub> emissions, and improve work-life balance.



## CARS

### ACROSS OUR FLEET OF ALMOST 9000 CARS

We currently operate a number of green car initiatives, covering topics such as eco-driving, purchasing more fuel-efficient vehicles and vehicle maintenance. Our target in most regions is to reduce average carbon emissions to 95g per kilometre across the fleet by 2020. Our largest car fleets operate in Europe. Since 2010, we have achieved an overall reduction in vehicle fuel emissions of 0.6% across our global trend countries, despite the number of cars in our fleets increasing by 20% on average during this period. This indicates that we are becoming more fuel efficient through the choice of vehicles in our fleets and through improved driving behaviours.

## INNOVATION

### CASE STUDY

## SGS CHINA JUDGED AS A LEADING ENTERPRISE IN GREEN INNOVATION

"In line with SGS values, we have been working to help accelerate the transmission to a green Chinese economy and to encourage future sustainable development. Our aim is to help enterprises avoid environmental disasters, guard against soil and water pollution to protect our agricultural landscape and to optimise economic and efficient waste management. We have invested in technical innovations to support these goals and provided carbon verification services to more than 300 enterprises, including high profile organisations. We have also introduced training in energy conservation and conducted courses for more than 700 professionals. These projects, along with the well-known advantages of implementing third party testing, have enabled us to make significant contributions to energy conservation and emissions reductions in China.

Presented by International Financing magazine, the Beijing Financial Assets Exchange and the China Beijing Environment Exchange, the Green Innovation Awards are judged by a committee of 50 independent experts and seven senior judges.

For SGS to make it to the top ten this year is a real honour and reflects our environmental commitment. Judges commented on our ability to "focus on both market efficiency and social efficiency" and recognised us as "a good partner for the realisation of sustainable development in China!"

**SOPHIA WANG**  
Corporate Marketing and Business Development, SGS China

# MANAGING WASTE



SGS's network of laboratories produces a wide range of different waste streams, reflecting the variety of industry sectors the company serves. Although the quantities of each waste stream may be small, the local environmental impacts of any effluent mismanagement, and the associated remediation costs and reputational damage, could be high. We have included an overview of effluents and waste management in our 2014 reporting (see Performance section of our online report), and we will continue to monitor the materiality of this issue.

SGS Africa, Eastern Europe Middle East (EEME) and China and Hong Kong regions have implemented a waste management plan at each SGS location for all waste generated. As part of this, we have assessed each type of waste by determining their characteristics and hazards. Each work location or site has designated waste storage areas located away from high traffic areas and the waste is kept secured to prevent unauthorised entry and releases into the environment. Inspection of waste storage areas are conducted and documented at least weekly. A number of affiliates from these regions have action plans for recycling waste and achieving waste reduction goals.

One example of a procedure that has been implemented in our Africa

and EEME regions is Storm Water Management which ensures that storm water at each applicable facility is collected, treated, and discharged in accordance with SGS Group or with the local regulatory requirements, whichever is the more stringent. All employees and contractors working in these areas have been trained in the requirements of this procedure and understand the adverse environmental effects contaminants carried by storm water can have. For each location generating storm water discharge there is a facility site plan indicating the position of drains, pipework related to effluent systems, directions of storm water flow, discharge points where storm water exits the property, relevant regulatory consents or permits to discharge effluent waters, and records of tests performed. Waste water is normally sent off-site for treatment by an approved waste vendor and the resulting documentation is kept at the SGS location.

## CASE STUDY

### SGS CHINA AND HONG KONG FINDS INNOVATIVE SOLUTION TO MANAGING HAZARDOUS WASTE

Risks to personnel carrying out chemical testing were recognised and acted upon by our China and Hong Kong office, resulting in a simple, yet innovative solution that could be implemented easily across our global network.

"Washing used glassware in our chemical laboratories involves immersing it into strong acid and/or alkaline baths for four hours. The ten baths we use for this process are rectangular plastic boxes with lids filled with 50 litres of strong acid or alkaline solutions. These solutions need to be disposed of and refilled every three months; a process which involves at least two laboratory technicians to carry each bath in order to transfer the contents into waste containers.

A high risk of liquids spilling into the environment or onto the technicians during this procedure was identified. We created an innovative solution by separating out the acid and base washes into two separate rows of fixed washing tanks. The bottom of each tank was designed with drainage pipes and valves to easily dispose of the waste, eliminating the need for manual transfer and pouring. We anticipate that this simple and safe solution, with clear health, safety, environmental and quality benefits, will be easily implemented in other markets."

#### TERRY WANG

*Department Manager, Technical and Quality Solution Services, CTS Inspection, SGS China and Hong Kong*

## CASE STUDY

### SGS CENTRAL AND NORTHERN EUROPE REGIONS ADOPT SMART DISPOSAL OF COMPRESSED GASES

"We routinely collect compressed gas and liquid samples for analysis in the course of our oil and gas logistics activities. An inconsistent approach to the disposal of liquids and gas from sample cylinders presents a number of risks. These include the uncontrolled release of sample gas and the ensuing risks of air pollution, fire and explosion, and the risk of cross-contamination and quality issues from inadequate emptying and cleaning of cylinders. During 2014, we took steps towards creating a best practice approach by purging sample cylinders into a centralised collection tank and managing this as hazardous waste for appropriate disposal by a specialised hazardous waste company. By ensuring that these gases are collected safely, we are not only guarding against any adverse environmental impacts but we are also improving safety and quality."

#### EDDY VAN EENOO

*Global Sustainability EEB Project Manager, SGS Belgium*

# WATER MANAGEMENT

We use water in our laboratories, and for drinking, food preparation, cleaning and sanitation. Water efficiency is managed through the SGS Energy Efficiency in Buildings programme (see pages 75 to 76). Requirements for water use, reduction, monitoring and reuse are contained within our green building checklist, the use of which is promoted for new buildings and major renovations to existing buildings.

We track our water usage through our Solaris data management system and benchmark our trend countries against one another.



## SGS BECOMES SIGNATORY TO WBCSD'S WASH PLEDGE

SGS became inspired to take affirmative action on water sanitation and health following the United Nation's World Toilet Day on 19 November 2014. The event, which aimed to raise awareness of the need to promote health, dignity and well-being for all through sustainable sanitation, prompted our Corporate Sustainability and Operational Integrity teams to find out more about our potential role in the WBCSD's WASH Pledge. In December 2014, SGS signed the WASH Pledge which commits signatory companies to ensuring appropriate access to safe water, sanitation and hygiene for all employees in all premises under company control within three years of signing it. The longer term vision is to go beyond companies' direct operations to advocate for access for all employees along the value chain and ultimately in employees' homes and communities.

Billions of people are without safe drinking water and adequate sanitation. This violates the basic requirements of human dignity and safety and has an enormous impact on people's health, education, and capacity to lead fully productive lives. Many businesses have operations, employees, contractors and customers in countries lacking access to safe water, sanitation and hygiene. Their economic, social and environmental impacts can cause illness or fatalities, impair productivity, and restrict markets for some products and services. There is a compelling and clear economic case for businesses to demonstrate leadership by addressing this situation.

A high-angle photograph of three young children smiling joyfully. The child on the left is a girl with dark hair, wearing a purple top. The child in the middle is a girl with dark hair and a bindi, wearing a blue and orange patterned top. The child on the right is a boy with dark hair, wearing a blue and white striped shirt. They are surrounded by market goods: a large basket of ripe red tomatoes in the bottom left, and a bundle of fresh green herbs in the bottom right. The background shows a dark, patterned fabric and a person's hand. The word "COMMUNITY" is overlaid in a white box on the left side of the image.

# COMMUNITY

# RESPECTING THE RIGHTS OF LOCAL COMMUNITIES

SGS is committed to supporting projects that have the potential to change lives in communities where SGS employees live and work. We rely on our reputation within communities to attract talent and to build relationships that contribute to the local economy and which drive social empowerment and development.

The SGS Code of Integrity and Group Community policy underscore our respect for the rights and interests of local communities. To further these objectives, we aim to:

Support employees to engage in local initiatives that improve people's quality of life

Help build capacity within non-profit agencies through financial, in kind and volunteer contributions

**STRENGTHEN OUR LOCAL AND GLOBAL COMMUNITIES THROUGH ETHICAL BUSINESS PRACTICES, PROGRAMMES AND EMPLOYEE VOLUNTEERING**

**SUPPORT DISASTER RELIEF AND ENVIRONMENTAL SUSTAINABILITY BY SHARING OUR EXPERTISE AND NETWORK WITH COMMUNITY ORGANISATIONS**

## OUR CORE THEMES

During 2014, we revised our Community Policy and Guidelines to more closely align them to our strategic objective to increase our investment in communities by 30% by 2020, using a 2014 baseline. Following an assessment of the scope

of community activities taking place across our affiliates, we identified three core themes for our community approach which are set out in the diagram below:



### EDUCATION

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

### EMPOWERMENT

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

### ENVIRONMENTAL SUSTAINABILITY

includes projects aimed at reducing our reliance on non-renewable or scarce resources such as fossil fuels and water

# OUR PROGRAMMES

Our community programme is led by our affiliates through collaborations with local community organisations. Across our global network we support around 150 community initiatives that are initiated by employees and leadership teams in our affiliates in response to local challenges. Most of the projects are aligned to the United Nations Millennium Development Goals (MDGs).

## SUPPORT FOR THE UN MILLENNIUM DEVELOPMENT GOALS

The United Nations (UN) Millennium Development Goals (MDGs) are eight goals committing UN Member States to work to combat poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women. The MDGs directly support the UN Millennium Declaration and are designed to be achieved by 2015.

### UPDATE ON THE MDGS

While significant progress has been achieved in the decade and a half of concerted action by UN Member States, many of the development challenges remain critical. The UN is working with governments, civil society and other partners to build on the momentum generated by the MDGs and carry on with an ambitious post-2015 development agenda. This universal agenda is expected to focus on eradicating extreme poverty by 2030 and deliver on the promise of sustainable development.

All the MDGs align with our core themes:

#### EMPOWERMENT

- 1 Eradicate extreme poverty and hunger
- 3 Promote gender equality and empower women
- 4 Reduce child mortality
- 5 Improve maternal health
- 6 Combat HIV/AIDS, malaria and other diseases
- 8 Develop a Global Partnership for Development

#### EDUCATION

- 2 Achieve universal primary education

#### ENVIRONMENTAL SUSTAINABILITY

- 7 Ensure environmental sustainability

## CORPORATE DONATIONS AND SPONSORSHIP

Community investment is led by our affiliates, with managing directors responsible for determining which projects to support. These contributions are supplemented by corporate sponsorships and donations to projects where SGS has a long-standing commitment to supporting change.

## EMPLOYEE ENGAGEMENT

Community investment is an important part of working for SGS for many employees around the world and we encourage employees to take part in community volunteering activities. In particular, we recognise that many employees value the opportunity to use and develop their professional and personal skills through team-based and individual volunteering activities. In 2014, 54% of the projects tracked in our annual community survey had enhanced employee engagement and around 35% had improved teamwork amongst employees.

## MATCH GIVING

SGS wants to encourage and support local giving by matching funds donated at affiliate level and by individual employees. The SGS match funding scheme (effective from 2015) is designed to assist SGS affiliates, individual employees, corporate businesses and functions who invest in local community projects that meet our match funding criteria and are aligned to our core community themes.

## PRO BONO

At SGS, we recognise that we have many assets at our disposal that can benefit local community organisations. These include physical assets, such as offices and laboratory space or equipment, and intellectual property in the form of our services and the skills and expertise of our people. Where practicable, we want to support organisations by offering our assets either free of charge or at a fee that is below our commercial rates. We also support local community organisations through the provision of in kind giving.

## SUPPORTING A CARBON NEUTRAL FUTURE

Alongside the MDGs, we recognise the urgent need to remove carbon from the atmosphere and want to play our part in supporting communities to reduce or eliminate greenhouse gas emissions. As part of our decision to become carbon neutral, we invest in micro-credit and micro-insurance projects aimed at reducing or eliminating carbon while improving the lives of low-income people in our local communities.

## COMMUNITY OUTREACH

SGS supports community development in a number of direct and indirect ways. For example, in addition to our projects, we strive to recruit talent from local communities and procure as many services and commodities from local suppliers as possible. Many of our professional services are designed to help governments, institutions, businesses and non-governmental organisations to meet society's expectations at local, national and international levels.



## DISASTER RELIEF

As well as our planned community activities, we offer immediate assistance in the aftermath of a disaster. Our support can range from offering cash donations through employee and company fundraising efforts, to employee volunteering and in kind and pro bono giving. Where possible and appropriate, SGS will work with our global community partner to coordinate effort on the ground. The scale of certain disasters means that SGS will be able to support relief efforts at a corporate as well as local level.

### CASE STUDY

## REBUILDING LIVELIHOODS FOLLOWING THE RANA PLAZA DISASTER

"The collapse of a multi storey building housing five garment factories in Savar, Bangladesh in April 2013, was one of the most tragic supply chain incidents in recent years, killing more than 1 130 people and leaving thousands more injured and jobless. The tragedy received international media coverage, with many organisations pledging emergency relief. Our colleagues at SGS Bangladesh wanted to provide longer-term support to help rebuild the livelihoods of survivors.

Having already worked with Dhaka Ahsania Mission on micro-credit projects, we again partnered with this charity to identify a set of Rana Plaza survivors who were interested in building their own self-sustaining businesses. Beneficiaries were selected based on their vulnerability (women with young children who had been widowed by the disaster, and those seriously injured and unable to continue their previous profession, were prioritised) and their ability and commitment to operate their own business. In addition to a financial grant, technical support is provided by Dhaka Ahsania Mission, such as help in developing a business plan, supply and market value chain analysis, and advice on legal issues.

The six beneficiaries have used their grants to buy a rickshaw business, clothes shops, a grocery store and a mobile phone repair store. The grants will be given in three stages, with progress reports at each stage and on-going advice and support for the new businesses, to ensure their success."

**ABDUL QUADER**  
Human Resources, Coordinator,  
SGS Bangladesh



# EDUCATION PROJECTS

## CASE STUDY

### SGS COLUMBIA SUPPORTS ACCESS TO EMPLOYMENT THROUGH EDUCATION

SGS Columbia embarked on a community engagement programme across an area impacted by the construction of a new gas pipeline. "As part of a comprehensive corporate social responsibility programme, we embarked on a project to strengthen ties between our client company and communities from Cesar to Magdalena, the direct area of influence of a gas pipeline construction project. Our aims were to ensure that the project could be delivered to schedule and on budget but with the utmost respect for the environment and local communities. Following a detailed diagnostic and planning process, we discovered widespread vulnerability amongst the local communities through a lack of access to training and skills provision. This was directly impacting employment prospects, especially for the more remote rural communities without good links to major cities. We therefore proposed a series of knowledge-based personalised interactions which we believe will contribute the greatest societal benefits in the long term. At its heart, the project entailed training, lectures and workshops to provide

people with better access to the labour market through education and certificated skills where relevant. Priority topics were identified as alternative dispute resolution mechanisms, entrepreneurship and motivation and certification in non-destructive testing inspections, occupational health, and food safety and handling. We helped co-ordinate environmental awareness sessions and competitions for pre-school age children. For young adults, we also assisted with a series of two-hour lectures on the issues of sexuality, addiction and family planning with a psychologist and a nurse manager. In many cases, the number of attendees surpassed the initial number who had booked, indicating a positive ripple effect throughout the communities."

**CINDY KATHERINE QUIROGA**  
*Operational Integrity, SGS Colombia*

## CASE STUDY

### SGS FRANCE HELPS YOUNG PEOPLE IMPROVE THEIR EMPLOYMENT PROSPECTS

"SGS France is working with Créé ton Avenir, a charitable organisation whose mission is to equip young people with transferable skills and encourage pathways to professional careers through programmes hosted by companies. Using a hands-on, competency-based approach, the

programme helps individuals to learn about their interpersonal skills (for example, team working and using their own initiative) and helps them to identify their strengths as well as areas for improvement.

In April 2014, 16 young people attended a week-long learning programme hosted by SGS France to introduce them to the world of professional services. During the week they attended workshops, had presentations from professionals (for example, an auditor, an inspector, an HR recruitment specialist), observed business being conducted in a foreign (English) language, and they received one-to-one coaching on interview techniques.

They were also directly engaged in hands-on activity, inspecting garments and checking these against a specification, and summarising their findings in an inspection report which they then presented to the group. By the end of the programme, 86% of young people said they could at least cite the main tasks of SGS (compared to 19% prior to the programme), 93% were able to give examples of how SGS benefits society through its services (compared to 6% previously), and 64% of attendees indicated that they would be motivated to pursue a career in inspection and auditing (compared to 56% previously)."

**CHRISTINE CHAMBELLAND**  
*Sustainability Coordinator, SGS France*



## CASE STUDY

### SGS INDONESIA SUPPORTS UNDERPRIVILEGED CHILDREN THROUGH THE LEARNING FARM

"We have been working with The Learning Farm since 2012. It's a truly inspiration foundation which supports the poor and vulnerable youth of Indonesia who are trapped in a cycle of poverty and are, as a result, at risk of serious health problems like HIV and of being drawn into religious politicisation, drug abuse and crime. Underprivileged children aged 15-24 come to The Learning Farm from all over Indonesia. Here, they stay for 100 days to build self-esteem, teamwork and social skills. During their residential course, students learn the basics of organic farming and are then able to sell the vegetables they grow at a market in Jakarta. They also receive counselling and learn important life skills like personal hygiene, first aid, physical fitness, self-management, money management and how to manage waste. Employment opportunities are created through teachings in computer skills, the English language, simple bookkeeping, work ethics, leadership and customer service. We have supported The Learning Farm this year in several ways. Firstly, in



line with our expertise in safety and hygiene, we funded the refurbishment of its wet and dirty kitchen to create a larger, healthy and clean environment in which to cook and eat. The kitchen was completed in September and surplus funds from our donation enabled two young people to complete their scholarships. Finally, we donated seven computers, two laptops and a printer to give students the ability to use the internet and expand their knowledge outside of Indonesia."

**GUY ESCARFAIL**  
*Managing Director, SGS Indonesia*

## CASE STUDY

### SGS IS HELPING CHILDREN IN CAMBODIA TO ESCAPE THE RISK OF CHILD TRAFFICKING

"Employees at the SGS headquarters in Geneva, participate in charity lunches to raise money for AVEC, a charitable programme sponsored by SGS corporate, which focuses on supporting young people in Cambodia who are at risk of child trafficking. Through the provision and sponsorship of education programmes, AVEC aims to break the cycle of poverty for young people from impoverished backgrounds who are targeted by child traffickers.



For three years now, SGS has been funding 20 young people living in extreme poverty to attend higher education courses at university. In addition, sponsorship from the company has contributed to the construction of a new centre which was completed in the summer of 2014 and is now home to 36 children and young people aged between one and 21 years. As well as providing a safe haven, the centre also provides excellent training opportunities. For example, since October 2014, more than 200 young people from impoverished backgrounds have attended English and IT classes, and since November, 14 girls have started a one-year training course in seamstress skills."

**NATHALIE GERVAZ**  
*Global Community Coordinator, SGS Geneva*



# EMPOWERMENT PROJECTS

## CASE STUDY

### NELSON MANDELA DAY

“Since 2010, Nelson Mandela International Day (or Mandela Day) has been an annual international day in honour of Nelson Mandela, celebrated on his birthday, 18 July. Mandela Day promotes the idea that everyone can make an impact, with the message: “Nelson Mandela has fought for social justice for 67 years. We’re asking you to start with 67 minutes.

The 2014 Mandela Day celebrations were especially poignant, given the recent death of the anti-apartheid campaigner, politician and philanthropist at the age of 95. Our SGS employees gave back to the community by contributing their 67 minutes in various ways:

- We dug the layout for a new Labyrinth and a Contemplation Garden for the South African Riding for the Disabled Association (SARDA) at their premises in Ruimsig. We also donated some plants for the garden
- Fifty SGS employees provided refreshments and gifts to 370 local people at a retirement home
- In Randburg, an SGS team visited a local orphanage
- In Cape Town, we helped out at the Dassenberg Horse rescue centre. As always, our colleagues generously volunteered”

**VIVIANE LOKALE**  
Strategic Transformation, Africa Regional Manager, SGS South Africa



## CASE STUDY

### SGS SOCIAL FUND HELPING TO EMPOWER DISADVANTAGED YOUTHS

“In February 2014, we established a revolving working capital fund to enable disadvantaged young people to start their own micro-enterprises. The principle of the revolving fund is simple: it lends start-up capital to a young person with a good documented business plan. The young person undertakes to repay this loan with a low

1% monthly interest charge within 12-18 months. The monies received create the necessary capital for future loans to others.

We work in collaboration with the charity Terre des Hommes Switzerland, an organisation working for the rights of children and promoting equitable development without racial, religious, political, cultural or gender-based discrimination. The charity’s wider work creates education and training opportunities to help those who have neglected their schooling as a result of disruption caused by family problems, poverty and exploitation.

In India, the need for social funds is particularly acute. Here, it is estimated that more than one in six children is working instead of going to school. In particularly disadvantaged neighbourhoods, many children have never been to school, preventing them from taking up opportunities for vocational training and ultimately, finding employment. One example is Kakoli Karmaka who lives with her mother and elder brother in Promodnagarm, a registered slum in Kolkata. Kakoli’s father died when she was young and the subsequent family crisis forced her to leave school. With support from Terre des Hommes, she was able to complete her studies and a vocational beautician course. She subsequently put together a business plan for consideration by the Revolving Fund Committee and received a loan of INR 100,000. As a result of the micro-fund from SGS, she has set up a beauty parlour and has seen her monthly income jump from INR 3 500 to 10 000. This income is enabling her to support her family, invest in the future of her business with equipment and materials, employ staff and also repay her loan for the benefit of other like-minded people.”

**NATHALIE GERVAZ**  
Global Community Coordinator, SGS Geneva

# ENVIRONMENTAL SUSTAINABILITY PROJECTS

## CASE STUDY

### SGS COLOMBIA MOTIVATES YOUNG PEOPLE TO RESPECT THE ENVIRONMENT

“SGS Colombia engaged 100 fourth and fifth grade children in the local Puerto Serviez and Ermitaño schools in an environmental campaign. The campaign aimed to raise awareness of wildlife conservation in the region, and teach young people about good practices in environmental stewardship and waste management. Through role play and interactive workshops, the young people considered how their actions in school and at home can impact the environment.”

**CINDY KATHERINE QUIROGA**  
Operational Integrity, SGS Colombia



## CASE STUDY

### NEW WELL PROVIDES CLEAN DRINKING WATER

“Access to clean water has been recognised by the United Nations as a fundamental human right. This basic need is still not met in many communities around the world, including in rural Madagascar. In addition to people having to spend much of their day fetching water, unclean water can lead to potentially serious illnesses such as stomach bugs and diarrhoea. Around 500 people in the rural village of Fokontany Beloha at Antananarivo in Madagascar, including the local primary school, now have clean drinking water after GasyNet (a member of the SGS Group) gave funding for a new well in partnership with the Rotary Club and Fonds Suez Environnement Initiatives.

The new well was opened by the village president and the local mayor in a ceremony attended by the villagers, primary school students, the president of the Rotary Club Antananarivo Mahamasina and representatives from GasyNet.”

**LISINIAINA RAZAFINDRAKOTO**  
Communication and Development Manager, GasyNet, SGS Madagascar





# MEASURING IMPACT

Performance is measured based on the number of projects globally, the level of company investment and the number of employee volunteering hours. During 2014, we conducted an evaluation of 91 community projects in 27 countries. Of these, 10 involved SGS customers and six involved SGS suppliers.

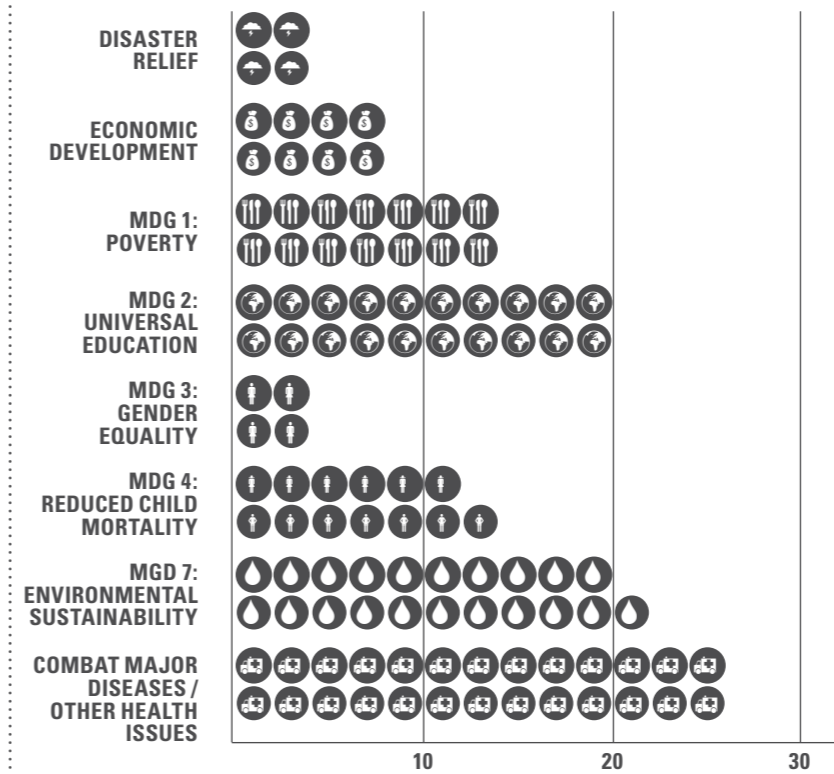
The majority of community projects focused on addressing issues linked to empowerment (including economic development, health, gender equality and alleviation from poverty and hunger), while one-fifth of projects supported education, and a similar proportion contributed to environmental sustainability. Two projects were aimed at supporting disaster relief efforts following the extreme floods which affected the Balkans region in Serbia, Bosnia and Herzegovina and Croatia in May 2014.

Just over half of the community projects were supported through employee volunteering, while 37% benefited from cash sponsorship and 26% benefited from cash donations. A further 26% received in kind donations and 11% received pro bono services from SGS.

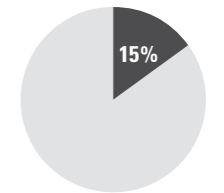
Through our involvement in local programmes, we aim to support communities by contributing to meaningful and measurable outcomes. We are currently working on a methodology that will enable us to accurately measure and assess our community impact. At the same time, we are also keen to understand the effects of our community investment on our employees and SGS as a company. While 15% of our projects were not considered to have any direct positive impact on SGS, it is clear that many affiliates regard community investment as providing multiple benefits to SGS, particularly around improved reputation and local profile, and enhanced employee engagement and teamwork.

Our aim is to develop long-term, strategic partnerships with community organisations. At present, the majority (55%) of our projects are short-term, one-off projects. Through the roll-out of our revised Community Policy and Guidelines in January 2015, which provide a framework for managing our community programmes around three core themes and the introduction of our match funding initiative, we expect the proportion of longer-term projects to increase.

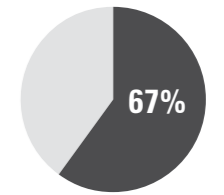
## CAUSES SUPPORTED BY SGS COMMUNITY PROJECTS



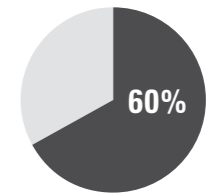
## IMPACT OF PROJECTS ON SGS



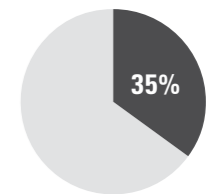
NO IMPACT



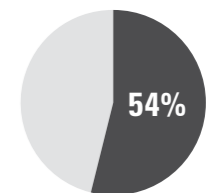
IMPROVED COMPANY REPUTATION



RAISED SGS PROFILE LOCALLY

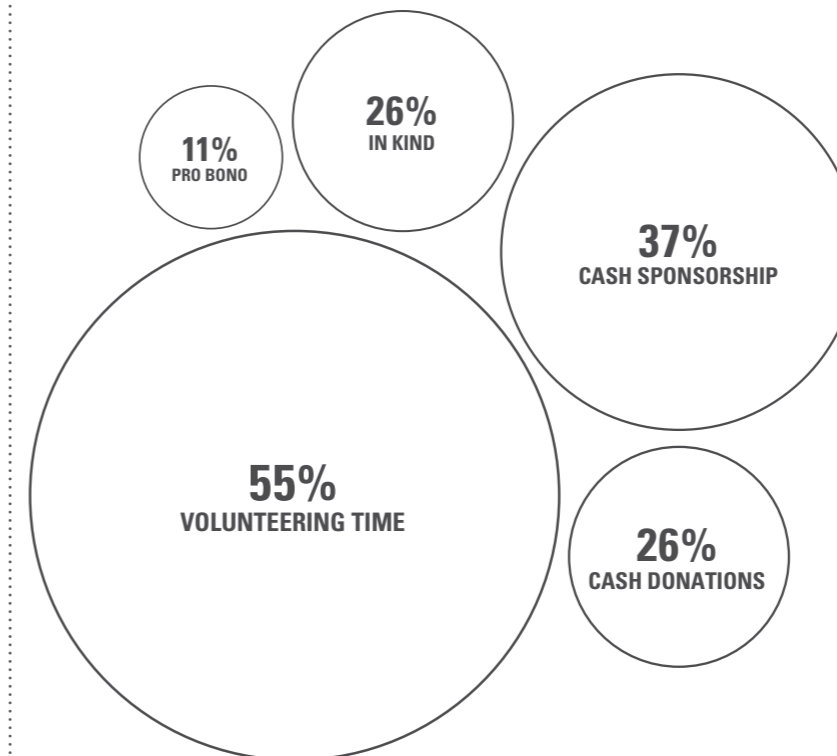


IMPROVED TEAMWORK



ENHANCED EMPLOYEE ENGAGEMENT

## HOW WE CONTRIBUTE



# ASSURANCE STATEMENT

## REPORT ON THE INTERNAL ASSURANCE OF SGS CORPORATE SUSTAINABILITY REPORT 2014

### NATURE AND SCOPE OF THE ASSURANCE

The scope of this assurance was performance data, report text supporting performance data and a review of the management of this data, it also included the management of Materiality Identification and report text supporting those material issues identified, reflecting the needs of GRI G4 reporting, in the Sustainability Review and the Sustainability Report web pages as marked "verified and assured".

This SGS Corporate Sustainability Report 2014 has been assured using SGS's own protocols to ensure consistency with the service offered to customers. The assurance comprised a combination of documentation review, based on a risk assessment of the Material Issues identified and face-to-face interviews with relevant employees at the Head Office in Geneva and at affiliate level. Audit reviews of data samples and management were also carried out in selected sites. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

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

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

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

- evaluation of veracity of the reported text, graphs and statements and performance data (including data on the web) with a focus on text, graphs and statements and performance data related to the identified material issues
- evaluation of GRI Principles on report content against the Global Reporting Initiative Sustainability Reporting Guidelines G4 2013
- evaluation of KPIs according to the GRI Principles on report quality against the Global Reporting Initiative Sustainability Reporting Guidelines G4 2013
- conduct of a GRI G4 2013 Adherence level check

### ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Corporate Sustainability Report 2014 is reliable and provides a fair and balanced representation of SGS activities in 2014 within the limitations of the stated reporting scope.

In our opinion the SGS Corporate Sustainability Report 2014 fulfils the content and quality criteria for Global Reporting Initiative Sustainability Reporting Guidelines GRI G4 2013 Identified Material Aspects.

We believe that SGS has chosen an appropriate level of assurance for this stage of its reporting journey.

### GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES GRI G4 2013

In our opinion the SGS Corporate Sustainability Report 2014 is presented in accordance with the comprehensive option for GRI G4 2013 and fulfils all the required content and quality criteria.

#### Principles

In our opinion the content and quality of the Report has been produced in line with the ten GRI Principles. In terms of the Principle of Balance reporting has improved with a better balance of favourable and unfavourable content and commentary on challenges demonstrating a continued commitment to transparency. The materiality identification process developed during 2013 formally identifies the relevant stakeholders. The process has been reviewed in 2014 to include an interim materiality review. Recommendations for improvement are detailed below.

#### General Standard Disclosures and Specific Standard Disclosures

We are satisfied that the General Standard Disclosures and Specific Standard Disclosures on Aspects identified as Material have been addressed in line with the comprehensive requirements of GRI G4 2013.

### RECOMMENDATIONS

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

- Currently SGS only reports purchased water consumption. It is recommended to extend the scope to include non-purchased water to give a more comprehensive view of the water consumption.
- The assessment of the data collation process has highlighted that figures relating to CO<sub>2</sub> emissions from district heating energy consumption in one region may be underestimated, given a lack of available evidence. It is recommended that SGS strengthen its process of monitoring and reporting on the CO<sub>2</sub> emissions from district heating energy in this region.
- The implementation of the interim Materiality Identification could better utilise time by expanding the assessment and understanding of local issues and could highlight those issues/aspects which could be included in reporting to make it more global.
- SGS has made clear that it was not as successful as expected in its commitment to implement its responsible supply chain aims. We welcome SGS's updated commitment to better monitor its supply chain's sustainability aspects.

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

**RITA GODFREY**  
Lead SRA Assuror  
February 2015

**MICHEL MOOSER**  
SRA Assuror  
February 2015

### CLOSING REMARKS

# DEAR STAKEHOLDERS

This report launches a new set of sustainability ambitions to 2020. It represents the next step along our journey towards becoming a sustainable business. This part of the journey is all about engagement. The transition to a sustainable business model will only be achieved with the strong support and participation of our employees, our customers and our suppliers. Innovations in technology and services will continue to matter to the sustainability agenda at SGS.

The Plan to 2014 – and the sustainability goals and programmes we set in train to support this – has made us stronger, more resilient and more responsive to the need for change. Whilst the health of the economy has waxed and waned around us, we have never wavered in our determination to deliver on our commitments and we are proud of our progress to date. But our achievements so far are simply our apprenticeship for building a truly sustainable business. There is so much more we must do.

How the world thinks about supply chains, transparency and business models is rapidly evolving. The interactions between global sourcing, product design and use, and end-of-

use disposal, for example, are getting more complex and present new risks and opportunities that extend beyond simple standard setting. We can never have enough standards to cover every social and environmental issue, every interaction between them, every country and community in which they occur. Instead we need our employees across our affiliates to see our sustainability approach – and that of our customers – not as a matter of compliance but as a way of delivering social, environmental and economic value to society.

Our customers expect a simple promise from us that we can be believed in and trusted in everything we do. Trust in goods and services is becoming an ever more important issue for them too; not only to be trusted today, but to earn that trust continuously. Our customers' ability to source, control and recover finite and ever more costly resources is becoming a powerful source of competitive advantage and new approaches built around the circular economy are required. All these changes mean that within SGS we have to innovate continuously. We can no longer think about iterative change; we need to support our customers in achieving step change.

If there is one overarching lesson we draw from the last five years, it is one of humility. What started out in 2008 as a technical initiative to embed our sustainability agenda across our global business, enabled us to focus on our most critical sustainability challenges,

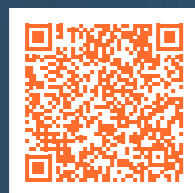
such as managing energy and climate change. We cannot change the world alone; in fact we cannot even change our own business alone. We have developed our 2020 ambitions with these changing risks and opportunities in mind, knowing that a truly sustainable model of the future will look very different to what we have today and we believe will enable us to develop a practical way of getting there. It is a sustainability plan focused on customer, employee and supplier engagement.

By aligning social and environmental outcomes with our business goals, we believe we can move closer to achieving our sustainability vision to use our scale and our expertise to enable a more responsible, balanced and sustainable future.

**CHRISTOPHER KIRK**  
Chief Executive Officer

**DANIEL RÜFENACHT**  
Vice President, Corporate Sustainability

# CONTACT INFORMATION



**FIND THE REPORT  
ONLINE AT**  
[WWW.SGS.COM/CS-REPORT2014](http://WWW.SGS.COM/CS-REPORT2014)

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## STOCK EXCHANGE LISTING

SIX Swiss Exchange, SGSN

## STOCK EXCHANGE TRADING

SIX Swiss Exchange

## COMMON STOCK SYMBOLS

Bloomberg: Registered Share: SGSN.VX  
Reuters: Registered Share: SGSN.VX  
Telekurs: Registered Share: SGSN  
ISIN: Registered Share: CH0002497458  
Swiss security number: 249745

## LINKS TO ADDITIONAL CONTENT

**OUR APPROACH TO SUSTAINABILITY**  
[WWW.SGS.COM/CS-OUR-APPROACH](http://WWW.SGS.COM/CS-OUR-APPROACH)

**DETAIL ON OUR KEY  
SUSTAINABILITY ASPECTS**  
[WWW.SGS.COM/CS-REPORT2014](http://WWW.SGS.COM/CS-REPORT2014)

**DETAILS ON OUR STAKEHOLDER ENGAGEMENT**  
[WWW.SGS.COM/CS-STAKEHOLDERS2014](http://WWW.SGS.COM/CS-STAKEHOLDERS2014)

**OUR MATERIALITY PROCESS**  
[WWW.SGS.COM/CS-MATERIALITY-PROCESS](http://WWW.SGS.COM/CS-MATERIALITY-PROCESS)

**OUR PERFORMANCE DATA BANK**  
[WWW.SGS.COM/CS-DATABANK2014](http://WWW.SGS.COM/CS-DATABANK2014)

**THE GRI CONTENT INDEX**  
[WWW.SGS.COM/CS-GRI-INDEX2014](http://WWW.SGS.COM/CS-GRI-INDEX2014)

## CORPORATE SUSTAINABILITY

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