

# GOVERNANCE

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Sandra benefits from improved air quality because SGS experts help local companies reduce pollution.



This Corporate Governance Report informs shareholders, prospective investors and the public at large on SGS policies in matters of corporate governance, such as the structure of the Group, shareholders' rights, composition roles and duties of the Board of Directors and its Committees and Management, and internal controls and audits. This report has been prepared in compliance with the Swiss Exchange (SIX) Directive on Information Relating to Corporate Governance of 1 January 2016 and with the Swiss Code of Best Practice for Corporate Governance. The SGS Corporate Governance framework aims to achieve an efficient allocation of resources and clear mechanisms for setting strategies and targets, in order to maximize and protect shareholder value. SGS strives to attain this goal by defining clear and efficient decision-making processes, fostering a climate of performance and accountability among managers and employees alike, and aligning employees' remuneration with the long-term interests of shareholders.

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# 1. GROUP STRUCTURE AND SHAREHOLDERS

## 1.1. GROUP STRUCTURE

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

on SIX Europe (Swiss Security Number: 249745; ISIN: CH0002497458). On 31 December 2018, market capitalization was approximately CHF 16 871 million (2017: CHF 19 397 million). None of the companies under the direct or indirect control of SGS SA have listed shares or other securities on any stock exchange. The principal legal entities consolidated within the Group are listed on pages 186-189 of the Annual Report, with details of the share capital, the percentage of shares controlled directly or indirectly by SGS SA and the registered office or principal place

of business. Details of acquisitions made by the SGS Group during 2018 are provided in note 3 of the consolidated financial statements included in the section SGS Group Results (pages 128-129) of this Annual Report.

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

At 31 December 2018, geographic operations were organized as follows:



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

At 31 December 2018, the business lines are organized as follows:

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

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

### 1.2. SIGNIFICANT SHAREHOLDERS

As at 31 December 2018, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 16.60% (2017: 16.60%). Mr. August von Finck and members of his family acting in concert held 15.52% (2017: 15.52%), BlackRock, Inc. held 4.0% (2017: 4.0%) and MFS Investment Management held 3.02% (2017: 3.02%) of the share capital and voting rights of the company.

At the same date, the SGS Group held 1.09% of the share capital of the company (2017: 1.08%)

During 2018, the Company has published regularly on the electronic platform of the Disclosure Office of the SIX Swiss Exchange Ltd. all disclosure notifications received from shareholders of transactions subject to the disclosure obligations of Article 20 SESTA. Such disclosure notifications can be accessed at: [www.six-swiss-exchange.com/shares/companies](http://www.six-swiss-exchange.com/shares/companies).

### 1.3. CROSS-SHAREHOLDINGS

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

## 2. CAPITAL STRUCTURE

### 2.1. ISSUED SHARE CAPITAL

The share capital of SGS SA is 7 633 732 as of 31 December 2018 and comprises 7 633 732 fully, paid-in, registered shares of a par value of CHF 1. On 31 December 2018, SGS SA held 83 025 treasury shares (2017: 82 234). The shares related to the shares buyback program are directly held by SGS SA, the shares to cover the equity compensation plan are held by a subsidiary company.

In 2018, 87 099 treasury shares were sold to cover the equity compensation plans and 19 800 were purchased for an average price of CHF 2 403.59.

In 2017, the Group initiated a two-year share buyback program for a total of up to CHF 250 million. The program was completed on 19 December 2018. Under the program, SGS SA repurchased a total of 105 895 registered shares for a total amount of approximately CHF 249.9 million, at an average purchase price of CHF 2 359.67 per share, as follows:

- 37 895 registered shares on the ordinary trading line, for a total amount of CHF 92.3 million
- 68 000 registered shares on the second trading line, for a total amount of CHF 157.6 million

SGS SA intends to request shareholders to approve the cancellation of the 68 000 registered shares purchased on the second trading line at its 2019 Annual General Meeting. The balance of registered shares repurchased via the ordinary trading line are to be used for SGS's employee participation plans.

### 2.2. AUTHORIZED AND CONDITIONAL SHARE CAPITAL

The Board of Directors has the authority to increase the share capital of the Company by a maximum of 500 000 registered shares with a par value of CHF 1 each, corresponding to a maximum increase of CHF 500 000 in share capital. The Board is authorized to issue the new shares at the market conditions prevailing at the time of issue. In the event that the new shares are issued for the purpose of an acquisition, the Board is authorized to waive the shareholders' preferential right of subscription or to allocate such subscription rights to third parties. The authority delegated by the shareholders to the Board of Directors to increase the share capital is valid until 21 March 2019.

The shareholders have conditionally approved an increase of share capital by an amount of CHF 1 100 000 divided into 1 100 000 registered shares with a par value of CHF 1 each. This conditional share capital increase is intended to obtain the shares necessary to meet the Company's obligations with respect to employee share option plans and option or conversion rights of convertible bonds or similar equity-linked instruments that the Board is authorized to issue.

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

### 2.3. CHANGES IN CAPITAL

At the Company's Annual General Meeting in 2017, the Shareholders approved a reduction of the share capital, by cancellation of 188 704 shares which were purchased as part of a previous share buyback program. Consequently, the share capital of the Company was reduced from CHF 7 822 436 to CHF 7 633 732 in 2017. No other changes in the share capital of the Company were made in the course of the last three years.

### 2.4. SHARES AND PARTICIPATION CERTIFICATES

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

### 2.5. DIVIDEND-RIGHT CERTIFICATES

The Company has not issued any dividend-right certificates.

### 2.6. LIMITATIONS ON TRANSFERABILITY AND ADMISSIBILITY OF NOMINEE REGISTRATIONS

SGS SA does not limit the transferability of its shares. The registration of shares held by nominees is not permitted by the Company's Articles of Association, except by special resolution of the Board of Directors. By decision of the Board, the Company's shares can be registered in the name of a nominee acting in a fiduciary capacity for an undisclosed principal, provided however that shares registered in the names of nominees or fiduciaries may

not exercise voting rights above a limit of 5% of the aggregate share capital of the Company. This rule was made public on 23 March 2005. The Company has a single class of shares and no preferential rights, statutory or otherwise, have been granted to any shareholder.

## 2.7. CONVERTIBLE BONDS AND WARRANTS/OPTIONS

No convertible bonds have been issued by the Company or by any entity under its direct or indirect control. Options and other share-based remuneration granted to senior managers of the Group are detailed in the SGS Remuneration Report. Details of all options outstanding are provided in note 29 of the consolidated financial statements of the Group.

No other options or similar instruments have been issued by the Company or by any of the Group's subsidiaries.

## 3. BOARD OF DIRECTORS

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

### 3.1. MEMBERS OF THE BOARD OF DIRECTORS

This section presents the Members of the Board of Directors of the Company with their functions in the Group, their professional backgrounds and all their material positions held outside the Group in governing and supervisory boards, management positions and consultancy functions, official tenures and political commitments, both in Switzerland and abroad.

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

In July 2018, the Company was informed of the sudden incapacity of Mr. Sergio Marchionne to fulfill his duties as Chairman and member of the Board of Directors, and subsequently of his untimely demise. The Board has appointed Mr. Peter Kalantzis, member of the Board and Chairman of the Audit Committee, as interim Chairman of the Board of Directors for a period ending at the 2019 Annual Meeting of Shareholders.

The members of the Board of Directors at 31 December 2018 were as follows:

### PETER KALANTZIS (1945)

*Swiss/Greek*

#### FUNCTION IN SGS

Member:

- Board of Directors, (Acting Chairman since July 2018)

Chairman:

- Audit Committee and Professional Conduct Committee (since July 2018)

#### INITIAL APPOINTMENT TO THE BOARD

March 2009

#### PROFESSIONAL BACKGROUND

Peter Kalantzis holds a Ph.D. in Economics and Political Sciences from the University of Basel and engaged in research as a member of the Institute for Applied Economics Research at the University of Basel between 1969 and 1971. Prior to 2000, Peter Kalantzis was responsible for Alusuisse-Lonza Group's corporate development and actively involved in the de-merger and stock market launch of Lonza, as well as the merger process of Alusuisse and Alcan. Dr. Kalantzis served as head of the Chemicals Division of Alusuisse-Lonza Group from 1991 until 1996. In 1991, Dr. Kalantzis was appointed Executive Vice President and Member of the Executive Committee of the Alusuisse-Lonza Group. Dr. Kalantzis has worked as an independent consultant since 2000.

#### OTHER ACTIVITIES AND FUNCTIONS

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

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

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

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

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

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

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

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

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

### PAUL DESMARAIS, JR (1954)

*Canadian*

#### FUNCTION IN SGS

Member:

- Board of Directors

#### INITIAL APPOINTMENT TO THE BOARD

July 2013

#### PROFESSIONAL BACKGROUND

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

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

He has received honorary doctorates from various Canadian universities.

He joined Power Corporation of Canada in 1981 and assumed the position of Vice President the following year. In 1984, he led the creation of Power Financial Corporation to consolidate Power's major financial holdings, as well as Pargesa Holding SA, under a single corporate entity. Mr. Desmarais served as Vice President of Power Financial from 1984 to 1986, as President and Chief Operating Officer from 1986 to 1989, as Executive Vice Chairman from 1989 to 1990, as Executive Chairman from 1990 to 2005, as Chairman of the Executive Committee from 2006 to 2008 and as Executive Co Chairman from 2008 until today. He was named Chairman and Co-CEO with Power Corporation in 1996. After Power Financial and the Frère Group of Belgium took control of Pargesa in 1990, Mr. Desmarais moved to Europe from 1990 to 1994, to develop the partnership with the Frère Group and to restructure the Pargesa group.

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

#### OTHER ACTIVITIES AND FUNCTIONS

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

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

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

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

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

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

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

Past Chairman and a Member of the Business Council of Canada (CAN)

## AUGUST VON FINCK (1930)

*German*

### FUNCTION IN SGS

Member:

- Board of Directors
- Nomination and Remuneration Committee

### INITIAL APPOINTMENT TO THE BOARD

October 1998

### PROFESSIONAL BACKGROUND

August von Finck is an Industrialist.

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

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

## AUGUST FRANÇOIS VON FINCK (1968)

*Swiss*

### FUNCTION IN SGS

Member:

- Board of Directors
- Audit Committee

### INITIAL APPOINTMENT TO THE BOARD

May 2002

### PROFESSIONAL BACKGROUND

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

### OTHER ACTIVITIES AND FUNCTIONS

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

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

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

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

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

## IAN GALLIENNE (1971)

*French*

### FUNCTION IN SGS

Member:

- Board of Directors
- Nomination and Remuneration Committee

### INITIAL APPOINTMENT TO THE BOARD

July 2013

### PROFESSIONAL BACKGROUND

Co-CEO of \*Groupe Bruxelles Lambert, since 2012, Ian Gallienne has an MBA from INSEAD in Fontainebleau. From 1998 to 2005, he was Director at the private equity funds Rhône Capital LLC in New York and London. In 2005, he founded the private equity fund Ergon Capital Partners in Brussels and was its Managing Director until 2012. In 2012, he became Co-CEO of \*Groupe Bruxelles Lambert of which he had been a Board Member since 2009.

### OTHER ACTIVITIES AND FUNCTIONS

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

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

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

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

Compagnie Nationale à Portefeuille SA (BE), Member of the Board

Société Civile du Château Cheval Blanc (France), member of the Board

## CORNELIUS GRUPP (1947)

*Austrian*

### FUNCTION IN SGS

Member:

- Board of Directors
- Professional Conduct Committee

### INITIAL APPOINTMENT TO THE BOARD

March 2011

### PROFESSIONAL BACKGROUND

Dr. Grupp holds a Doctorate in Law and a Master in Business Administration. He is the Owner and General Manager of Tubex Holding GmbH, Stuttgart, Germany, a company active in the packaging industry and of CAG Holding GmbH, Lilienfeld, Austria, which is active in the field of aluminium, glass and biomass.

### OTHER ACTIVITIES AND FUNCTIONS

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

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

Honorary General Consul of Austria to the Land of Baden-Württemberg

## CHRISTOPHER KIRK (1956)

*British*

### FUNCTION IN SGS

Member:

- Board of Directors

### INITIAL APPOINTMENT TO THE BOARD

March 2015

### PROFESSIONAL BACKGROUND

Chris Kirk holds a BSc (Hons) degree in Zoology. He began his career at SGS in 1981 in New Zealand. From 1981 to 1987, he undertook a range of

different roles in the company, including Operations Manager, Business Development Manager and General Manager for SGS New Zealand.

Between 1987 and 1999, Chris held a number of senior positions in Thailand, Ghana, Singapore and Australia. He was appointed as Chief Operating Officer of the South East Asia Pacific region in 2002 and was then appointed Vice President for Minerals and Environmental Services, a role he held for three years. Chris was Chief Executive Officer at SGS between 2006 and 2015, before being elected to the Board of Directors at the 2015 Annual Shareholders Meeting. He brings to the Board his unparalleled experience in the industry and in-depth knowledge of the Group.

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#### OTHER ACTIVITIES AND FUNCTIONS

Compass Limited, Hamilton, Bermuda, Chairman since 2016, Member of the Board since 2011

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

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#### GÉRARD LAMARCHE (1961)

*Belgian*

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#### FUNCTION IN SGS

Member:

- Board of Directors
- Audit Committee

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#### INITIAL APPOINTMENT TO THE BOARD

July 2013

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#### PROFESSIONAL BACKGROUND

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

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

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

He joined Compagnie Financière de Suez as Special Advisor to the Chairman and Secretary to the Suez Executive Committee (1995-1997); he was later appointed Senior Vice President

in charge of Planning, Control and Accounting. In 2000, Gérard Lamarche joined NALCO (the US subsidiary of the Suez Group and world leader in industrial water treatment) as General Managing Director. He was appointed CFO of the Suez Group in 2003.

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

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#### OTHER ACTIVITIES AND FUNCTIONS

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

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

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

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#### SHELBY R. DU PASQUIER (1960)

*Swiss*

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#### FUNCTION IN SGS

Member:

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

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#### INITIAL APPOINTMENT TO THE BOARD

March 2006

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#### PROFESSIONAL BACKGROUND

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

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

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#### OTHER ACTIVITIES AND FUNCTIONS

\*Swiss National Bank, Member of the Board since 2012

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

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

The Directors bring a wide range of experience and skills to the Board. They participate fully in decisions on key issues facing the Group. Their combined expertise in the areas of finance, commercial law and strategy, and their

respective positions of leadership in various industrial sectors are important contributing factors to the successful governance of an organization of the size of the SGS Group.

The Board undertakes a periodic review of the Directors' interests in which all potential or perceived conflicts of interests and issues relevant to their independence are considered.

Based on this review, the Board has concluded that, apart from Christopher Kirk, who was Group CEO between November 2006 and March 2015 before his nomination to the Board, all non-executive Directors are independent from Management and free of any relationship that could materially interfere with the exercise of their independent judgement.

The Board has reached the conclusion that each of its members, with the exception of Christopher Kirk, is independent, on the basis of different criteria, including: the absence of any employment relationship in an executive capacity or otherwise by each Board member or their close relatives, now and in previous years; the absence of any payment by the company to the Board members or their close relatives other than disclosed board remuneration and dividends; the absence of affiliation of the Board members with a customer, supplier or business partner of the company; the absence of affiliation as partner or employee with the company's auditors; the absence of personal services contracts with the company or any of the members of its management; and, generally, the absence of any other form of conflict of interest.

The remuneration of the Members of the Board of Directors is detailed in the Remuneration Report. The Chairman of the Board, jointly with members of the Board of Directors, reviews periodically the performance of the Board as a whole, of its Committees and of each of its individual members.

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

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

### 3.2. CROSS-INVOLVEMENT

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

\* Listed company.

### 3.3. ELECTIONS AND TERMS OF OFFICE

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

### 3.4. LIMITS ON EXTERNAL MANDATES

In compliance with the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC), the Company's Articles of Association limit the number of mandates permissible to Board members. These rules limit the number of mandates that board members can accept to no more than ten board memberships in entities outside the Group, out of which a maximum of five memberships in board of companies whose shares are traded on a stock exchange. Mandates assumed at the request of a controlling entity do not count towards the maxima defined in the Articles of Association.

In addition, the Articles of Association limit to ten, the permissible participations in boards of associations and other non-profit organizations. All Board members have confirmed that they comply with these rules.

### 3.5. INTERNAL ORGANIZATIONAL STRUCTURE

The duties of the Board of Directors and its Committees are defined in the Company's Articles of Association and in its internal regulations, which are reviewed periodically. They set out all matters for which a decision by the Board of Directors is required. In addition to the decisions required by Swiss company law, the Board of Directors approves the Group's strategies and key business policies, investments, acquisitions, disposals and commitments in excess of delegated limits.

#### 3.5.1. ALLOCATION OF TASKS WITHIN THE BOARD OF DIRECTORS

The Chairman of the Board is elected by the Annual Meeting of Shareholders. He or she plans and chairs the Board meetings, defines the agenda of the meetings and conducts the deliberations of the Board of Directors. All Members of the Board of Directors participate in deliberations of the Board and participate equally in its decisions.

Within the limits permitted by law or by the Articles of Association, the Board of Directors can decide to delegate certain of its tasks to standing or ad-hoc committees. With the exception of the members of the Nomination and Remuneration Committee, who are elected by the shareholders, the members of other Committees are appointed by the Board.

#### 3.5.2. COMMITTEES

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

- Nomination and Remuneration
- Audit
- Professional Conduct

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

#### NOMINATION AND REMUNERATION COMMITTEE

The Committee acts in part in an advisory capacity to the Board, and in part as a decision-making body on matters that the Board has delegated to the Committee. The Committee advises the Board of Directors on matters regarding the remuneration of the Members of the Board of Directors and Management, and on general policies relating to remuneration applicable to the Group. The Committee defines the conditions of share-based remuneration plans or other plans for the allocation of shares, issued from time to time by the Company. The Committee reviews and approves the contractual terms of the employment of the Chief Executive Officer and the other members of the Management. The Committee reviews regularly, at least once a year, the compensation of each member of the Operations Council. The Committee drafts the SGS Remuneration Report.

In 2018, the following Directors served on the Nomination and Remuneration Committee:

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

In 2018, the Committee held three meetings. Meetings of the Nomination and Remuneration Committee were attended by all members and had an average duration of two hours.

#### AUDIT COMMITTEE

The Audit Committee supports the Board of Directors in discharging its duties in relation to financial reporting and internal controls. Such duties include consideration of the appropriateness of accounting policies, the adequacy of internal controls, risk management and regulatory compliance. It is also responsible for the supervision of the internal and external auditors of the Group, each of which provides regular reports to the Committee on findings arising from their work. The Committee reports regularly to the Board of Directors on its findings. In 2018, the following Directors served on the Audit Committee:

- Peter Kalantzis (Acting Chairman)
- August François von Finck
- Gérard Lamarche
- Sergio Marchionne (until July 2018)

In 2018, the Audit Committee held five meetings, with an average duration of two hours. Meetings were attended by all members.

#### PROFESSIONAL CONDUCT COMMITTEE

The Professional Conduct Committee assists the Board of Directors and Management in establishing policies relating to professional conduct and oversees their implementation. The Group's professional conduct policies are embodied in the Code of Integrity, which sets out the principles governing business conduct, which are applied across the whole SGS Group. These principles reflect the Business Principles for Countering Bribery issued by Transparency International and Social Accountability International, and incorporate the rules adopted by the International Federation of Inspection Agencies (IFIA), the professional association for the inspection industry. In 2018, the following Directors served on the Professional Conduct Committee:

- Sergio Marchionne (Chairman) (until July 2018)
- Shelby du Pasquier
- Cornelius Grupp
- Peter Kalantzis (Chairman) (since July 2018)

In addition to the Board Members, the Professional Conduct Committee comprises the Chief Executive Officer, the General Counsel and Chief Compliance Officer (General Counsel). The head of Internal Audit attends all meetings of the Professional Conduct Committee. The Committee met twice in 2018 for a one-hour meeting and passed several resolutions in writing. The meeting was attended by all members.



### 3.5.3. WORKING METHODS OF THE BOARD AND ITS COMMITTEES

The Board of Directors and each Committee convene regularly scheduled meetings with additional meetings held as and when required, in person or by phone conference. The Board and the Committees may pass resolutions by written consent. Each Board Member has the right to request that a meeting be held or that an item for discussion and decision be included in the agenda of a meeting. Board and Committee members receive supporting documentation in advance

of the meetings and are entitled to request further information from the Management in order to assist them to prepare for the meetings. The Board and each of the Committees can request the attendance of members of the Management of the Group. The Board and each of the Committees are authorized to hire external professional advisors to assist them in matters within their sphere of responsibility. To be adopted, resolutions need a majority vote of the members of the Board or Committee, with the Chairman having a casting vote. The Board of Directors held five physical meetings and one meeting

by phone conference in 2018. Meetings of the Board of Directors had an average duration of three hours. All members of the Board of Directors attended every meeting of the Board in 2018, with the exception of two Board members being excused each for one meeting.

#### ATTENDANCE TO BOARD AND COMMITTEE MEETINGS

The chart below summarizes the attendance by each Board Member in 2018 at the meetings (including meetings by phone conference) of the Board and the respective standing Committees.

MEMBER	BOARD MEETINGS	NOMINATION AND REMUNERATION	AUDIT	PROFESSIONAL CONDUCT COMMITTEE
Sergio Marchionne <sup>1</sup>	3/5	N/A	3/4	1/1
Paul Desmarais	5/6	N/A	N/A	N/A
August von Finck	5/6	2/3	N/A	N/A
August Francois von Finck	6/6	N/A	5/5	N/A
Ian Gallienne	6/6	3/3	N/A	N/A
Cornelius Grupp	6/6	N/A	N/A	2/2
Peter Kalantzis <sup>2</sup>	6/6	N/A	5/5	1/1
Chris Kirk	6/6	N/A	N/A	N/A
G�rard Lamarche	6/6	N/A	5/5	N/A
Shelby du Pasquier	6/6	3/3	N/A	2/2

1. Until July 2018.

2. Since July 2018.

### 3.6. DEFINITION OF AREAS OF RESPONSIBILITY

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

- Leads and oversees the conduct, management and supervision of the Group
- Determines the organization of the Group
- Assesses risks facing the business and reviews risk management and mitigation policies
- Appoints and removes the Group's Chief Executive Officer and other members of management
- Defines the Group's accounting and control principles
- Decides on major acquisitions, investments and disposals
- Discusses and approves the Group's strategy, financial statements and annual budgets

- Prepares the General Meetings of Shareholders and implements shareholders' resolutions
- Notifies the judicial authorities in the event of insolvency of the Company, as required by Swiss law

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

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

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

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

### **3.7. INFORMATION AND CONTROL INSTRUMENTS VIS-A-VIS THE MANAGEMENT**

#### **A. RESPONSIBILITY OF THE BOARD**

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

#### **B. GOVERNANCE FRAMEWORK**

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

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

The Group Controller and the Head of the Internal Audit Function participate in the meetings of the Audit Committee.

The Head of Human Resources participates in the meetings of the Nomination and Remuneration Committee, and the General Counsel and Chief Compliance Officer attends all meetings of the Board of Directors and its Committees.

The other members of the Operations Council and other members of Management only participate in the Board and Committee meetings by invitation.

#### **C. INFORMATION TO THE BOARD**

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

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

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

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

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

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

#### **D. GENERAL COUNSEL AND CHIEF COMPLIANCE OFFICER**

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

The Committee monitors disciplinary actions taken and the implementation of corrective actions.

#### **E. OTHER**

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

#### **F. RISK ASSESSMENT**

The Board conducts on a yearly basis an assessment of the risks facing the Group. This process is conducted with the active participation and input of the Management. Once identified, risks are assessed according to their likelihood, severity and mitigation. The Board deliberates on the adequacy of measures in place to mitigate and manage risks and assigns responsibility to designated managers for implementation of such measures. As part of this process, the ownership of and accountability for identified risks are approved by the Board. The implementation of such actions is audited by Internal Audit. These findings are communicated to the Board of Directors so that progress and identified risks can be monitored objectively and independently from Management. The risks identified and monitored by the Board fall broadly into three categories: first, environment risk, which includes circumstances outside the Group's direct sphere of influence, such as competition and economic or political landscape; second, process risks that include risks linked to the operations of the business, the management of the Group and the integrity of its reputation in the market place; and third, risks associated with information and decision making.

## 4. OPERATIONS COUNCIL

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

### 4.1. MEMBERS OF THE OPERATIONS COUNCIL

Members of the Operations Council bring to the Group years of experience and expertise in their respective fields. They come from a wide range of backgrounds that reflects the multiple aspects of the Group. The Group strives to promote talent internally and encourages women to assume senior leadership positions. The members of the Operations Council at 31 December 2018 were as follows:



FRANKIE NG (1966)  
*Swiss/Chinese*

Chief Executive Officer  
BA in Economics and Electronics Engineering  
Joined SGS in 1994

#### PREVIOUS RESPONSIBILITIES

2011-2015: EVP, Industrial Services  
2005-2011: EVP, Consumer Testing Services  
2002-2004: Managing Director, US Testing



CARLA DE GEYSELEER (1968)  
*Belgian*

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

#### PREVIOUS WORK EXPERIENCE

2012-2014: Chief Financial Officer, Vodafone Libertel, BV, The Netherlands  
2010-2012: Director Financial Controlling, Vodafone GmbH, Germany  
2007-2010: Chief Financial Officer DHL Express Benelux, The Netherlands



OLIVIER MERKT (1962)  
*Swiss*

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

#### PREVIOUS RESPONSIBILITIES

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



TEYMUR ABASOV (1972)  
*Azerbaijani*

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

#### PREVIOUS RESPONSIBILITIES

2006-2007: Managing Director, Kazakhstan and Caspian Sub-Region  
2004-2006: Managing Director, Azerbaijan and Georgia  
2003-2004: Managing Director, Georgia



HELMUT CHIK (1966)  
*Chinese*

COO, North East Asia  
Master in Business Administration  
Joined SGS in 1991

#### PREVIOUS RESPONSIBILITIES

2004-2017: COO, China and Hong Kong  
2003: Managing Director, Hong Kong  
2002: Vice President Softline Global, Consumer Testing Services



OLIVIER COPPEY (1972)  
*Swiss*

EVP, Agriculture, Food and Life  
MSc Economics  
Joined SGS in 1994

PREVIOUS RESPONSIBILITIES

2009-2013: Vice President Seed and Crop, Agricultural Services  
2006-2008: Vice President North America, Agricultural Services, USA  
1994-2006: Managerial positions, Agricultural Services, Switzerland/India/Cameroon



PAULINE EARL (1961)  
*British*

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

PREVIOUS RESPONSIBILITIES

2007-2010: Managing Director, United Kingdom  
2004-2007: SSC Business Manager, United Kingdom



FABRICE EGLOFF (1969)  
*French*

COO, Africa  
MBA in International Business Affairs  
Joined SGS in 1995

PREVIOUS RESPONSIBILITIES

2009-2017: Managing Director, France  
2004-2008: Managing Director, Hong Kong



LUIS FELIPE ELIAS (1959)  
*Peruvian*

COO, South and Central America (Since May 2018)  
Industrial Engineering Degree and MBA  
Joined SGS in 2004

PREVIOUS RESPONSIBILITIES

2012-2018: Managing Director, Ecuador and Peru  
2004-2012: Deputy Managing Director, Peru



DERICK GOVENDER (1970)  
*South African*

EVP, Minerals  
Diploma in Analytical Chemistry  
Post graduate in Business Management  
Joined SGS in 2002

PREVIOUS RESPONSIBILITIES

2014-2015: Minerals Manager, Chile  
2010-2014: VP Minerals, Africa  
2007-2010: Regional Minerals Manager, SGS Southern Africa



DIRK HELLEMANS (1958)  
*Belgian*

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

PREVIOUS RESPONSIBILITIES

2012-2015 : COO, Northern, Central and Southern Europe  
2004-2012: COO, Central and North Western Europe  
2002-2004: COO, North West Europe



JOSÉ MARÍA HERNÁNDEZ-SAMPELAYO (1961)  
*Spanish*

SVP, Human Resources  
Bachelor in Law  
Master in Business Administration  
Joined SGS in 1996

PREVIOUS RESPONSIBILITIES

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



FRÉDÉRIC HERREN (1955)  
*Swiss*

SVP, Digital and Innovation  
Master in Economics  
Initially joined SGS in 1986, rejoined  
in 1999

PREVIOUS RESPONSIBILITIES

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



ROGER KAMGAING (1966)  
*Swiss*

EVP, Governments and Institutions  
Master in Commercial Law and Tax  
Master in Auditing and Consulting  
Initially joined SGS in 1996, rejoined in 2014

PREVIOUS RESPONSIBILITIES

2000-2012: Governments and  
Institutions Services, Global Head  
Business Development  
1997-2000: Governments and  
Institutions Services, Sales Manager

OTHER WORK EXPERIENCE

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



THOMAS KLUKAS (1965)  
*German*

EVP, Transportation  
PhD in Engineering Science,  
Masters in Business Administration  
and Engineering Science  
Joined SGS in 2006

PREVIOUS RESPONSIBILITIES

2008-2010: Global VP Automotive Services  
2006-2008: SVP Automotive Services,  
North America

OTHER WORK EXPERIENCE

2000-2006: Senior Executive at DEKRA SE



CHARLES LY WA HOY (1966)  
*French*

EVP, Consumer and Retail  
Engineer in Electronics  
Initially joined SGS in 1992, rejoined  
in 2008

PREVIOUS RESPONSIBILITIES

2016-2018: Vice President of Retail  
Solutions and European Business  
Development, Consumer and Retail  
2013-2016: Global Head of Materials  
and Manufacturing, Industrial Services  
2009-2013: Vice President of  
Strategic Global Accounts,  
Consumer Testing Services



FRANÇOIS MARTI (1968)  
*Swiss*

COO, North America (since 2018)  
Degree in International Relations  
Initially joined SGS in 2003, rejoined  
in 2011

PREVIOUS RESPONSIBILITIES

2015-2018: EVP Industrial Services  
2012-2015: EVP Systems and  
Services Certification  
2011-2015: SVP, Strategic Transformation

OTHER WORK EXPERIENCE

2005-2011: CEO, Fiat Services



JEFFREY MCDONALD (1964)  
*Australian/American*

EVP, Certification and Business Enhancement  
Postgraduate Diploma in Education  
Joined SGS in 1995

PREVIOUS RESPONSIBILITIES

2007-2015: COO, North America  
2004-2007: EVP, Systems and Services Certification  
2003: Global Project Manager, Systems and Services Certification



PETER POSSEMIERS (1962)  
*Australian/Belgian*

EVP, Environmental, Health and Safety  
BSc Chemistry and Microbiology  
Joined SGS in 1983

PREVIOUS RESPONSIBILITIES

2007-2012: Global Sales, OGC  
2005-2007: Managing Director, Korea  
2003-2005: OGC Business Development Manager Asia Pacific, China



TOBY REEKS (1976)  
*British*

SVP, Investor Relations (joined in 2018)  
BA in Economics

OTHER WORK EXPERIENCE

2013-2018: Executive Director, Morgan Stanley  
2011-2013: Director, Merrill Lynch  
2005-2011: Vice President, Merrill Lynch



MALCOLM REID (1963)  
*British*

COO, South East Asia and Pacific  
BSc Chemistry  
Joined SGS in 1987

PREVIOUS RESPONSIBILITIES

2012-2015: EVP, Consumer Testing Services  
2007-2011: EVP, Systems and Services Certification  
2005-2007: Managing Director, Australia



ALIM SAIDOV (1964)  
*Azerbaijani/Canadian*

EVP, Oil, Gas and Chemicals  
PhD in Science  
Joined SGS in 1993

PREVIOUS RESPONSIBILITIES

2007-2013: EVP, Oil, Gas and Chemicals Services and Environmental Services  
2005-2007: COO, Eastern Europe and Middle East  
2004: COO, North America and Managing Director, Canada



WIM VAN LOON (1966)  
*Belgian*

EVP, Industrial Services (since May 2018)  
Engineering degree in Industrial Electro Mechanic and Master's degree in Business Management  
Joined SGS in 1989

PREVIOUS RESPONSIBILITIES

2015-2018: Managing Director, Benelux  
2011-2015: Executive Director, Industrial Services, Benelux  
2003-2015: Business Manager for Industrial, Minerals and Consumer Testing Services, Benelux

## 4.2. OTHER ACTIVITIES AND FUNCTIONS

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

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### DERICK GOVENDER

Member of IPMI (International Precious Metal Institute)

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### THOMAS KLUKAS

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

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### FRED HERREN

Member of the Board of Delen SA, Geneva since 2018

Member of the Council, Geneva Chamber of Commerce and Industry

## 4.3. CHANGES IN THE OPERATIONS COUNCIL

During 2018, Alejandro Gomez De La Torre, COO for South and Central America; Richard Shentu, EVP CRS; and Kimmo Fuller, COO for North America left the Group.

## 4.4. LIMITS ON EXTERNAL MANDATES

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

## 4.5. MANAGEMENT CONTRACTS

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

# 5. COMPENSATION, SHAREHOLDINGS AND LOANS

## 5.1. CONTENT AND METHOD OF DETERMINING THE COMPENSATION AND THE SHAREHOLDING PROGRAMS

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

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

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

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

### 5.1.1. RULES ON PERFORMANCE-RELATED PAY AND ALLOCATION OF EQUITY-LINKED INSTRUMENTS

The Company's Articles of Association define the principles of the variable remuneration and the allocation of shares or equity-linked instruments to the members of the Operations Council (please refer to the Remuneration Report for a description of the Company's rules in the matter).

### 5.1.2. RULES ON LOANS, CREDIT FACILITIES AND POST-EMPLOYMENT BENEFITS

Loans granted to members of the governing bodies of the Company may not exceed one year of remuneration and must be granted at market conditions. As at 31 December 2018, no loan or advance is granted by the Group to members of the Operations Council

(2017: CHF 66 496 was owed by one member of the Operations Council for a loan granted by the Group).

### 5.1.3. RULES ON VOTE ON PAY

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

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

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

# 6. SHAREHOLDERS' PARTICIPATION RIGHTS

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

## 6.1. VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

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

## 6.2. STATUTORY QUORUMS

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

## 6.3. CONVOCAION OF GENERAL MEETINGS OF SHAREHOLDERS

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

## 6.4. AGENDA

The Agenda of the General Meeting of the Shareholders is issued by the Board of Directors. Shareholders representing shares with a minimum par value of CHF 50 000 may request the inclusion of an item on the agenda of the General Meetings, provided that such a request reaches the Company at least 40 days prior to the General Meeting.

## 6.5. REGISTRATION IN THE SHARE REGISTER

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

## 7. CHANGE OF CONTROL AND DEFENSE MEASURES

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

### 7.1. DUTY TO MAKE AN OFFER

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

### 7.2. CLAUSES ON CHANGE OF CONTROL

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

## 8. AUDITORS

### 8.1. DURATION OF THE MANDATE AND TERM OF OFFICE

Following a competitive process in 2000, Deloitte SA was appointed auditor of the Company and the SGS Group by the Annual General Meeting of Shareholders upon recommendation of the Board of Directors. The auditors of the Company are subject to re-election at the Annual General Meeting every year. The current lead auditor, Matthew Sheerin, was appointed in 2017, after agreement by the Company's Audit Committee.

### 8.2. AUDIT FEES

Total audit fees paid to Deloitte for the audit of the Company and the Group financial statements in 2018 amounted to CHF 6.8 million (2017: CHF 6.5 million).

### 8.3. ADDITIONAL FEES

An aggregate amount of CHF 0.9 million (2017: CHF 1.0 million) was paid to Deloitte for other professional services, unrelated to the statutory audit activity, mainly composed of tax compliance services, non-statutory and other assurance services.

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

The Audit Committee is responsible for evaluating the external auditor on behalf of the Board of Directors, and conducts assessments of the audit services provided to the Group during its regular meetings. It meets with the auditor at least three times per year, including private sessions without the presence of Management.

The duties of the Committee include consideration of the audit plan, regular assessment of the performance of the auditor and approval of audit fees on the basis of the amount of work required in order to perform the audit.

The Audit Committee reviews with the Group auditors the significant financial statement risk areas arising from the audit, including the key audit matters referred to in the statutory auditor's report.

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

## 9. INFORMATION POLICY

The policy of the Group is to provide individual and institutional investors, directly or through financial analysts, business journalists, investment consultants (financial community) and employees with financial and business information in a consistent, broad, timely and transparent manner.

The Group website has a section fully dedicated to investor relations, [www.sgs.com/ir](http://www.sgs.com/ir), where all financial information and presentations are available. This includes an updated version of the Articles of Association, current information on share buyback programs and minutes of shareholders' meetings. SGS meets regularly with institutional investors, holds results presentations, road shows and presentations at broker-sponsored country or industry conferences, and attends one-on-one meetings.

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

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