

# CORPORATE GOVERNANCE

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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 20 June 2019 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

### 1.1.1. OPERATIONAL 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 2019, market capitalization was approximately CHF 20 057 million (2018: CHF 16 871 million).

The operations of the Group are divided into seven 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 2019, 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 2019, 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<sup>1</sup>
- 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. On 1 January 2020, all Transportation activities were allocated and integrated across multiple business lines to generate operational synergies and reinvigorate their growth profiles.*

### 1.1.2. LISTED COMPANIES IN THE GROUP

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

### 1.1.3. NON-LISTED COMPANIES IN THE GROUP

The material legal entities consolidated within the Group are listed on pages 197–200 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. The disclosure of legal entities is limited to entities whose contribution to the Group revenues in 2019 represent at least 1% of the consolidated revenues, but includes, in addition, the main operating legal entity in every country where the Group has permanent operations, even when such legal entities represent less than 1% of the Group consolidated revenues. This definition of materiality excludes dormant companies, pure sub-holding companies or entities used solely for the detention of assets. Details of

acquisitions and disposals made by the SGS Group during 2019 are provided in note 3 of the consolidated financial statements included in the section SGS Group Results on pages 144–145 of this Annual Report.

### 1.2. SIGNIFICANT SHAREHOLDERS

To the knowledge of the Company the shareholders owning more than 3% of its share capital as at 31 December 2019, or as the date of their last notification as per Article 20 of the Swiss Stock Exchange Act were:

(% of detention)	2019	2018
Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) <sup>1</sup>	16.73%	16.60%
Mr. August von Finck and members of his family (acting in concert) <sup>2</sup>	15.66%	15.52%
BlackRock, Inc.	4.00%	4.00%
MFS Investment Management	3.81%	3.02%

1. The ultimate beneficial owners of the Groupe Bruxelles Lambert are Stichting Administratiekantoor Frère-Bourgeois, Paul Desmarais Junior and André Desmarais.

2. The Company was informed on 4 February 2020, that the von Finck family has disposed of a large portion of their holding, resulting in their participation falling below the threshold of 3% of the share capital and voting rights.

As at December 31, 2019, the SGS Group held 0.18% of the share capital of the company (2018: 1.09%).

During 2019, 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.

### 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 7 565 732 as of 31 December 2019 and comprises 7 565 732 fully paid-in registered shares of a par value of CHF 1. On 31 December 2019, SGS SA held 13 342 treasury shares (2018: 83 025). The shares related to the share buyback program are directly held by SGS SA, the shares to cover the equity compensation plan are held by a subsidiary company.

In 2019, 1 683 treasury shares were sold to cover the equity compensation plans and no shares were purchased.

On February 4, 2019, the Group initiated a share buyback program which ended on 19 December 2019. SGS SA did not repurchase shares during the buyback program, neither on the ordinary trading line, nor on the second trading line for cancellation.

### 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. If increased by the maximum amount of the authorized share capital, the existing share capital of 7 565 732 shares would grow by approximately 6.6% to 8 065 732 shares. 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 22 March 2021.

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. If increased by the maximum amount of the conditional share capital, the existing share capital of 7 565 732 shares would increase by approximately 14.5% to 8 665 732 shares. The conditional capital is not limited in time.

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

The share capital of the Company was reduced twice in the last years, once in 2017 and once in 2019 to cancel shares purchased by application of share buy-back programs initiated by the Company: At the Company's Annual General Meeting in 2019, the Shareholders approved a reduction of the share capital, by cancellation of 68 000 shares which were purchased as part of a share buyback program completed in December 2018. Consequently, the share capital of the Company was reduced from CHF 7 633 732 to 7 565 732 in 2019.

Previously, in 2017, the share capital was reduced from CHF 7 822 436 to CHF 7 633 732 by cancellation of 188 704 shares purchased by the Company.

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. In 2019, no options or similar instruments have been issued by the Company or by any of the Group's subsidiaries. Options plans

previously granted to members of the Operations Council, to senior managers and selected key employees have been discontinued by the Company in 2015 and the last outstanding options under this legacy stock option plan will expire, if not exercised, in 2020.

Details of all options outstanding are provided in note 28 of the consolidated financial statements of the Group (Annual Report pages 170–172).

## 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.

By delegation of the Board, the Nomination and Remuneration Committee has set out criteria for the selection of new Directors and has conducted a search which has resulted in changes to the composition of the Board of Directors in 2019. The aim of this exercise is to ensure that the Board is continuously in a position to provide leadership, strategic oversight and guidance and contribute to setting ambitious targets for the Group and meeting long-term value creation objectives.

The competencies sought by the Group for its Board of Directors include, experience of senior executive leadership in international businesses, strategic planning, finance, technology and innovation. When selecting candidates for the Board of Directors, the Company pays due regard to experience, professional qualifications, areas of expertise, age, gender, national background and leadership style, so that at all times, the Board and its Committees have the required skills.

At the Annual Shareholders Meeting of March 2019, Luitpold von Finck, Calvin Grieder and Kory Sorenson were appointed to the Board of Directors. August von Finck and Christopher Kirk did not stand for re-election. Biographical information on former members of the Board of Directors is available in the

Corporate Governance reports of prior years, including pages 79-81 of the 2018 Integrated Annual Report.

The members of the Board of Directors at 31 December 2019 were as follows:

#### PETER KALANTZIS (1945)

*Swiss/Greek*

#### FUNCTION IN SGS

Member:

- Chairman of the Board of Directors

#### 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

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 since 2008. 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), 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 FRANÇOIS VON FINCK (1968)

*Swiss*

### FUNCTION IN SGS

Member:

- Board of Directors
- Audit Committee
- Nomination and Remuneration Committee

### INITIAL APPOINTMENT TO THE BOARD

May 2002

### PROFESSIONAL BACKGROUND

August François von Finck holds a Master of Business Administration from Georgetown University, Washington. D.C.

### OTHER ACTIVITIES AND FUNCTIONS

\*Custodia Holding SE, Munich (DE), Member of the Board since 2018

\*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

## LUITPOLD VON FINCK (1971)

*German and Swiss*

### FUNCTION IN SGS

Member:

- Board of Directors

### INITIAL APPOINTMENT TO THE BOARD

March 2019

### PROFESSIONAL BACKGROUND

Luitpold von Finck's educational background is in the banking sector. He was successfully involved in various parts of the von Finck family business, including real estate and mid-sized industrial companies.

From 2000 onwards, Mr. von Finck focused his activities on the Mövenpick Group in Switzerland and its diversified international operations, and became the owner of the company in 2005.

### OTHER ACTIVITIES AND FUNCTIONS

Mövenpick Holding Ltd, Baar (CH) and its major subsidiaries,

Chairman of the Board of Directors

Clair Ltd, Cham (CH), Member of the Board

Custodia Holding, Munich (DE),

Member of the Board

## IAN GALLIENNE (1971)

*French-Belgian*

### FUNCTION IN SGS

Member:

- Board of Directors
- Nomination and Remuneration Committee

### INITIAL APPOINTMENT TO THE BOARD

July 2013

### PROFESSIONAL BACKGROUND

CEO of \*Groupe Bruxelles Lambert since 2012, Ian Gallienne has an MBA from INSEAD in Fontainebleau. From 1998 to 2005, he was a 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. He has been a Board Member of \*Groupe Bruxelles Lambert since 2009.

### OTHER ACTIVITIES AND FUNCTIONS

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

\*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

Marnix French ParentCo (groupe Webhelp), Paris (France)

## CALVIN GRIEDER (1955)

Swiss

### FUNCTION IN SGS

Member:

- Board of Directors
- Audit Committee
- Nomination and Remuneration Committee

### INITIAL APPOINTMENT TO THE BOARD

March 2019

### PROFESSIONAL BACKGROUND

Calvin Grieder holds an Engineering Master of Science from the ETH Zurich and has completed an Advanced Management Program (AMP) at Harvard University.

In 1980, Mr. Grieder started his career as Marketing Manager at Georg Fischer in Switzerland and continued in various executive positions at Swiss and German companies. These included Swiss Industrial Company (SIG) and Swisscom Telecom, where he served as Head of the Mobile and Internet business and Member of the Executive Board. He was CEO of Bühler, an international engineering group, from 2001 to 2016.

### OTHER ACTIVITIES AND FUNCTIONS

\*Givaudan SA, Vernier (CH), Chairman of the Board

Bühler Group AG, Uzwil (CH), Chairman of the Board

AWK Group AG, Zurich (CH), Chairman of the Board

Avenir Suisse, Zurich-Oerlikon (CH), Member of the Board of Trustees

## 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 aluminum, 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

## GÉRARD LAMARCHE (1961)

Belgian

### FUNCTION IN SGS

Member:

- Board of Directors

Chairman:

- Audit Committee

### INITIAL APPOINTMENT TO THE BOARD

July 2013

### PROFESSIONAL BACKGROUND

Chairman of Multifin SA (BE), since 2019

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 was the Co-CEO of Groupe Bruxelles Lambert from 2012 to 2019.

### OTHER ACTIVITIES AND FUNCTIONS

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

\*Groupe Bruxelles Lambert (B), Member of the Board

## SHELBY R. DU PASQUIER (1960)

Swiss

### FUNCTION IN SGS

Member:

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

### INITIAL APPOINTMENT TO THE BOARD

March 2006

### PROFESSIONAL BACKGROUND

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

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

### OTHER ACTIVITIES AND FUNCTIONS

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

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

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

## KORY SORENSON (1968)

British

### FUNCTION IN SGS

Member:

- Board of Directors
- Audit Committee

### PROFESSIONAL BACKGROUND

Kory Sorenson has a DESS in Corporate Finance from the Institut d'Etudes Politiques de Paris and a master's degree in Applied Economics from the Université de Paris – Dauphine. She also holds a bachelor's degree in Econometrics and Political Science from the American University in Washington, D.C., a certificate in Governance from Harvard Executive Education and a certificate in Leadership and Governance from INSEAD.

She began her career in finance in 1992 in the Treasury Department of Total in Paris before moving to banking in 1995 and investment banking in 1997. She was Managing Director, Head of Insurance Capital Markets of Barclays Capital, and held senior positions in

the capital markets and the financial institutions divisions of Credit Suisse, Lehman Brothers and Morgan Stanley.

#### OTHER ACTIVITIES AND FUNCTIONS

\*SCOR SE, Paris (FR), Member of the Board and Chair of the Audit Committee, member of the boards of SCOR's US subsidiaries: SCOR Reinsurance Company, SCOR Global Life Americas Reinsurance Company and SCOR Global Life USA Reinsurance Company

\*Phoenix Group Holdings PLC, London (UK), Member of the Board and Chair of the Remuneration Committee

\*Pernod Ricard SA, Paris (FR), Member of the Board and Chair of the Remuneration Committee  
Bank Gutmann, Vienna (AU), privately owned, Member of the Supervisory Board  
Chateau Mondot, Bordeaux (FR), Member of the Supervisory Board

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.

The Board considers the following criteria to assess the independence of its members:

1. The director must not have been employed by the company in an executive capacity within the last five years;
2. No family member of the director is employed or was employed during the past three years by the Group in any management capacity;
3. Neither the director or a family member has received any payments from the Group other than Board remuneration approved by the Annual General Meeting of Shareholders
4. The director is not acting (and must not be affiliated with a company that is acting in material manner as) an adviser or consultant to the company or a member of the company's senior management.

5. The director must not be affiliated with a significant customer or supplier of the company.
6. The director must have no personal services contract(s) with the company or a member of the company's senior management.
7. The director must not be affiliated with a not-for-profit entity that receives significant contributions from the company.
8. The director must not have been a partner or employee of the company's external auditor during the past three years.
9. The director must not have any other conflict of interest that the board determines to mean they cannot be considered independent.

Based on this review, the Board has concluded that all the Directors meet the above mentioned criteria, are independent from management and free of any relationships that could materially interfere with the exercise of their independent judgement.

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. OTHER ACTIVITIES

Other activities and vested interests of the members of the Board of Directors are indicated on page 92, section 3.1.

#### 3.3. 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.

#### 3.4. 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 and 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 on page 92, section 3.1.

#### 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. MEMBERS LIST, TASKS AND AREA OF RESPONSIBILITY FOR EACH COMMITTEE OF THE BOARD OF DIRECTORS

The following chart describes the Committees and their membership as at December 31, 2019:

	NOMINATION AND REMUNERATION	AUDIT	PROFESSIONAL CONDUCT COMMITTEE
August Francois von Finck	Member	Member	
Ian Gallienne	Member		
Calvin Grieder	Member	Member	Member
Cornelius Grupp			Member
G�rard Lamarche		Chair	
Shelby du Pasquier	Chair		Chair
Kory Sorenson		Member	

Mr. Kalantzis, Chairman of the Board, attends the meetings of the Committees, with a consultative vote. 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

Members of the Nomination and Remuneration Committee are elected individually by the Annual Meeting of Shareholders, with the chairman of the Committee designated among them by the Board of Directors. The Committee acts in part in an advisory capacity to the Board, and in part as a decision-making body on matters that the Board has delegated to the Committee. The Committee 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 validates the appointment of members of the Operations Council and makes recommendation to the Board regarding the nomination of the CEO. It also assists the Board in selecting new members of the Board of Directors.

#### 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.

#### 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 TIC Council, the professional association for the inspection industry.

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.

MEETINGS HELD IN 2019	FREQUENCY OF MEETINGS	NUMBER OF RESOLUTIONS APPROVED OUTSIDE MEETINGS	AVERAGE DURATION OF MEETINGS
Board of Directors	6 times (including 1 phone conference)	1	3 hours
Nomination and Remuneration Committee	2 times		90 minutes
Audit Committee	6 times (including 1 phone conference)		2 hours and 30 minutes
Professional Conduct Committee	1 times		1 hour

### 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 and its committees convene as often as required. In principle the Board meets at least four times a year, i.e. once every quarter. The Audit Committee meets

at least three times a year, i.e. once before the publication of the annual and half-year results, and once outside these periods, to review and approve the scope of internal and external audit. The Professional Conduct Committee and the Nomination and Remuneration Committee at least once a year.

#### ATTENDANCE TO BOARD AND COMMITTEE MEETINGS

The chart below summarizes the attendance by each Board Member in 2019 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
Peter Kalantzis	6/6			
Paul Desmarais	4/6			
August François von Finck	6/6	2/2	5/6	
Luitpold von Finck <sup>1</sup>	3/3			
Ian Gallienne	6/6	2/2		
Calvin Grieder <sup>1</sup>	3/3	1/1	5/5	1/1
Cornelius Grupp	5/6			1/1
Gérard Lamarche	6/6		6/6	
Shelby du Pasquier	6/6	2/2		1/1
Kory Sorrenson <sup>1</sup>	3/3		5/5	
August von Finck <sup>2</sup>	3/3	1/1		
Christopher Kirk <sup>2</sup>	1/3			

1. Directors elected for the first time in March 2019.

2. Directors not re-elected in March 2019.

### 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 seven regions (page 90, section 1.1.)
- The Executive Vice Presidents (EVPs) are entrusted with the management and development of the Group's nine business lines (page 90, 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 on page 99, 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. For each of the risk categories and within these categories, for each significant risk identified, the Board deliberates on proposed mitigation, risk avoidance or risk transfer measures and approves action plans designed to control such risks. The Board receives regular updates on the implementation of risks mitigation measures and their effectiveness is tested by internal audit which reports to the Board, respectively the Audit Committee.

## 4. OPERATIONS COUNCIL

The Operations Council (as defined on page 90, 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 2019 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

DOMINIK DE DANIEL (1975)

*German*

Chief Finance Officer  
(since February 2019)

Degree in Banking, CEFA  
Investment Analyst

Joined SGS in 2019

#### PREVIOUS WORK EXPERIENCE

2015–2018: CFO and Chief Operating  
Officer, IWG plc. UK, the global  
leader for flexible workspace

2006–2015: CFO Adecco Group,  
Switzerland

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 of 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

FABRICE EGLOFF (1969)

*French*

COO, Africa and Western Europe  
(since February 2019)

Master of Business Administration  
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

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 of Business Administration  
Joined SGS in 1996

PREVIOUS RESPONSIBILITIES

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

CHRISTOPH HEIDLER (1969)  
*German*

Chief Information Officer (member of  
the OC since April 2019)  
Degree in Electrical Engineering and  
Information Technologies  
Joined SGS in 2015

PREVIOUS RESPONSIBILITIES

2015–2019: Chief Information Officer

PREVIOUS WORK EXPERIENCE

2014–2015: Chief Information Officer,  
CompuGroup Medical  
2011–2014: Vice President Global  
Infrastructure Services, Schindler  
Informatik  
2007–2011: Head of Global  
Infrastructure, HeidelbergCement

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)

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

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  
BA in Economics  
Joined SGS in 2018

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 VESTED INTERESTS

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

#### DERICK GOVENDER

Member of IPMI (International Precious  
Metal Institute)

#### 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 2019, Carla De Geyseler,  
CFO, Pauline Earl, COO for Western  
Europe and François Marti, COO for  
North America left the Group. Thomas  
Klukas, EVP of Transportation left  
the Operations Council. Biographical  
information on former members of  
the Operations Council may be found  
in prior years Corporate Governance  
reports, including pages 85 to 88 of  
the 2018 Integrated Annual Report.

#### 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.

### 5.2. RULES ON APPROBATION BY THE ANNUAL SHAREHOLDERS MEETING OF EXECUTIVE PAY

The Company's Articles of Association  
provide that the Annual Shareholders  
Meeting approves a year in advance  
the maximum amount at the disposal  
of the Board of Directors to pay a  
fixed remuneration to members of  
the Operations Council. In the event  
of changes in composition of the  
Operations Council occurring after  
the approval by the Annual General  
Meeting of the fixed remuneration of the  
executive team, the Board is authorized  
to increase up to a maximum of 25%  
the amount authorized by the  
shareholders for that purpose.

The Annual Shareholders Meeting  
approves and authorizes the award of  
annual incentives of the Operations  
Council on the basis of the actual results  
achieved in the year prior to the Annual  
Shareholders Meeting.

The Annual Shareholders Meeting  
authorizes separately any long-term  
incentive plans.

#### 5.2.1. 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 on pages 104–129 of this  
Annual Report for a description of the  
Company's rules in the matter).

#### 5.2.2. 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. Neither as at 31 December  
2019, nor as at 31 December 2018,  
was any loan or advance granted  
by the Group to members of the  
Operations Council.

#### 5.2.3. 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. This allows shareholders to express a view on the overall policies of the Group in relation to remuneration.

## 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.

### 6.1.2. RULES ON INSTRUCTIONS TO THE INDEPENDENT PROXY AND ELECTRONIC PARTICIPATION IN THE ANNUAL SHAREHOLDERS MEETING

Shareholders have the opportunity to give general or specific voting instructions to the independent proxy, who is elected by the General Meeting of Shareholders. Shareholders can give specific or generic voting instructions to the independent proxy on all matters on the agenda of the General Meeting of Shareholders. These instructions can be issued in written form, or by electronic transmission. 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. CONVOCACTION OF GENERAL MEETINGS OF SHAREHOLDERS

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

### 6.4. INCLUSION OF ITEMS ON THE 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 OF THE LEAD AUDITOR

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. The Company requires the Lead Auditor to be changed at the latest after completion of five annual audit cycles, whereas Swiss company law imposes a maximum period of seven years. When designated in 2017 as Lead Auditor, Matt Sheerin replaced James Baird, Lead Auditor for the financial years 2012 to 2016 inclusively.

The Audit Committee reviews annually the desirability to renew the annual mandate of its external auditors before proposing to the Board and the Annual General Meeting the re-election of the auditors.

### 8.2. AUDIT FEES

Total audit fees paid to Deloitte for the audit of the Company and the Group financial statements in 2019 amounted to CHF 7.2 million (2018: CHF 6.8 million).

### 8.3. ADDITIONAL FEES

An aggregate amount of CHF 1 million (2018: CHF 0.9 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. INFORMATION INSTRUMENTS PERTAINING TO THE EXTERNAL AUDIT

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. In 2019, the Audit Committee met five times with the external auditors. In addition, the Chairman of the Board and the Chairman of the audit committees have met privately twice the lead partner outside the presence of management.

The Committee considers and approves the proposed audit plan, conducts assessment of the performance of the auditor and approves 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.

When evaluating the performance of the auditors, the Audit Committee assesses the effectiveness of the audit based on Swiss Law, their understanding of the business of the Group and how matters of significant importance for the Group internal control and financial reporting are identified, reported and resolved. The Audit Committee reviews also how the Group auditors interact with the component audit firms in charge of auditing the main subsidiaries of the Group, and the relevance and timeliness of issuance of statutory audits and management letters.

The Audit Committee places a great emphasis on the independence of the external auditors, and on the absence of conflict of interests, both at the Group level and at the level of individual subsidiaries. It reviews carefully the type of other services which are provided by the auditors, in addition to the audit, to ensure that such ancillary services could not endanger the independence of the audits. Permitted other services include assistance with tax compliance matters, and limited assistance in due diligence or advisory services for prospective acquisitions.

The audit fees are approved on the basis of a negotiated budget agreed with the Group auditors taking into account the complexity of the audit, the structure of the Group and its internal control systems and the responsibility of the auditors.

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, 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.

The address of the main SGS registered office and its contact details (phone and email) can be found on page 202 of the Annual Report.