

# REMUNERATION REPORT

The SGS carbon neutrality strategy contributes to minimizing the impact of business processes and operations on the environment.



The SGS Remuneration Report provides an overview of the SGS remuneration model, its principles and programs and the related governance framework. The report also includes details on the remuneration of the Board of Directors and of the Operations Council related to the 2018 business year.

The SGS Remuneration Report has been prepared in compliance with the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares, in effect as of 1 January 2014, the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*, approved on 28 August 2014, and the Swiss Exchange (SIX) Directive on Information relating to Corporate Governance, revised on 13 December 2016, and according to the Articles of Association of SGS SA, as approved by the shareholders at the Annual General Meeting in 2015.

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# 1. INTRODUCTION BY THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is pleased to present its 2018 Remuneration Report.

During 2018, beyond its statutory duties, the Committee has been working on three main topics: the changes in the composition of the Board of Directors, the management of the changes in the composition of the Operations Council and the related nomination and remuneration matters, and a review of the structure of the Remuneration Report with the objective to provide more clarity and transparency on the executive remuneration practices of the Group.

As disclosed in Governance (page 75), three members of the Operations Council left the Group and one Operations Council position has been vacant since Q4 2017. The Board of Directors appointed four new members of the Operations Council and approved their contractual terms and conditions, including their remuneration, based on the recommendations of the Committee. We are proud to observe that three of the four new nominees are coming from inside the Group. This confirms that the Group can count on a rich and diverse pool of talents for its current and future leadership needs.

The structure of the remuneration report has been revised. We believe that this new structure provides greater clarity on the different remuneration elements and their settlement vehicles, and makes easier the comparison between the remuneration levels of this year versus the previous year, considering that our current Long-Term Incentive plan is designed to have a grant every three years.

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

The Committee has received significant support in its activities and direction through your positive votes at the Annual General Meeting 2018, and will continue with the same "say-on-pay" vote structure at the forthcoming Annual General Meeting 2019:

- Consultative vote on the Remuneration Report;
- Binding vote on the prospective maximum remuneration amount of the Board of Directors until the next Annual General Meeting;
- Binding vote on the retrospective short-term variable remuneration amount of the Operations Council members for the business year 2018;
- Binding vote on the prospective maximum fixed remuneration amount of the Operations Council members for 2020;
- Binding vote on the value of the grants awarded under the Long-Term Incentive plan to the Operations Council members in the current year (when relevant).

On the following pages, you will find detailed information about our remuneration model, its principles and programs, and the remuneration awarded to the Board of Directors and the Operations Council related to the business year 2018.

We hope that you find this report informative. We are confident that our approach to executive pay is fully aligned with the strategy, wider competitive market benchmarks, the performance of the Company and the interests of our shareholders.

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Shelby du Pasquier

*Chairman of the Nomination and Remuneration Committee*

## 2. REMUNERATION POLICY AND PRINCIPLES

### 2.1. REMUNERATION GENERAL PRINCIPLES

The general principles of remuneration of the members of the Board of Directors and the members of the Operations Council are defined in the Articles of Association (Art. 28 and 29).

The remuneration of the members of the Board of Directors is defined with two main objectives: (i) to compensate their activities and responsibilities as the highest governing body of the Group and their participation in the Committees established within the Board of Directors, and (ii) to guarantee their independence in exercising their supervisory duties towards the Executive Management.

The remuneration of the members of the Operations Council is defined with two main objectives: (i) to attract and retain the best talents available in the industry, and (ii) to motivate them to create and protect value for our shareholders by driving long-term sustainable financial success.

The members of the Board of Directors receive a fixed remuneration only.

The members of the Operations Council receive a fixed remuneration and a variable remuneration linked to short-term and long-term results.

REMUNERATION COMPONENT	BOARD OF DIRECTORS (NON-EXECUTIVE)	OPERATIONS COUNCIL (EXECUTIVE)
Fixed remuneration	✓	✓
Short-term variable remuneration	✗	✓
Long-term variable remuneration	✗	✓

### 2.2. REMUNERATION POLICY FOR THE EXECUTIVE MANAGEMENT

The Company's remuneration policy applicable to the executive management (Operations Council members) is defined by the Board of Directors in line with the Company's business strategy of profitable growth and with the aim to drive and support the Company's core values of passion, integrity, entrepreneurialism and innovative spirit.

The remuneration system for the Operations Council members operates according to four main principles:

- Market competitiveness
  - Remuneration levels are in line with competitive market practices
- Internal equity
  - Remuneration programs link remuneration to the level of responsibility and the skill-set required to perform the role
- Pay for performance
  - A substantial portion of remuneration is directly linked to business and individual performance
  - Differentiation is based on individual contributions
- Long-term value creation and alignment to shareholders' interests
  - Part of remuneration is delivered in equity subject to a multi-year vesting period

#### METHOD OF DETERMINATION OF REMUNERATION LEVELS – BENCHMARKING

SGS is a global company, operating in a broad range of sectors; the determination of the remuneration levels of the Operations Council members must take into account both global and local practices. We periodically compare our compensation practices with those of other similar global organizations:

- Competitors in the Testing, Inspection and Certification industry;
- All SMI-listed companies;
- Internationally active companies within and outside Switzerland that operate in the business-to-business services sector;
- Internationally active companies within and outside Switzerland that operate in one or more of the industry sectors in which SGS is active, including the energy, mining, industrial, chemical, medical goods, pharmaceutical, durable and non-durable goods, and food sectors.

The elements of executive remuneration benchmarked include annual base salary, other fixed remuneration elements, short-term and long-term incentives, and benefits. To ensure proper benchmarking, we use a proprietary job evaluation methodology. Since more than one-third of our Operations Council members are based outside Switzerland, we use information published by reputable data providers, including Mercer and Willis Towers Watson, related to both the Swiss market and the other markets where the Operations Council members are based.

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

The most recent executive compensation benchmark has been performed in 2015, with the support of Mercer. No such benchmark was made in 2018.

## 2.3. REMUNERATION GOVERNANCE

The Board of Directors is responsible for determining the remuneration of the Chairman and the Directors of the Board, within the limit of the aggregate amount approved by the Annual General Meeting of Shareholders. It also decides on the remuneration and terms of employment of the Chief Executive Officer. In addition, the Board of Directors defines general executive remuneration policies, including the implementation and terms and conditions of Long-Term Incentive plans, as well as the financial targets relevant to any incentive plan.

### 2.3.1. NOMINATION AND REMUNERATION COMMITTEE

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

The following chart summarizes the authorization levels for the main decisions relating to the compensation of the Board of Directors and the Operations Council members. When reviewing and deciding on executive remuneration policies, the Committee and the Board of Directors have access to Group Human Resources staff and may use third-party consultants that specialize in compensation matters. In 2018, neither the Committee nor the Board of Directors had recourse to such external advisors.

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

The following Directors served on the Committee in 2018:

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

In 2018, the Committee met in three meetings, two of them attended by all members and one attended by two members, and handled several matters pertaining to nominations and remunerations outside scheduled meetings. The Chairman of the Nomination and Remuneration Committee reports to the Board of Directors after each meeting on the activities of the Committee. The minutes of the Committee meetings are available to the members of the Board of Directors. Generally, the Chairman of the Board attends the meetings of the Committee, except when matters pertaining to his own compensation are being discussed.

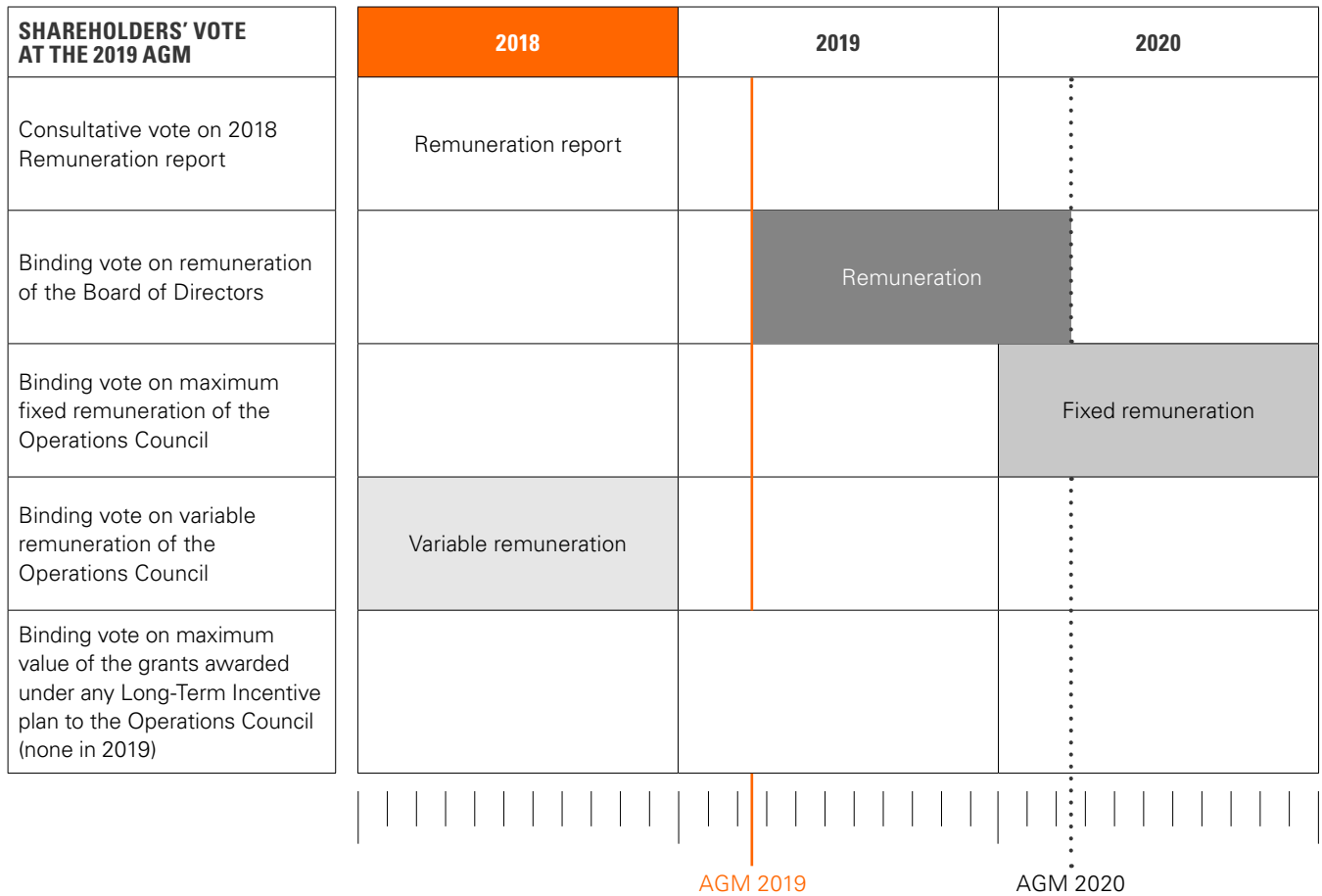
Selected members of the Operations Council, the CEO and the Senior VP for HR may be asked to attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed.

### 2.3.2. SHAREHOLDERS' ENGAGEMENT

As has been the case since the Annual General Meeting of 2015, we will continue to submit the Remuneration Report to a consultative shareholders' vote at the Annual General Meeting, so that shareholders have an opportunity to express their opinion about our remuneration model.

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

A summary of the shareholders' votes on remuneration is described in the chart below:



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

## 3. REMUNERATION MODEL

### 3.1. STRUCTURE OF REMUNERATION OF THE BOARD OF DIRECTORS

The members of the Board of Directors receive a fixed remuneration only, paid in cash. They are entitled to a fixed annual board membership fee (annual board retainer) and additional annual fees for the participation in board committees (committee fees). The Chairman of the Board also receives representation fees. They do not receive additional compensation for attending meetings and do not receive any variable remuneration, options or shares.

The amounts of the remuneration elements for the Chairman and the other Board members are defined by the Board of Directors every year. The maximum total amount is subject to the binding vote of the Annual General Meeting of Shareholders.

In determining the amounts of the compensation elements, the Board of Directors considers the prevailing practices of the Swiss SMI-listed companies.

The table below summarizes the remuneration elements of the members of the Board of Directors.

	ANNUAL BOARD RETAINER	COMMITTEE FEES (PER COMMITTEE)	REPRESENTATION FEES
Chairman	✓	✓	✓
Board Members	✓	✓	✗

The remuneration to the members of the Board of Directors is subject to employer social charges according to Swiss legislation.

The remuneration is paid in cash in two instalments, in June and December of the calendar year.

Members of the Board of Directors do not hold service contracts and are not entitled to any termination or severance payments.

They do not participate in the Company's benefit schemes and the Company does not make any contributions to any pension scheme on their behalf.

### 3.2. STRUCTURE OF REMUNERATION OF THE OPERATIONS COUNCIL

The members of the Operations Council receive a fixed remuneration and a variable remuneration linked to short-term and long-term results.

The fixed remuneration includes an annual base salary and benefits, in the form of employer's contributions into pension funds, health insurances, life and disability insurances, other contributions and allowances according to local practices in their country of employment, and in the form of benefits in kind.

The variable remuneration consists of a short-term incentive, settled partly in cash and partly in equity, and a long-term incentive, settled in equity.

The table below summarizes the various components of the remuneration of the Operations Council members.

REMUNERATION ELEMENT	REMUNERATION VEHICLE	DRIVERS	PERFORMANCE MEASURES	PURPOSE	PLAN PERIOD
<b>FIXED REMUNERATION</b>					
Annual Base Salary	Cash	Position and experience, market practice (benchmarking)	n/a	Attract and retain key executives	Continuous
Benefits	Contributions to pension plans and insurances, other contributions, allowances, benefits in kind	Market practice	n/a	Protect executive against risks, attract and retain	Continuous
<b>VARIABLE REMUNERATION</b>					
Short-Term Incentive	50% cash 50% restricted shares	Annual financial performance, individual performance against leadership behavioral model	Group revenue, Group NPAT <sup>1</sup> , Group ROIC <sup>2</sup> , regional and business line profit, regional NWC <sup>3</sup> , leadership multiplier	Pay for performance	1-year performance period 3-year deferral period
Long-Term Incentive	Performance Share Units (PSUs)	Long-term financial performance	Relative TSR <sup>4</sup> , adjusted operating income margin	Reward for long-term performance, align compensation with the interests of the shareholders	3-year performance period

1. NPAT: Net Profit After Tax.

2. ROIC: Return On Invested Capital.

3. NWC: Net Working Capital.

4. TSR: Total Shareholder Return.

The remuneration of the members of the Operations Council is subject to employer social charges, according to the legislation in force in their country of employment.

### 3.2.1. FIXED REMUNERATION: ANNUAL BASE SALARY

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

### 3.2.2. FIXED REMUNERATION: BENEFITS

Benefits include the employer's contributions to pension plans, the employer's contributions to insurances for health, life, disability and other risks, other cash contributions and allowances, and benefits in kind. They are awarded in accordance with prevailing practices in the country of employment of the members of the Operations Council.

Swiss-based Operations Council members participate, on the same basis as other Swiss employees of the Group, in the Company's pension scheme. Employees contribute 8% of their base salary and the Company contributes an amount equal to one and a half times the contributions paid by all employees to the scheme. Employees have the possibility to voluntarily increase their contribution rate by 2% above the standard rate. More flexibility has also been granted to employees who wish to fund a potential retirement before the normal age, or for those who wish to continue working after the age of 65.

### 3.2.3. SHORT-TERM VARIABLE REMUNERATION

The Chief Executive Officer and the other members of the Operations Council are eligible to a performance-related annual incentive (the "Short-Term Incentive"). The Short-Term Incentive is designed to reward the CEO and the other members of the Operations Council for the annual financial performance of the Group and its businesses, and the other members of the Operations Council for the demonstration of leadership behaviors in line with the SGS competency model.

The table below summarizes the Short-Term Incentive components for the CEO and the other members of the Operations Council.

SHORT-TERM INCENTIVE COMPONENT	CEO	OTHER OC MEMBERS
Annual financial performance	✔	✔
Leadership behavior	✘	✔

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

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

		CEO	OTHER OPERATIONS COUNCIL MEMBERS
Incentive frequency		Annual	Annual
Minimum incentive opportunity	as % of base salary	0%	0%
	as % of target incentive opportunity	0%	0%
Target incentive opportunity	as % of base salary	100%	55%-65%
	as % of target incentive opportunity	250%	250%
Maximum incentive opportunity	as % of target incentive opportunity	250%	250%
	as % of base salary	250%	137.5%-162.5%

### ANNUAL FINANCIAL PERFORMANCE

Each year, an annual business plan is derived from the long-term strategic plan and sets the business objectives to be achieved during the year.

The key performance indicators used in the Short-Term Incentive to measure the annual financial performance of the Group and its businesses include measurements of growth (top-line contribution), profitability (bottom-line contribution) and efficient use of capital, and thus reflect the financial performance of the Company in a balanced manner. Those financial metrics are cascaded consistently throughout the organization to ensure collective alignment. The CEO and the heads of corporate functions (SVPs) are measured on the financial performance of the Group, while the other members of the Operations Council are measured on the financial performance of the Group and on the financial performance of their own business line (EVPs) or region (COOs).

At the beginning of each year, based on a recommendation by the CEO, the Board of Directors sets the target values of the key performance indicators used in the Short-Term Incentive, in line with the annual business objectives.

The table below summarizes the key performance indicators applicable to the CEO and the other members of the Operations Council.

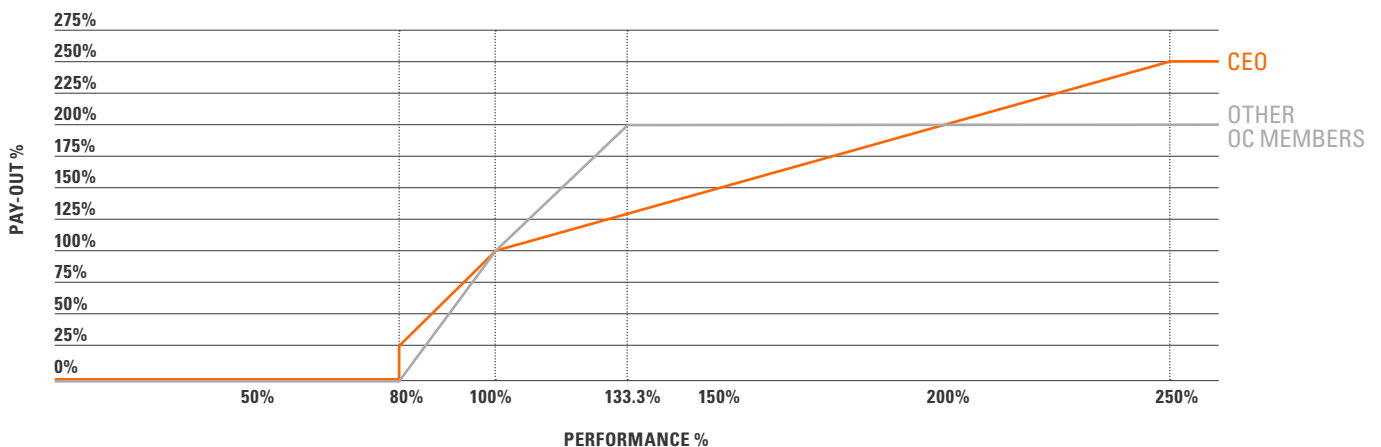


		CEO	HEADS OF CORPORATE FUNCTIONS (SVPs)	HEADS OF BUSINESS LINES (EVPs)	HEADS OF REGIONS (COOs)
Group Results	Profitability (bottom-line)	Group NPAT <b>25%</b>	Group NPAT <b>65%</b>	Group NPAT <b>25%</b>	Group NPAT <b>25%</b>
	Growth (top-line)	Group Revenues <b>25%</b>	Group Revenues <b>25%</b>	Group Revenue <b>25%</b>	Group Revenue <b>25%</b>
	Efficient use of capital	Group ROIC <b>50%</b>	Group ROIC <b>10%</b>	Group ROIC <b>10%</b>	-
Business Lines Results	Profitability (bottom-line)	-	-	Business-line Profit <b>40%</b>	-
Regions Results	Profitability (bottom-line)	-	-	-	Regional Profit <b>40%</b>
	Efficient use of capital	-	-	-	Regional NWC <b>10%</b>

For each key performance indicator, a pay-out curve is defined according to the following principles:

- A threshold (minimum level of performance to trigger a pay-out, and below which the pay-out is zero), a target (expected level of performance that triggers a pay-out equivalent to the target incentive), and a maximum (level of performance that triggers the highest pay-out, and above which the pay-out is capped) are defined;
- The lowest pay-out (triggered by the threshold performance) and the highest pay-out (triggered by the maximum performance) are defined;
- The pay-out for performances between threshold and target and between target and maximum are calculated by linear interpolation.
- The pay-out curves are differentiated between the CEO and the other members of the Operations Council because the CEO is rewarded only on financial key performance indicators, while the other members of the Operations Council are also rewarded on their leadership behaviors.

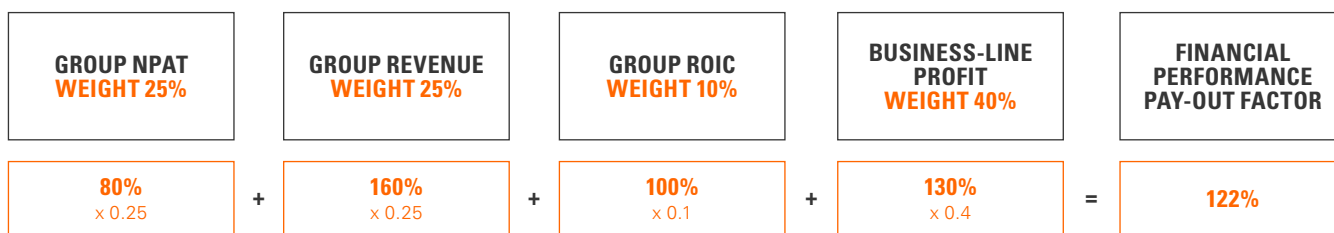
The chart below shows the pay-out curves for the Group NPAT, Group Revenue, Group ROIC for the CEO and the Group NPAT, Business-line Profit, Regional Profit and Group Revenue for the other OC members.



The payout curves for Group ROIC and Regional NWC for the OC members are defined by the CEO at the beginning of the performance year together with the objectives for each performance metric.

At the end of the performance period, the results for each key performance indicator are assessed against the pre-defined target and the pay-out curve to determine a pay-out factor. The weighted average of the pay-out factors of each key performance indicator corresponds to the overall financial performance pay-out factor.

An example of the calculation of the financial performance pay-out factor for an Executive Vice President is described in the chart below.



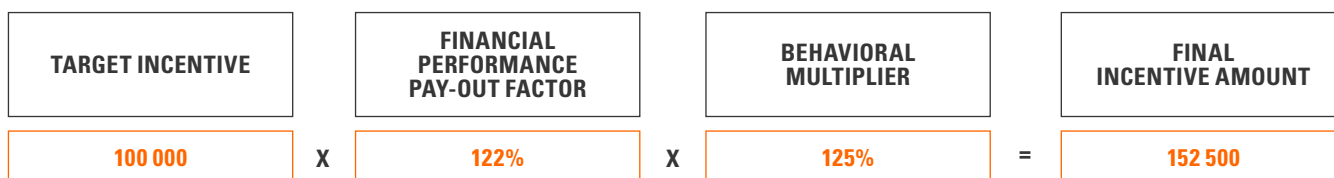
#### LEADERSHIP MULTIPLIER

While the CEO is rewarded only for the annual financial performance of the Group, the other members of the Operations Council are also rewarded for the demonstration of leadership behaviors in line with the SGS competency model. Their final incentive amount is calculated by multiplying the financial performance pay-out factor by a leadership multiplier.

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

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

An example of the calculation of the final incentive amount for an OC member is described in the chart below.



#### SETTLEMENT OF THE SHORT-TERM INCENTIVE

Once the final incentive amount is determined, it is settled 50% in cash and 50% in restricted shares, to strengthen the link between the compensation of executives and the interests of the shareholders.

The cash component is paid and the restricted shares are allocated after the shareholders’ approval at the Annual General Meeting of the following year.

The number of restricted shares to be allocated is determined by dividing 50% of the final incentive amount by the average closing share price during the 20-day period following the payment of the dividends after the Annual General Meeting, and the result is rounded up to the nearest integer. They are restricted for a period of three years during which they may not be sold, transferred or pledged. In case of change of control or liquidation or termination of employment following retirement, death or disability, the restriction period of the shares lapses. The shares remain restricted in all other instances.

The Group does not issue new shares to be allocated to employees for equity-based compensation plans, but uses treasury shares instead, acquired through share buyback programs. Detailed information on the overhang and burn rate are disclosed in note 29.

#### TERMINATION OF EMPLOYMENT

In case of termination of employment for any reason except for cause, if the last day of employment is on or after 31 December of the respective business year, the executive is eligible to the full annual incentive payment.

In case of termination for cause before the date of payment, irrespective of whether the last day of employment is before or after 31 December of the respective business year, the executive has no entitlement to receive any annual incentive payment.

In case of resignation, and if the last day of employment is before 31 December of the respective business year, the Participant has no entitlement to receive any annual incentive payment.

In case of termination not for cause before 31 December of the respective business year, the annual incentive payment is calculated pro-rata (calendar days) based on the Board of Directors’ best estimate of the performance on the last day of employment.

The table below summarizes the rules in case of termination of employment.

TERMINATION REASON	LAST DAY OF EMPLOYMENT	INCENTIVE OPPORTUNITY (TARGET INCENTIVE)	INCENTIVE LEVEL
Cause	Before the incentive payment date	Zero	Zero
Resignation	Before 31 December of the business year	Zero	Zero
	On or after 31 December of the business year	Full	Based on actual performance
Other reasons	Before 31 December of the business year	Prorated on calendar days	Based on performance estimated by the Board of Directors
	On or after 31 December of the business year	Full	Based on actual performance

#### CLAWBACK PROVISIONS

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

#### CHANGES IN THE SHORT-TERM VARIABLE REMUNERATION OF THE CEO FOR 2019

The Remuneration Committee worked on a review of the Short-term variable remuneration of the CEO for 2019, with the objective to have a better alignment between the plans in place for the CEO and the other Operations Council members. The payout curves of the two plans will be harmonized and a leadership multiplier will be introduced for the CEO.

More details on the updated Short-term variable remuneration plan for the CEO and the Operations Council members will be disclosed in the 2019 Remuneration Report.

#### 3.2.4. LONG-TERM VARIABLE REMUNERATION

The Chief Executive Officer and the other members of the Operations Council are eligible to a performance-related long-term incentive (the "Long-Term Incentive"). The Long-Term Incentive is designed to motivate the leadership team to achieve the long-term objectives of the Group and to align their remuneration with the interests of the shareholders.

The Long-Term Incentive consists of a grant of Performance Share Units (PSUs), done once every three years. The last grant under the Long-Term Incentive was done in 2018; the previous one was done in 2015.

The value of the grants, defined as the number of PSUs granted multiplied by the average share price of the 20 trading days preceding the grant date, covering a three-year period, is expressed as a percentage of the annual base salary and varies depending on the role. For the CEO, the value of the grant is 500% of the annual base salary; for the other members of the Operations Council it is 300% of the annual base salary.

The table below summarizes the value of the incentive opportunity over a three-year period and annualized for the CEO and the other Operations Council members.

		CEO		OTHER OPERATIONS COUNCIL MEMBERS	
		Three-year period	Annualized	Three-year period	Annualized
Incentive frequency		Once every three years		Once every three years	
Minimum incentive opportunity value	as % of base salary	0%	0%	0%	0%
	as % of target incentive opportunity	0%	0%	0%	0%
Target incentive opportunity value	as % of base salary	500%	167%	300%	100%
Maximum incentive opportunity value	as % of target incentive opportunity	150%	150%	150%	150%
	as % of base salary	750%	250%	450%	150%

The PSUs granted under the Long-Term Incentive vest after a performance period of three years (for the grant of 2018, the performance period is 2018-2020), conditionally upon the achievement of pre-defined performance objectives and subject to continuity of employment of the beneficiaries during the vesting period.

PERFORMANCE CONDITIONS

The performance conditions of the Long-Term Incentive consist of two financial key performance indicators, equally weighted at 50%:

- Total Shareholder Return (TSR<sup>1</sup>) (relative SGS performance compared with the peer group)
- Adjusted Operating Income Margin (AOIM) (absolute SGS performance against an internal target)

The TSR of the Group will be compared to the TSR of a group of twelve peer companies, selected by the Board of Directors because they have a comparable range of services, technology, customers, suppliers or investors and thus are exposed to similar market cycles. The intention of indexing performance against a peer group of companies is to reward the relative performance of the Company, where market factors that are outside the control of the executives are neutralized.

The list of the peer group companies is illustrated in the table below.

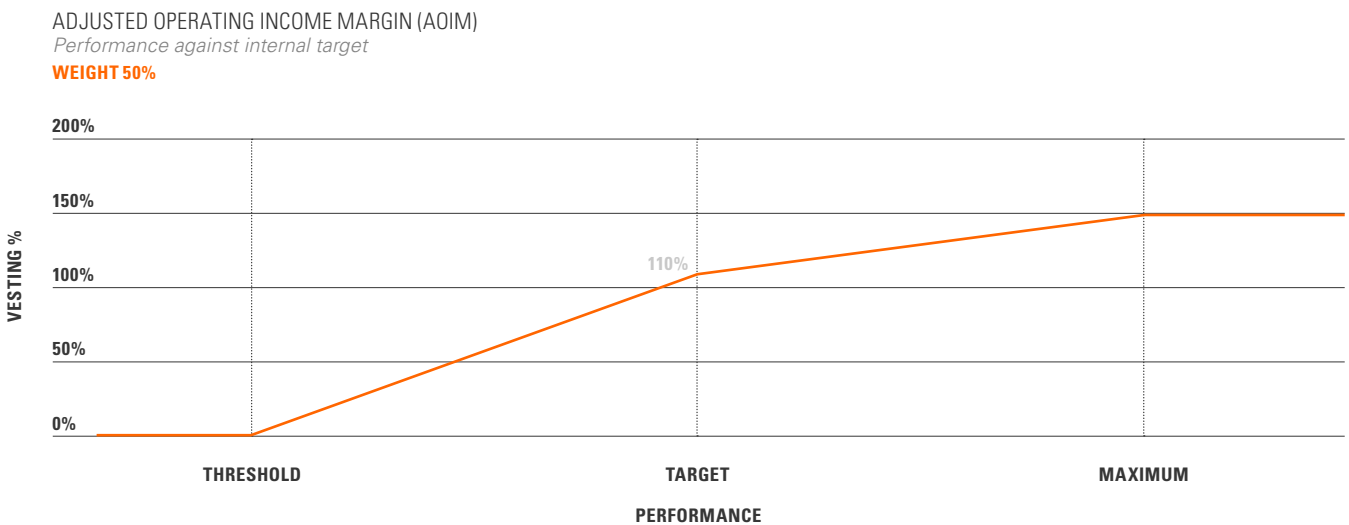
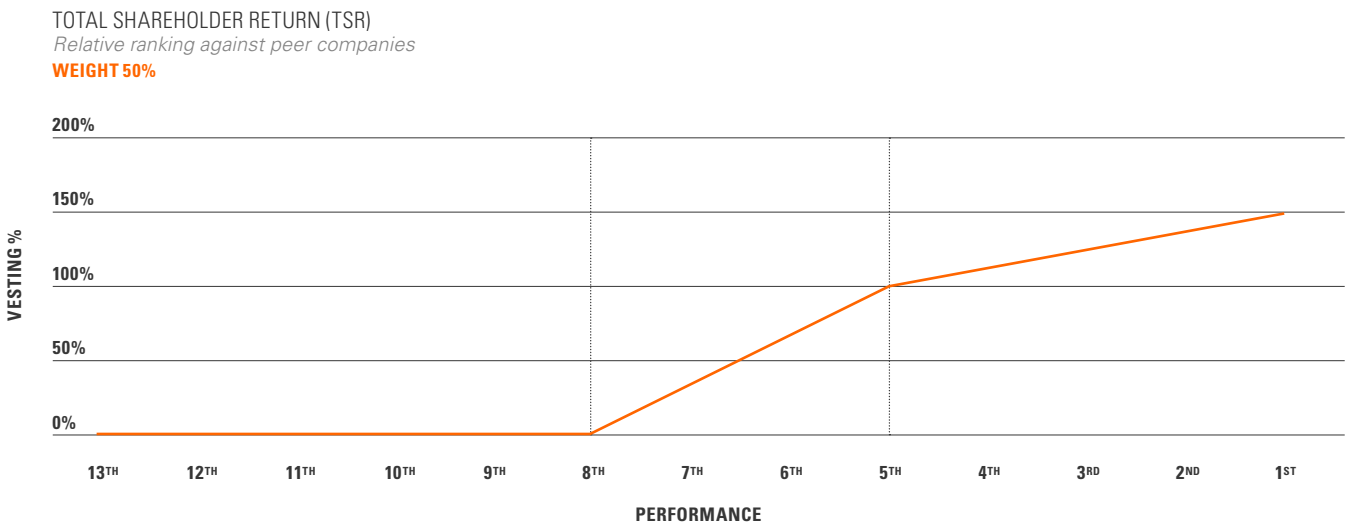
Adecco	ALS	Applus+	Bureau Veritas	Eurofins	Intertek
ISS	Mistras	Rentokil	Securitas	Sodexo	Team

The vesting levels for the TSR are defined as follows: 150% vesting if SGS is ranked first among the thirteen companies composing the peer group, 100% vesting if SGS is ranked fifth, and zero vesting if SGS is ranked eight or worse; in between, a linear interpolation applies.

The AOIM will be assessed against a pre-defined internal target.

The vesting levels for the AOIM are defined as follows: a threshold performance is set at 90% of target, and a maximum performance is set at 110% of target; if the AOIM performance is at or below threshold, the vesting is zero; if the AOIM is at target, the vesting is 110%; if the AOIM is at or above maximum, the vesting is 150%; in between, a linear interpolation applies.

The graphics below summarize the key performance indicators of the Long-Term Incentive and their vesting levels.



The overall vesting level of the PSUs granted will be calculated as a weighted average of each of the respective vesting levels for TSR (50%) and AOIM (50%), and ranges between 0% and 150%.

1. Total shareholder return: (Ending stock price - Beginning stock price) + Sum of all dividends received during the measurement period.

## SETTLEMENT OF THE LONG-TERM INCENTIVE

At the end of the vesting period, the PSUs vest, subject to the performance conditions and the continuity of employment condition, and shares are allocated to the participants based on the overall vesting level.

The number of shares to be allocated at vesting is calculated by multiplying the number of PSUs granted by the overall vesting level, the result being rounded up to the nearest integer.

$$\text{Number of PSUs granted} = \text{Overall vesting level (0-150\%)} \times \text{Number of shares allocated at vesting}$$

The Group does not issue new shares to be allocated to employees for equity-based compensation plans, but uses treasury shares instead, acquired through share buyback programs. Detailed information on the overhang and burn rate are disclosed in note 29.

## TERMINATION OF EMPLOYMENT

In case of termination of employment, all unvested PSUs are immediately forfeited without value and without any compensation, except in the following cases:

- In case of termination of employment as a result of disability or retirement, unvested PSUs vest on a pro rata basis, based on the number of full months of the performance period that have expired until the termination date. The shares are allocated after the regular vesting date and the vesting level is determined based on the performance during the entire regular performance period. There is no early allocation of the shares.
- Upon termination of employment as a result of death, unvested PSUs will vest immediately on a pro rata basis, based on the number of full months of the performance period that have expired until the termination date. The vesting level is based on an estimation of performance by the Board of Directors.
- In the event of a corporate transaction or liquidation, unvested PSUs vest immediately. The vesting level is based on an estimation of performance by the Board of Directors.

The table below summarizes the vesting rules in case of termination of employment.

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

## MALUS AND CLAWBACK PROVISIONS

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

### 3.2.5. REMUNERATION MIX

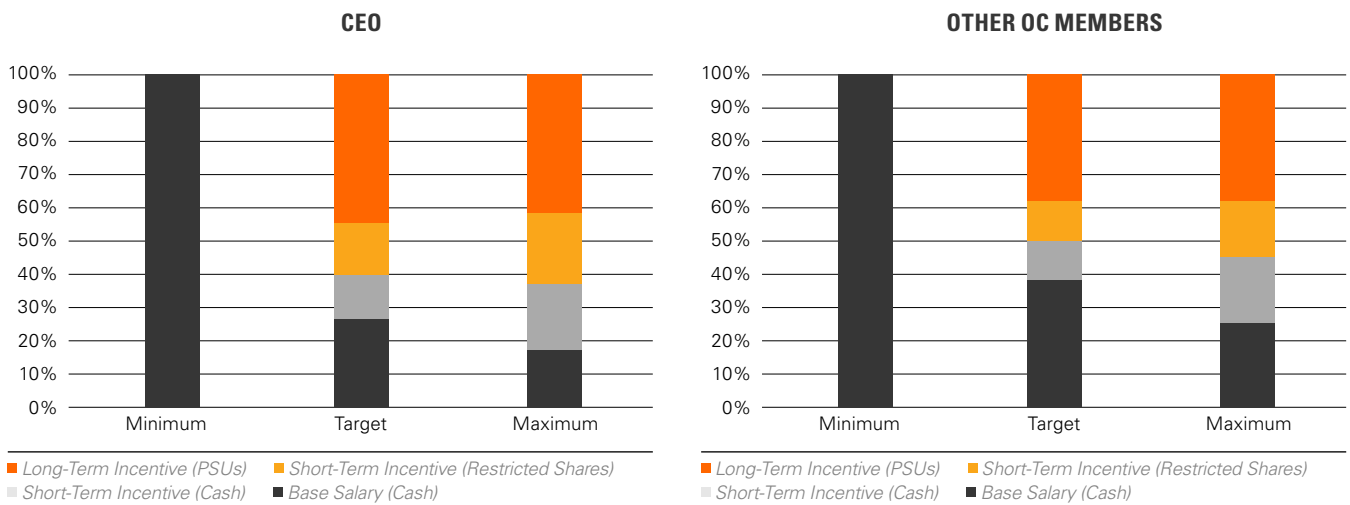
The part of remuneration at risk (Short-Term Incentive and Long-Term Incentive) for the CEO represents, at target, 73% of the total remuneration. The part of remuneration settled in equity instruments (Restricted Shares and PSUs) represents, at target, 59% of the total remuneration.

For the other members of the Operations Council, the part of remuneration at risk represents, on average, 62% of the total remuneration. The part of remuneration settled in equity instruments represents, on average, 50% of the total remuneration.

The Long-Term Incentive is considered at its annualized value.

The part of the fixed remuneration linked to benefits and employer social charges is not considered in this analysis.

The charts below show the remuneration mix for the CEO and the other members of the Operations Council in three cases: at minimum (both Short-Term and Long-Term Incentives at zero pay-out), at target (both Short-Term and Long-Term Incentives at 100% pay-out) and at maximum (both Short-Term and Long-Term Incentives at maximum pay-out).



### 3.2.6. SHAREHOLDING OWNERSHIP GUIDELINES

A shareholding ownership guideline (SOG) is in force since 2015, requiring the members of the Operations Council to own at least a certain multiple of their annual base salary in SGS shares, as follows:

- CEO: three times the annual base salary
- Other members of the Operations Council: two times the annual base salary

In the event of a substantial drop in the share price, the Board of Directors has the discretion to modify the SOG.

The determination of equity amounts against the SOG is defined to include vested shares allocated under the Short-Term and Long-Term Incentive plans, shares underlying vested and unvested warrants granted under the discontinued warrants plans and other shares that are owned by the Operations Council member directly or indirectly (by “closely related persons”).

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

### 3.2.7. EMPLOYMENT CONTRACTS

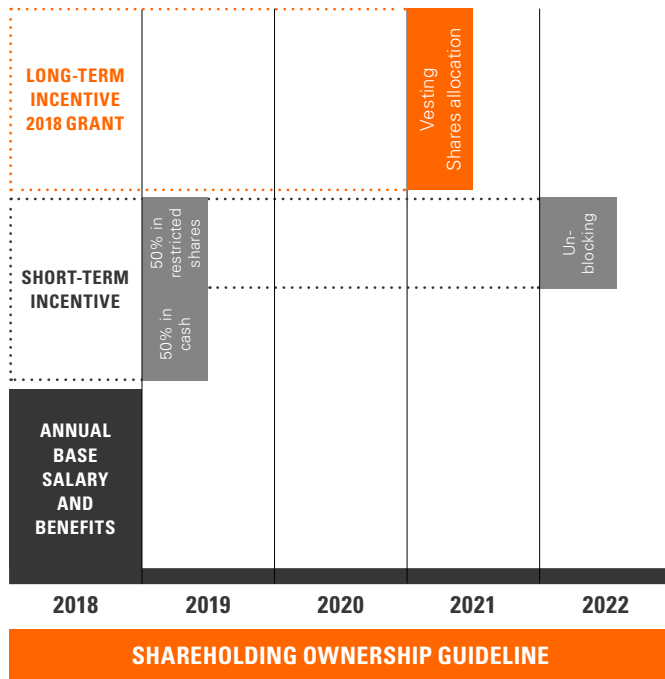
Employment contracts of the Operations Council members have no fixed term and can be terminated at any time by either party, provided a notice period of six months is respected. For the Chief Executive Officer, the notice period is 12 months. The executive contracts do not provide for any severance payments (beyond the minimum legally required in the country of employment) and are subject to applicable legislation in the country of employment.

### 3.2.8. TIMELINE OF REMUNERATION

The following outlines the timeline of payment of each remuneration element that was earned in 2018:

- The annual base salary is paid during 2018
- The cash portion of the Short-Term Incentive is paid in March 2019, shortly after the Annual General Meeting
- The share portion of the Short-Term Incentive is allocated in April 2019 and will be unblocked in April 2022
- The PSUs granted under the Long-Term Incentive in 2018 will be earned over the performance period from 2018 to 2020 and will vest, subject to performance conditions and continuity of employment, in February 2021

#### TIMELINE (PERFORMANCE PERIOD, TIME OF PAYMENT)



#### PERFORMANCE KPIS

- Relative TSR (50%)
- Adjusted operating income margin (50%)
- Group revenue (25%)
- Group NPAT (25%)
- Role specific profit, efficient use of capital (50%)
- Multiplied by leadership multiplier (excluding CEO)
- Fixed remuneration

## 4. REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

In 2018, the annual board retainer was CHF 300 000 for the Chairman of the Board and CHF 150 000 for the other Board of Directors members, unchanged from the prior year. Members of the Board of Directors serving on a committee were entitled to an additional fee of CHF 30 000 per committee, unchanged from the prior year. The Chairman of the Board was entitled to annual representation fees of CHF 25 000, unchanged from the prior year. All the remuneration elements of the Board of Directors are settled in cash.

BOARD RETAINER		COMMITTEE FEE (PER COMMITTEE)	
300 000	+	30 000	CHAIRMAN
150 000	+	30 000	BOARD MEMBERS

The remuneration of the Board of Directors is subject to employer social charges according to Swiss legislation. The remuneration is disclosed on a fiscal year basis.

The following table details the remuneration elements granted to each of the Directors for their tenure in 2018.

<i>(CHF thousand)</i>	<b>BOARD RETAINER</b>	<b>COMMITTEE FEES</b>	<b>REPRESENTATION FEES</b>	<b>TOTAL REMUNERATION</b>	<b>EMPLOYER SOCIAL CHARGES</b>
S. Marchionne <sup>1</sup>	168	34	14	216	15
P. Desmarais	150	-	-	150	11
A. von Finck	150	30	-	180	13
A.F. von Finck	150	30	-	180	16
I. Gallienne	150	30	-	180	16
C. Grupp	150	30	-	180	13
P. Kalantzis <sup>2</sup>	216	43	-	259	19
G. Lamarche	150	30	-	180	16
S.R. du Pasquier	150	60	-	210	18
C. Kirk	150	-	-	150	13
<b>TOTAL</b>	<b>1 584</b>	<b>287</b>	<b>14</b>	<b>1 885</b>	<b>150</b>

1. Mr. Marchionne was the Chairman of the Board and member of two committees until 21 July 2018.

2. Mr. Kalantzis was appointed Acting Chairman of the Board and member of the Professional Conduct Committee effective 22 July 2018.

The total remuneration of the members of the Board of Directors did not exceed the maximum amount approved by the Annual General Meeting of Shareholders in 2018 (CHF 2 134 000; the amount included employer social charges). As of 2019, employer social charges will be excluded from the aggregate total remuneration that is submitted to the Annual General Meeting of Shareholders for approval.

The following table details the remuneration elements granted to each of the Directors for their tenure in 2017.

<i>(CHF thousand)</i>	<b>BOARD RETAINER</b>	<b>COMMITTEE FEES</b>	<b>REPRESENTATION FEES</b>	<b>TOTAL REMUNERATION</b>	<b>EMPLOYER SOCIAL CHARGES</b>
S. Marchionne	300	60	25	385	28
P. Desmarais	150	-	-	150	13
A. von Finck	150	30	-	180	13
A.F. von Finck	150	30	-	180	16
I. Gallienne	150	30	-	180	16
C. Grupp	150	30	-	180	13
P. Kalantzis	150	30	-	180	13
G. Lamarche	150	30	-	180	16
S.R. du Pasquier	150	60	-	210	18
C. Kirk	150	-	-	150	13
<b>TOTAL</b>	<b>1 650</b>	<b>300</b>	<b>25</b>	<b>1 975</b>	<b>159</b>

The overall remuneration paid to the Board of Directors in 2018 is slightly lower than the overall remuneration paid in 2017, due to the change in the composition of the Board.

The Chairman of the Board was entitled to a Share Option grant until 2014; as of 2015, the remuneration of the Chairman of the Board is settled only in cash.



## 5. REMUNERATION AWARDED TO THE OPERATIONS COUNCIL MEMBERS

This section sets out the remuneration that was paid to the Operations Council as a whole, to the three Operations Council members who make up Senior Management and to the Chief Executive Officer in 2018. All amounts disclosed in this section include the Short-Term Incentive cash amount and restricted shares that will be granted in April 2019 with respect to performance in 2018 (disclosure according to the accrual principle).

### 5.1. FIXED REMUNERATION

The table below summarizes the fixed remuneration paid to the Operations Council, Senior Management and the Chief Executive Officer in 2018.

<i>(CHF thousand)</i>	BASE SALARY	OTHER CASH ALLOWANCES	CONTRIBUTIONS TO PENSION PLANS	OTHER CONTRIBUTIONS AND BENEFITS IN KIND	TOTAL FIXED REMUNERATION
<b>OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)</b>					
Cash (including allowances)	8 314	2 859	-	-	11 173
Contribution and benefits in kind	-	-	1 168	525	1 693
Equity	-	-	-	-	-
<b>TOTAL</b>	<b>8 314</b>	<b>2 859</b>	<b>1 168</b>	<b>525</b>	<b>12 866</b>
<b>SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)</b>					
Cash (including allowances)	1 717	503	-	-	2 220
Contribution and benefits in kind	-	-	212	67	279
Equity	-	-	-	-	-
<b>TOTAL</b>	<b>1 717</b>	<b>503</b>	<b>212</b>	<b>67</b>	<b>2 499</b>
<b>CHIEF EXECUTIVE OFFICER</b>					
Cash (including allowances)	900	392	-	-	1 292
Contribution and benefits in kind	-	-	100	45	145
Equity	-	-	-	-	-
<b>TOTAL</b>	<b>900</b>	<b>392</b>	<b>100</b>	<b>45</b>	<b>1 437</b>

The aggregate base salary of the members of the Operations Council did not exceed the maximum amount approved by the Annual General Meeting of shareholders in 2017 (CHF 9 300 000). For 2019, the 2018 Annual General Meeting of shareholders already approved a maximum aggregated base salary for the members of the Operations Council (CHF 9 400 000). As of 2019, it is the maximum aggregate total fixed remuneration of the following year (including other cash allowances, contributions to pension plans and other contributions and benefits in kind) that will be submitted to the Annual General Meeting of Shareholders for approval.

The table below summarizes the fixed remuneration paid to the Operations Council, Senior Management and the Chief Executive Officer in 2017.

<i>(CHF thousand)</i>	BASE SALARY	OTHER CASH ALLOWANCES	CONTRIBUTIONS TO PENSION PLANS	OTHER CONTRIBUTIONS AND BENEFITS IN KIND	TOTAL FIXED REMUNERATION
<b>OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)</b>					
Cash (including allowances)	7 847	1 228	-	-	9 075
Contribution and benefits in kind	-	-	1 010	608	1 618
Equity	-	-	-	-	-
<b>TOTAL</b>	<b>7 847</b>	<b>1 228</b>	<b>1 010</b>	<b>608</b>	<b>10 693</b>
<b>SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)</b>					
Cash (including allowances)	1 710	166	-	-	1 876
Contribution and benefits in kind	-	-	207	111	318
Equity	-	-	-	-	-
<b>TOTAL</b>	<b>1 710</b>	<b>166</b>	<b>207</b>	<b>111</b>	<b>2 194</b>
<b>CHIEF EXECUTIVE OFFICER</b>					
Cash (including allowances)	900	92	-	-	992
Contribution and benefits in kind	-	-	100	79	179
Equity	-	-	-	-	-
<b>TOTAL</b>	<b>900</b>	<b>92</b>	<b>100</b>	<b>79</b>	<b>1 171</b>

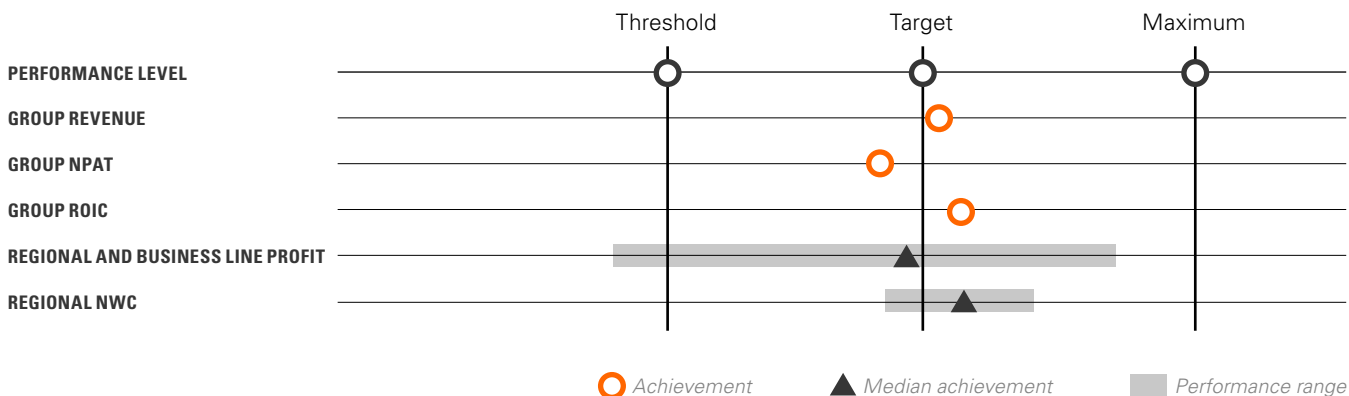
The increase in fixed remuneration compared with 2017 reflects the change in the composition of the Operations Council, and the annual remuneration review decided by the Board of Directors.

## 5.2. SHORT-TERM VARIABLE REMUNERATION

The short-term variable remuneration of the members of the Operations Council is determined by the achievement of financial targets and, with the exclusion of the CEO, by their leadership behaviors.

In 2018, the achievement of financial targets at Group level, in the businesses and in the regions ranges from 49.5% to 133.9% (2017: 67.1% to 110.0%).

The chart below summarizes the 2018 performance achievements against targets for the financial objectives (revenue, profitability, capital efficiency) used in the Short-Term Incentive.



The overall Short-Term Incentive pay-out amounts to 98.3% of the target incentive opportunity for the CEO (2017: 96.5%) and ranges from 56.3% to 159.3% of the target incentive opportunity for the other members of the Operations Council (2017: 34.1% to 134.5%). For the purpose of the Short-Term Incentive, targets and performance achievement are measured at constant currency exchange rates.

In settlement of the equity portion of the Short-Term Incentive 2018, SGS restricted shares will be allocated to the members of the Operations Council in April 2019, after the approval of the total Short-Term Incentive amount by the Annual General Meeting of Shareholders (in April 2018, 977 restricted shares were granted in settlement of the equity portion of the Short-Term Incentive 2017). The number of restricted shares to be allocated is calculated by dividing the equity portion of the Short-Term Incentive by the average closing price of the share during a 20-trading day period following the payment of the dividends after the Annual General Meeting of Shareholders, rounded up to the nearest integer, and are restricted for a period of three years.

The table below summarizes the short-term variable remuneration awarded to the Operations Council, Senior Management and the Chief Executive Officer for the performance year 2018, and its comparison with the incentive opportunity.

<i>(CHF thousand)</i>	<b>MINIMUM INCENTIVE OPPORTUNITY</b>	<b>TARGET INCENTIVE OPPORTUNITY</b>	<b>MAXIMUM INCENTIVE OPPORTUNITY</b>	<b>ACTUAL SHORT-TERM VARIABLE REMUNERATION</b>
<b>OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)</b>				
Cash (including allowances)	-	2 641	6 602	2 613
Contribution and benefits in kind	-	-	-	-
Equity	-	2 641	6 602	2 613
<b>TOTAL</b>	<b>-</b>	<b>5 282</b>	<b>13 204</b>	<b>5 226</b>
<b>SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)</b>				
Cash (including allowances)	-	707	1 767	681
Contribution and benefits in kind	-	-	-	-
Equity	-	707	1 767	681
<b>TOTAL</b>	<b>-</b>	<b>1 414</b>	<b>3 534</b>	<b>1 362</b>
<b>CHIEF EXECUTIVE OFFICER</b>				
Cash (including allowances)	-	450	1 125	442
Contribution and benefits in kind	-	-	-	-
Equity	-	450	1 125	442
<b>TOTAL</b>	<b>-</b>	<b>900</b>	<b>2 250</b>	<b>884</b>

The total short-term remuneration amount will be submitted for approval to the Annual General Meeting of Shareholders of 2019, and the settlement for both the cash and the equity part will be implemented shortly after.

The table below summarizes the short-term variable remuneration awarded to the Operations Council, Senior Management and the Chief Executive Officer for the performance year 2017, and its comparison with the incentive opportunity.

<i>(CHF thousand)</i>	<b>MINIMUM INCENTIVE OPPORTUNITY</b>	<b>TARGET INCENTIVE OPPORTUNITY</b>	<b>MAXIMUM INCENTIVE OPPORTUNITY</b>	<b>ACTUAL SHORT-TERM VARIABLE REMUNERATION</b>
<b>OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)</b>				
Cash (including allowances)	-	2 629	6 573	2 443
Contribution and benefits in kind	-	-	-	-
Equity	-	2 629	6 573	2 287
<b>TOTAL</b>	<b>-</b>	<b>5 258</b>	<b>13 146</b>	<b>4 730</b>
<b>SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)</b>				
Cash (including allowances)	-	697	1 743	618
Contribution and benefits in kind	-	-	-	-
Equity	-	697	1 743	618
<b>TOTAL</b>	<b>-</b>	<b>1 394</b>	<b>3 486</b>	<b>1 236</b>
<b>CHIEF EXECUTIVE OFFICER</b>				
Cash (including allowances)	-	450	1 125	434
Contribution and benefits in kind	-	-	-	-
Equity	-	450	1 125	434
<b>TOTAL</b>	<b>-</b>	<b>900</b>	<b>2 250</b>	<b>868</b>

The total 2017 short-term remuneration amount was approved by the Annual General Meeting of Shareholders of 2018, and the settlement for both the cash and the equity part were implemented shortly after.

The increase in short-term variable remuneration compared to 2017 reflects the change in the composition of the Operations Council, and the higher achievement in financial targets.

### 5.3. LONG-TERM VARIABLE REMUNERATION

In 2018, the Group implemented a Long-Term Incentive plan for the performance period 2018-2020. Under the Long-Term Incentive 2018-2020, a total of 10 617 Performance Share Units (PSUs) were awarded to the members of the Operations Council. This includes 2 905 PSUs awarded to Senior Management, of which 1 881 awarded to the Chief Executive Officer.

The PSUs awarded under the Long-Term Incentive 2018-2020 vest after the three-year performance period 2018-2020, in early 2021, subject to the performance conditions (relative Total Shareholder Return and Adjusted Operating Income Margin, equally weighted at 50%) and to continuity of employment of the beneficiaries during the vesting period.

The number of PSUs awarded is calculated dividing the value of the grant, as explained in 3.2.4, by the average closing price of the share during a 20-trading day period preceding the grant date, rounded up to the nearest integer.

The table below summarizes the long-term variable remuneration awarded to the Operations Council, Senior Management and the Chief Executive Officer in 2018, with both the total 2018-2020 value and the 2018 annualized value.

	NUMBER OF PSUs GRANTED <sup>1</sup>	TOTAL VALUE OF THE GRANT (CHF THOUSAND) <sup>2</sup>	ANNUALIZED VALUE OF THE GRANT (CHF THOUSAND) <sup>3</sup>	2017 ANNUALIZED VALUE OF THE GRANT (CHF THOUSAND) <sup>4</sup>
<b>OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)</b>				
Cash (including allowances)	-	-	-	-
Contribution and benefits in kind	-	-	-	-
Equity	10 617	25 406	8 469	8 302
<b>TOTAL</b>	<b>10 617</b>	<b>25 406</b>	<b>8 469</b>	<b>8 302</b>
<b>SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)</b>				
Cash (including allowances)	-	-	-	-
Contribution and benefits in kind	-	-	-	-
Equity	2 905	6 952	2 317	2 149
<b>TOTAL</b>	<b>2 905</b>	<b>6 952</b>	<b>2 317</b>	<b>2 149</b>
<b>CHIEF EXECUTIVE OFFICER</b>				
Cash (including allowances)	-	-	-	-
Contribution and benefits in kind	-	-	-	-
Equity	1 881	4 501	1 500	1 337
<b>TOTAL</b>	<b>1 881</b>	<b>4 501</b>	<b>1 500</b>	<b>1 337</b>

1. The grant made in 2018 is for the performance period 2018-2020; the next PSUs grant is planned for 2021.
2. The total value of the grant is the number of PSUs granted multiplied by the average share price of the 20 trading days preceding the grant date and based on 100% achievement of performance targets.
3. The annualized value of the grant for the year 2018 is one third of the total value of the grant.
4. The annualized value of the grant for the year 2017 is one third of the total value of the 2015 grant at grant date.

The maximum potential award, assuming the performance conditions overachieved, maximum vesting at 150% and all the participants employed during the entire vesting period, and assuming the share value considered for the grant, is CHF 38 109 000, within the limit approved by the Annual General Meeting of Shareholders in 2018 (CHF 40 000 000).

The values in the table above differ in some respect from the compensation expense prepared in accordance with International Financial Reporting Standards (IFRS) and presented in the note 29 of the 2018 Consolidated Financial Statements of SGS S.A.

In 2017, the Group did not implement any Long-Term Incentive, and the Operations Council members did not receive any Long-Term Incentive award.

#### DISCONTINUED SHARE OPTION PLANS

The members of the Operations Council were entitled to a Share Option grant until 2014. As of the performance year 2015, the Share Option plans have been discontinued and replaced by Restricted Shares for the settlement of the equity part of the Short-Term Incentive and by Performance Share Units for the Long-Term Incentive.

The following table presents details of the options awarded to members of the Operations Council, Senior Management and the CEO, active at 31 December 2018, and shows those options which have been granted, vested and became exercisable in 2018.

TYPE OF OPTIONS <sup>1</sup> (YEAR OF ISSUE)	STRIKE PRICE (CHF)	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (CHF THOUSAND)	NUMBER VESTED ON 31 DECEMBER 2018	NUMBER VESTED ON 31 DECEMBER 2017
<b>OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT AND CHIEF EXECUTIVE OFFICER)</b>					
SGSPF (2014)	2 059	565 906	1 426	565 906	565 906
SGSBB (2015)	1 798	770 899	1 711	770 899	513 933
<b>SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)</b>					
SGSPF (2014)	2 059	89 928	227	89 928	89 928
SGSBB (2015)	1 798	145 545	323	145 545	97 030
<b>CHIEF EXECUTIVE OFFICER</b>					
SGSPF (2014)	2 059	23 464	59	23 464	23 464
SGSBB (2015)	1 798	82 727	184	82 727	55 151

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

## 5.4. TOTAL REMUNERATION

The tables below present all components of the remuneration earned in 2018 and 2017 by the Operations Council, Senior Management and the Chief Executive Officer. The employer social charges are reported separately in the last column of the table.

### TOTAL AND ANNUALIZED REMUNERATION 2018

<i>(CHF thousand)</i>	TOTAL FIXED REMUNERATION	TOTAL SHORT- TERM VARIABLE REMUNERATION	TOTAL 2018 REMUNERATION BEFORE LTI	TOTAL LONGTERM VARIABLE REMUNERATION	ANNUALIZED LONG-TERM VARIABLE REMUNERATION	TOTAL 2018 REMUNERATION	2018 ANNUALIZED REMUNERATION	EMPLOYER SOCIAL CHARGES
<b>OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)<sup>1</sup></b>								
Cash (including allowances)	11 172	2 613	13 785	-	-	13 785	13 785	-
Contribution and benefits in kind	1 693	-	1 693	-	-	1 693	1 693	3 683
Equity	-	2 613	2 613	25 406	8 469	28 019	11 082	-
<b>TOTAL</b>	<b>12 865</b>	<b>5 226</b>	<b>18 091</b>	<b>25 406</b>	<b>8 469</b>	<b>43 497</b>	<b>26 560</b>	<b>3 683</b>
<b>SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)<sup>2</sup></b>								
Cash (including allowances)	2 220	681	2 901	-	-	2 901	2 901	-
Contribution and benefits in kind	279	-	279	-	-	279	279	1 187
Equity	-	681	681	6 952	2 317	7 633	2 998	-
<b>TOTAL</b>	<b>2 499</b>	<b>1 362</b>	<b>3 861</b>	<b>6 952</b>	<b>2 317</b>	<b>10 813</b>	<b>6 178</b>	<b>1 187</b>
<b>CHIEF EXECUTIVE OFFICER</b>								
Cash (including allowances)	1 292	442	1 734	-	-	1 734	1 734	-
Contribution and benefits in kind	145	-	145	-	-	145	145	739
Equity	-	442	442	4 501	1 500	4 943	1 942	-
<b>TOTAL</b>	<b>1 437</b>	<b>884</b>	<b>2 321</b>	<b>4 501</b>	<b>1 500</b>	<b>6 822</b>	<b>3 821</b>	<b>739</b>

1. 23 FTE (Full Time Equivalent).

2. 3 FTE.

TOTAL AND ANNUALIZED REMUNERATION 2017

<i>(CHF thousand)</i>	TOTAL FIXED REMUNERATION	TOTAL SHORT- TERM VARIABLE REMUNERATION	TOTAL 2017 REMUNERATION BEFORE LTI	TOTAL LONG- TERM VARIABLE REMUNERATION <sup>1</sup>	ANNUALIZED LONG-TERM VARIABLE REMUNERATION <sup>2</sup>	TOTAL 2017 REMUNERATION	2017 ANNUALIZED REMUNERATION	EMPLOYER SOCIAL CHARGES
<b>OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)<sup>3</sup></b>								
Cash (including allowances)	9 075	2 443	11 518	-	-	11 518	11 518	-
Contribution and benefits in kind	1 618	-	1 618	-	-	1 618	1 618	1 087
Equity	-	2 287	2 287	-	8 302	2 287	10 589	-
<b>TOTAL</b>	<b>10 693</b>	<b>4 730</b>	<b>15 423</b>	<b>-</b>	<b>8 302</b>	<b>15 423</b>	<b>23 725</b>	<b>1 087</b>
<b>SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)<sup>4</sup></b>								
Cash (including allowances)	1 876	618	2 494	-	-	2 494	2 494	-
Contribution and benefits in kind	318	-	318	-	-	318	318	254
Equity	-	618	618	-	2 149	618	2 767	-
<b>TOTAL</b>	<b>2 194</b>	<b>1 236</b>	<b>3 430</b>	<b>-</b>	<b>2 149</b>	<b>3 430</b>	<b>5 579</b>	<b>254</b>
<b>CHIEF EXECUTIVE OFFICER</b>								
Cash (including allowances)	992	434	1 426	-	-	1 426	1 426	-
Contribution and benefits in kind	179	-	179	-	-	179	179	147
Equity	-	434	434	-	1 337	434	1 771	-
<b>TOTAL</b>	<b>1 171</b>	<b>868</b>	<b>2 039</b>	<b>-</b>	<b>1 337</b>	<b>2 039</b>	<b>3 376</b>	<b>147</b>

1. In 2017, the Group did not implement any Long-Term Incentive and the Operations Council members did not receive any Long-Term Incentive award.

2. The annualized value of the grant for the year 2017 is one third of the value of the 2015 grant at grant date.

3. 22 FTE (Full Time Equivalent).

4. 3 FTE.

RECONCILIATION WITH THE COMPENSATION TABLES OF THE REMUNERATION REPORT 2017

A change has been made in this Report in the presentation of the remuneration of the Operations Council members as compared with the Remuneration Report 2017. The above table sets out the various components of the 2017 remuneration in the format used for the 2018 remuneration.

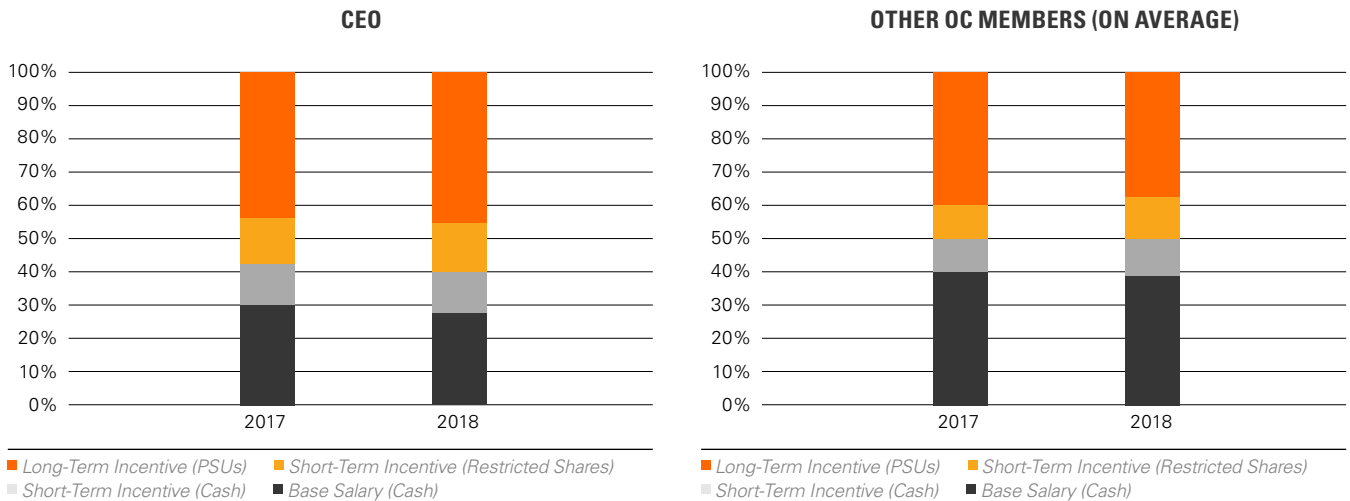
**5.5. REMUNERATION MIX**

In 2018, the part of remuneration at risk (Short-Term Incentive and Long-Term Incentive) for the CEO represents 73% of the total remuneration (2017: 71%); the part of remuneration settled in equity instruments (Restricted Shares and PSUs) represents 59% of the total remuneration (2017: 57%). For the other members of the Operations Council, the part of remuneration at risk represents, on average, 60% of the total remuneration (2017: 61%); the part of remuneration settled in equity instruments represents, on average, 49% of the total remuneration (2017: 50%).

The Long-Term Incentive is considered at his annualized value. For 2017, the annualized value at grant of the Long-Term Incentive 2015-2017 has been considered.

The part of the fixed remuneration linked to benefits and employer social charges is not considered in this analysis.

The charts below show the remuneration mix for the CEO and for the other members of the Operations Council in 2018 and 2017.



## 5.6. OTHER COMPENSATION ELEMENTS

### 5.6.1. SEVERANCE PAYMENTS

Severance payments for a total amount of CHF 263 078 were made in 2018 to members of the Operations Council who left the Group in 2018, according to the legislation in force in their country of employment (2017: no severance payments).

### 5.6.2. OTHER COMPENSATION TO MEMBERS OR FORMER MEMBERS OF THE GOVERNING BODIES

No additional compensation or fees were paid to any member of the governing bodies (unchanged from prior year).

### 5.6.3. LOANS TO MEMBERS OR FORMER MEMBERS OF THE GOVERNING BODIES

As at 31 December 2018, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies (as at 31 December 2017, one member of the Operations Council had an outstanding loan for an amount equivalent to CHF 66 496).



## Report of the statutory auditor

To the General Meeting of  
**SGS SA**, Geneva

### **Report of the Statutory Auditor in relation to sections 4 and 5 of the remuneration report in accordance with the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance)**

We have audited sections 4 and 5 of the Remuneration Report of SGS SA for the year ended 31 December 2018, presented on pages 105 to 114.

#### **Responsibility of the Board of Directors**

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

#### **Auditor's Responsibility**

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

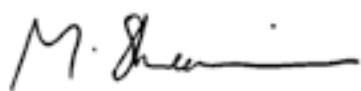
An audit involves performing procedures to obtain audit evidence on the disclosures made in the Remuneration Report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of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

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

#### **Opinion**

In our opinion, sections 4 and 5 of the Remuneration Report of SGS SA for the year ended 31 December 2018 comply with Swiss law and articles 14 – 16 of the Ordinance.

#### **Deloitte SA**



Matthew Sheerin  
Licensed Audit Expert  
Auditor in Charge



Joëlle Herbette  
Licensed Audit Expert

Geneva, 07 February 2019