

Remuneration report

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 2021 business year. The SGS Remuneration report has been prepared in compliance with the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC), in effect as of 1 January 2014, the Swiss Code of Best Practice for Corporate Governance of economiesuisse, revised on 29 February 2016, and the Swiss Exchange (SIX) Directive on Information relating to Corporate Governance, revised on 18 June 2021, 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 Remuneration Committee

The Remuneration Committee is pleased to present its 2021 Remuneration report.

In 2021 the Company started its journey towards the 2021-2023 business strategy, with the purpose of enabling a better, safer and more interconnected world for employees, customers, shareholders and for society. The operational structure has been simplified into six new focus areas composed of four divisions: Connectivity & Products, Health & Nutrition, Industries & Environment and Natural Resources and two cross-divisional strategic units: Knowledge and Digital & Innovation.

Building on the success of the Sustainability Ambitions 2020, the Group also defined and published its Sustainability Ambitions 2030, together with short-term 2023 sustainability targets aligned with the 2023 business strategy. As of 2021, the variable compensation plans of the Operations Council members, both short term and long term, include Environmental, Social and Governance (ESG) metrics, testifying the strong commitment of the Group's leadership towards these ambitions. Details on the short-term and long-term incentive programs and their ESG metrics are disclosed in Sections 3.2.3. and 3.2.4. of this report.

The new long-term incentive approach for Operations Council members and selected senior managers of the Group, with the shift from one grant every three years to a system with annual grants, started to be implemented with the 2021 transition plan. Details on the 2021 grants are disclosed in Section 5.3. of this report.

The Committee reviewed and approved the contractual terms and conditions, including remuneration, of two new members of the Operations Council, appointed during 2021; the changes in the composition of the Operations Council are disclosed in Section 4. of the Governance Report.

Since 2015, the Board of Directors has implemented the consultative vote on the Remuneration report and the binding vote on compensation amounts at the Annual General Meeting. The Committee received significant support in its activities and direction through positive votes at the Annual General Meeting 2021, and will continue with the same 'say-on-pay' vote structure at the forthcoming Annual General Meeting 2022:

- 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 2021
- Binding vote on the prospective maximum fixed remuneration amount of the Operations Council members for 2023
- Binding vote on the prospective maximum value of the grants awarded under the Long-Term Incentive plan to the Operations Council members in 2022

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 2021. We hope that you find this report informative. We are confident that our approach to executive pay is fully aligned with the purpose and the strategy of the Group, its short-term and long-term performance, the interests of our shareholders, and relevant market practices.

Shelby R. du Pasquier

Chairman of the Remuneration Committee

The table below summarizes the votes of the Annual General Meeting on the remuneration matters in the last five years:

(% of votes for)	2017	2018	2019	2020	2021
Consultative vote on the Remuneration report	92.44	89.79	94.50	93.05	92.70
Binding vote on the prospective maximum remuneration amount of the Board of Directors	98.24	98.72	98.09	98.13	95.51
Binding vote on the prospective maximum fixed remuneration amount of the Operations Council members	80.11	75.61	80.28	95.58	94.37
Binding vote on the retrospective short-term variable remuneration amount of the Operations Council members	96.87	95.97	97.17	97.39	96.95
Binding vote on the value of the grants awarded under the Long-Term Incentive plan to the Operations Council members ¹	–	96.63	–	–	96.40

1. Until 2020, The SGS Long-Term Incentive plan provided a grant every three years.

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 long-term sustainable value for our shareholders and society.

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 support of the Company's purpose of adding value to society by enabling a better, safer and more interconnected world, its business strategy of profitable growth, and in line with its business principles: Integrity, Health, Safety & Environment, Quality & Professionalism, Respect, Sustainability, Leadership.

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 skillset required to perform the job
- Pay for performance
 - A substantial portion of remuneration is directly linked to business and individual performance
- Long-term value creation and alignment to shareholders' interests
 - Part of remuneration is delivered in equity subject to a multi-year vesting period

In line with its Anti-Discrimination and Dignity at Work policy, SGS is committed to promoting a workplace that provides equal opportunity for all employees and an environment in which all members of the workplace treat all individuals both in the workplace and in other work-related settings at all times with dignity, consideration and respect.

All employment related decisions, including compensation, benefits and promotions, will be solely made on the basis of an individual's qualifications, performance and behavior or other legitimate business considerations. SGS does not tolerate any discriminatory practices, in particular based on age, civil partnership, disability, ethnicity, family status, gender, gender identity, ideological views, marital status, nationality, political affiliation, pregnancy, religion, sexual orientation, social origin or any other status that is protected as a matter of local law.

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 consider 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: ALS, Applus+, Bureau Veritas, Eurofins, Intertek, Mistras, Team (the peer group of companies considered for the performance conditions of the Long-Term Incentive plan, see Section 3.2.4.)
- The SMI-listed companies not belonging to the Capital Markets, Insurance and Pharmaceuticals 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 half 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.

2.3. Remuneration governance

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

2.3.1. Remuneration Committee

The Board of Directors is assisted in its work by a 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 and may use third-party consultants that specialize in compensation matters. In 2021, neither the Committee nor the Board of Directors had recourse to such external advisors.

Subject matter	CEO	Remuneration Committee	Board of Directors	AGM
Aggregate remuneration amount of the Board of Directors			●	●
Individual remuneration of the members of the Board of Directors including the Chairman of the Board		●	✓	
Aggregate fixed remuneration amount of the Operations Council			●	●
Aggregate short-term variable remuneration amount of the Operations Council			●	●
Setting of annual financial targets for short-term variable remuneration of Operations Council members	●		✓	
Establishment of Long-Term Incentive plans		●	✓	
Aggregate value of the grants awarded under the Long-Term Incentive plan to Operations Council members			●	●
Individual remuneration of the CEO		●	✓	
Individual remuneration of the Operations Council members	●	✓		
Remuneration report		●	✓	●

● Recommendation ✓ Approval ● Binding Vote ● Consultative Vote

The following Directors served on the Committee during their mandate from AGM 2021 to AGM 2022:

- Shelby R. du Pasquier (Chairman)
- Ian Gallienne
- Kory Sorenson

In 2021, the Committee met in 3 meetings, attended by all members, and handled several matters pertaining to remunerations outside scheduled meetings. The Chairman of the 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 Vice President Human Resources may be asked to attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation or performance are being discussed.

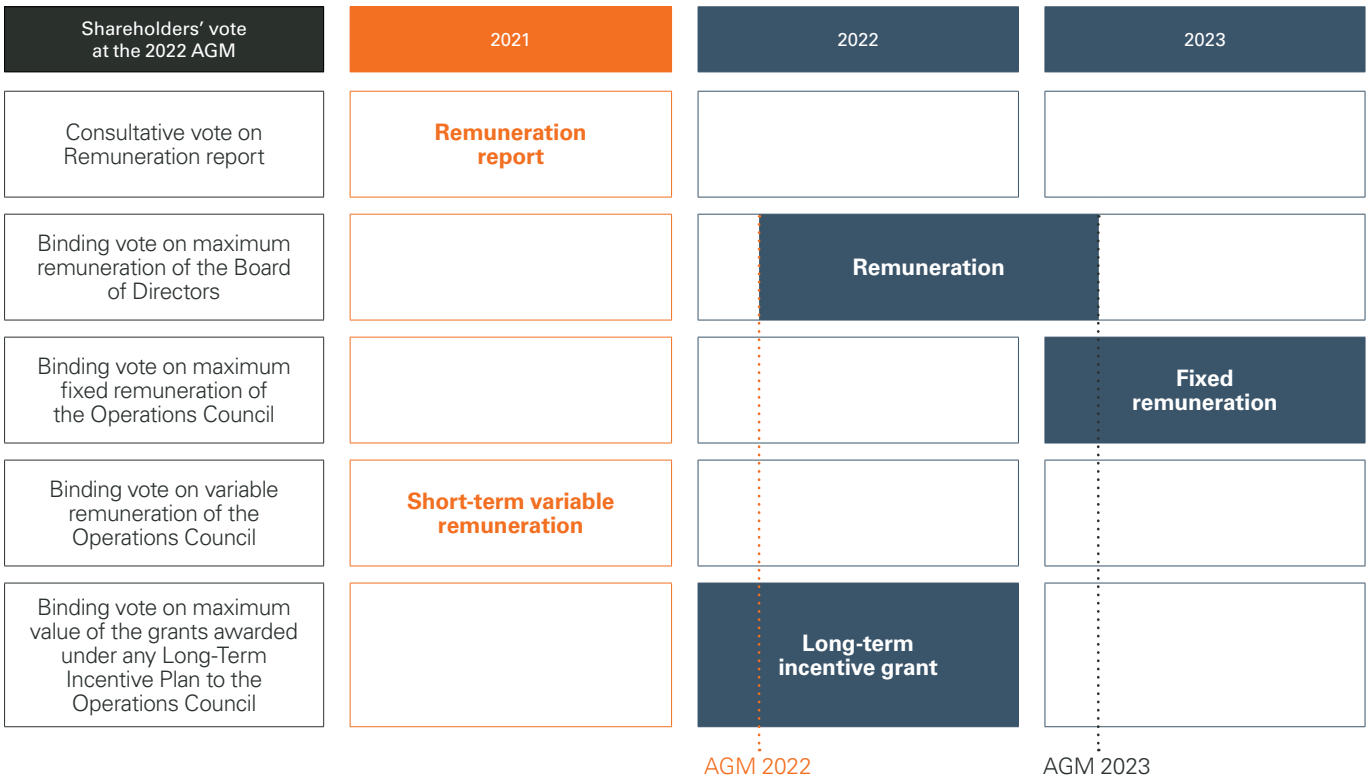
2.3.2. Shareholders' engagement

As has been the case since the 2015 Annual General Meeting, the Company 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 OaEC, 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:

Shareholders’ Votes on Remuneration Summary



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. 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 annual board retainer of the Chairman of the Board includes his or her attendance to any committee of the Board, whether as a voting member or as an advisory capacity. By agreement with the relevant tax authorities, part of the remuneration of the Chairman of the Board may be settled as representation fees. Directors do not receive additional compensation for attending meetings and do not receive any variable remuneration.

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.

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 (subject to agreement with relevant tax authorities)
Chairman	✓	✗	✓
Board Members	✓	✓	✗

The remuneration to the members of the Board of Directors is subject to employer social charges according to Swiss legislation. Each Board member can choose to receive up to 50% of the remuneration settled in shares that may be restricted. Shares will be awarded after the publication of the Group’s annual results. The number of shares to be allocated is determined by dividing the portion of remuneration settled in shares by the closing share price on the day of the publication of the Group’s annual results; fractions are rounded up to the nearest integer. Shares granted may be restricted at the option of each Board member for a period of three years ending on the third anniversary of their award. If a Board member has elected to receive restricted shares, such restricted shares may not be sold, donated, pledged or otherwise disposed of to third parties during the three years restriction period. In case of change of control or liquidation, or in case a member of the Board ceases to exercise his or her mandate following death or permanent disability, the restriction period of the shares lapses. The shares remain restricted in all other instances. The portion of remuneration settled in cash is paid in two installments, 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 50% in cash and 50% 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
Fixed remuneration					
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 executives against risks, attract and retain	Continuous
Variable remuneration					
Short-Term Incentive	50% cash 50% restricted shares	Annual financial performance, individual performance against leadership competency model and ESG ¹ metrics	Group revenue, Group NPAT ² , Group ROIC ³ , Group free cash flow, regional and business line profit, regional NWC ⁴ , business operating free cash flow, leadership multiplier	Pay for performance	1-year performance period 3-year deferral period
Long-Term Incentive	Performance Share Units (PSUs)	Long-term financial and non-financial performance	Relative TSR ⁵ , ESG ¹ metrics	Reward for long-term performance, align compensation with the interests of the shareholders	3-year performance period

1. ESG: Environmental, Social and Governance. 2. NPAT: Net Profit After Tax. 3. ROIC: Return On Invested Capital. 4. NWC: Net Working Capital. 5. 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, skillsets, experience required to perform the job, 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. Each participant can choose between three levels of employee contributions (‘Standard’, ‘Plus 2’ and ‘Maxi’), defined based on the participant’s age; the Company contributes an amount equal to one and a half times the participant’s contribution at the ‘Standard’ level. Flexibility is granted to employees who wish to fund a potential retirement before the normal age, and to 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 for the demonstration of leadership behaviors in line with the SGS competency model and the Group’s sustainability ambitions.

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 Operations Council members
Annual financial performance	✓	✓
Leadership behaviors	✓	✓

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 65% and 90% 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%	65%–90%
Maximum incentive opportunity as % of target incentive opportunity	250%	250%
as % of base salary	250%	162.5%–225%

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), cash generation 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 divisions (EVPs)	Heads of regions (COOs)
Group results	Profitability (bottom-line)	Group NPAT 25%	Group NPAT 25%	Group NPAT 25%	Group NPAT 25%
	Growth (top-line)	Group Revenue 25%	Group Revenue 25%	Group Revenue 25%	Group Revenue 25%
	Efficient use of capital	Group ROIC (Organic) 25%	Group ROIC (Organic) 25%	–	–
	Cash generation	Group Free Cash Flow (Organic) 25%	Group Free Cash Flow (Organic) 25%	–	–
Division results	Profitability (bottom-line)	–	–	Business-line Profit 40%	–
	Cash generation	–	–	Business Operating Free Cash Flow (Organic) ¹ 10%	–
Regions results	Profitability (bottom-line)	–	–	–	Regional Profit 40%
	Cash generation	–	–	–	Regional NWC 10%

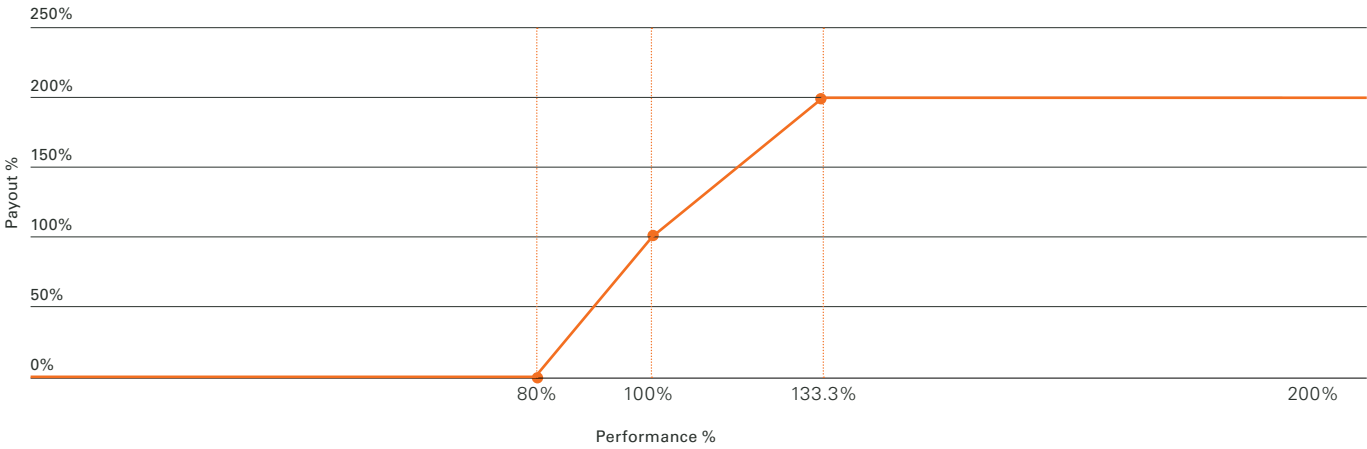
1. Due to the new Business Lines organization implemented in 2021, the Business Operating Free Cash Flow (Organic) 2021 performance for the EVPs was assessed based on estimates on the opening balances as at January 1, 2021.

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

- A threshold (minimum level of performance to trigger a payout, and below which the payout is zero), a target (expected level of performance that triggers a payout equivalent to the target incentive), and a maximum (level of performance that triggers the highest payout, and above which the payout is capped) are defined
- The lowest payout (triggered by the threshold performance) and the highest payout (triggered by the maximum performance) are defined
- The payout for performances between threshold and target and between target and maximum are calculated by linear interpolation

The chart below shows the payout curves for the Group NPAT, Group Revenue, Group ROIC, Group Free Cash Flow, Business-line Profit, Regional Profit and Business Operating Free Cash Flow.

Bottom-line, top-line, ROIC and FCF performance (payout curve)

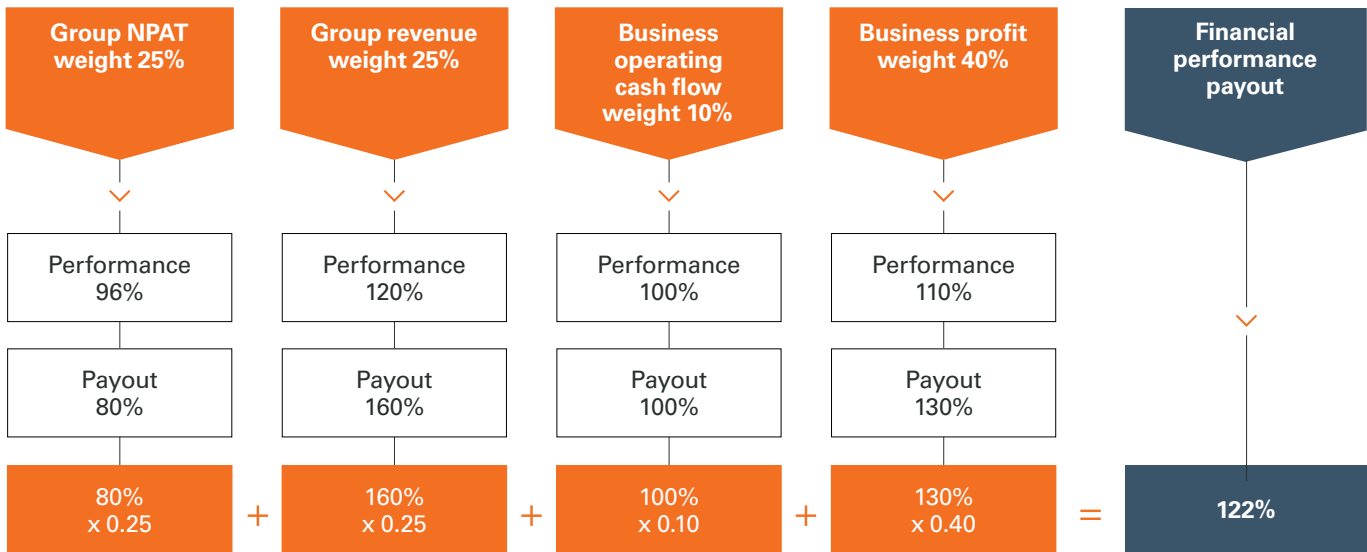


The payout curve for Regional NWC is defined by the CEO at the beginning of the performance year together with the objectives for each performance metric.

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

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

Financial performance payout factors for an executive vice president



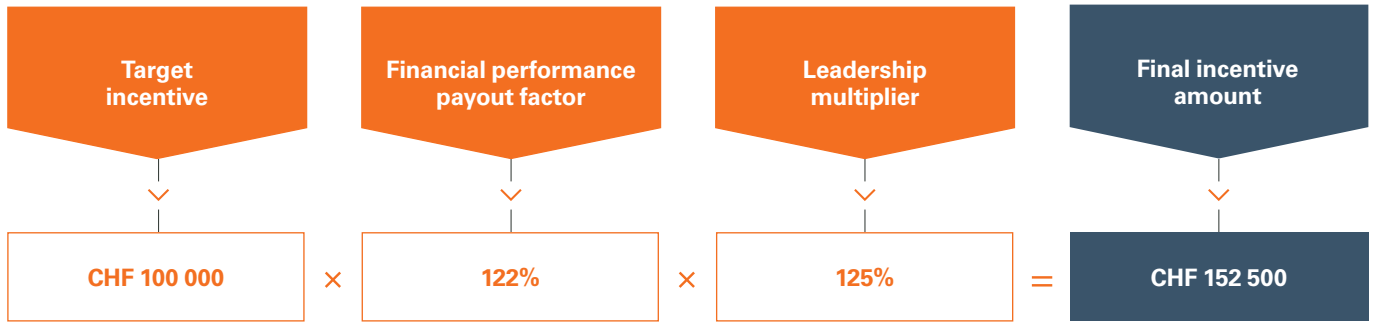
Leadership multiplier

The members of the Operations Council are also rewarded for the demonstration of leadership behaviors in line with the SGS competency model and with the SGS sustainability ambitions. These criteria encompass a broader range of values than the three metrics used for the determination of vesting of the LTI. Their final incentive amount is calculated by multiplying the financial performance payout factor by a leadership multiplier.

The leadership multiplier is determined for each executive based on an assessment of their behaviors against: i) the leadership competency model of SGS in the areas of innovation, people management and change management, and ii) Environmental, Social and Governance (ESG) metrics aligned with the Group’s sustainability ambitions. The assessment of the CEO is conducted at year end by the Board of Directors, while the assessment of the other members of the Operations Council is conducted by the CEO and approved by the Remuneration Committee. The assessment leads to a leadership multiplier that can range between 70% and 125%.

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

Final incentive amount for an OC member



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. The annual incentive is paid fully in cash after the approval of the Annual General Meeting.

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.

If employment ceases due to death or disability 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 annual incentive is paid fully in cash shortly after the last day of employment, as soon as administratively possible.

In case of retirement or termination not for cause before 31 December of the respective business year, the annual incentive payment is calculated pro-rata (calendar days) based on actual performance at the end of the performance year, and it is paid fully in cash after the approval of the Annual General Meeting.

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

Termination reason	Last day of employment before 31 December				Last day of employment between 31 December and AGM			
	Incentive opportunity (target incentive)	Incentive payout	Payment date	Payment vehicle	Incentive opportunity (target incentive)	Incentive payout	Payment date	Payment vehicle
Termination for cause	Zero	Zero	–	–	Zero	Zero	–	–
Resignation	Zero	Zero	–	–	Full	Based on actual performance	After the AGM approval	100% cash
Death or disability	Pro-rated on calendar days	Based on estimated performance	Shortly after the termination date	100% cash	Full	Based on actual performance	Shortly after the termination date	100% cash
Retirement, termination not for cause	Pro-rated on calendar days	Based on actual performance	After the AGM approval	100% cash	Full	Based on actual performance	After the AGM approval	100% cash

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.

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). Until 2020, a PSUs grant was done once every three years; specifically in 2018 and in 2015. As of 2021, PSUs grants are done every year, in line with prevalent market practices.

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, is expressed as a percentage of the annual base salary and varies depending on the job.

For the annual plans 2022 onwards, the value of the grant will be 167% of the annual base salary for the CEO, and between 100% and 133% of the annual base salary for the other members of the Operations Council; this represents one third of the value of the grants done in 2018 and 2015.

For the transition plan 2021 the value of the grant was two thirds of the value of the grants done in 2018 and 2015.

The table below summarizes the value of the incentive opportunity of the transition plan 2021 and of the annual plan 2022 onwards.

Incentive frequency		CEO		Other Operations Council members	
		Annual		Annual	
		Transition plan 2021	Annual plans (2022 onwards)	Transition plan 2021	Annual plans (2022 onwards)
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	333%	167%	200-267%	100-133%
Maximum incentive opportunity value	as % of target incentive opportunity	150%	150%	150%	150%
	as % of base salary	500%	250%	300-400%	150-200%

The PSUs granted under the Long-Term Incentive vest after a performance period of three years, 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 the following key performance indicators:

- Total Shareholder Return (TSR¹) (relative SGS performance compared with the peer group), accounting for 80% of the incentive opportunity
- Environmental, Social and Governance (ESG) metrics, accounting for 20% of the incentive opportunity

The TSR of the Group will be compared to the TSR of a group of seven peer companies, selected by the Board of Directors as the main listed competitors on the Testing, Inspection and Certification industry. 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.

ALS	Applus+	Bureau Veritas	Eurofins
Intertek	Mistras	Team	

The vesting level for the TSR is defined as follows: 150% vesting if SGS is ranked first among the eight companies (including SGS) composing the peer group, 125% vesting if SGS is ranked second, 100% vesting if SGS is ranked third, 50% vesting if SGS is ranked fourth, and zero vesting if SGS is ranked fifth or worse.

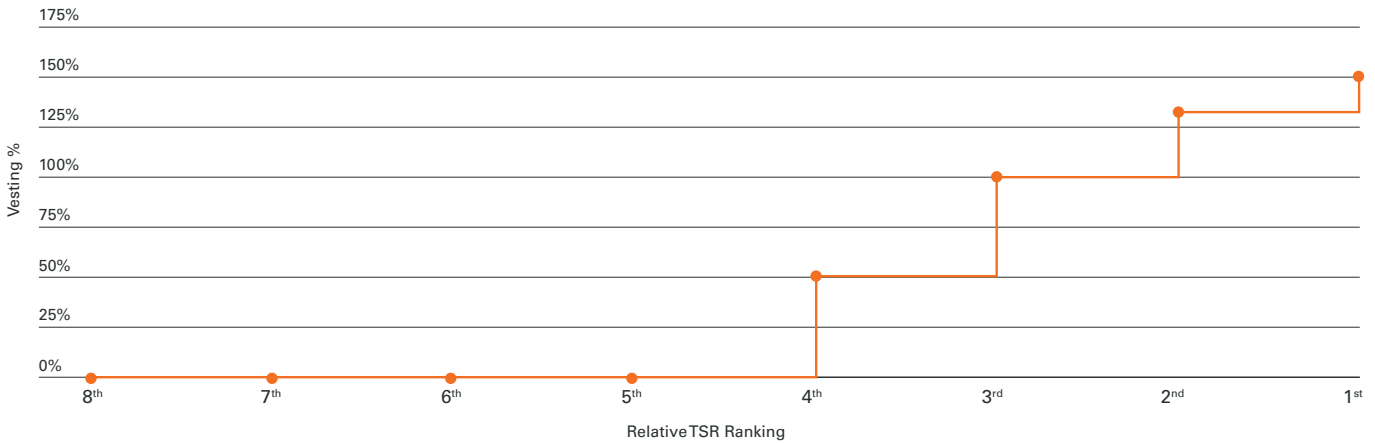
The ESG metrics have been selected by the Board of Directors in line with the Company's sustainability ambitions, in the areas of Diversity and Inclusion (women in leadership positions), Health and Safety (Lost Time Incident Rate), and Environment protection (CO₂ emissions).

The vesting level for the ESG metrics is defined based on the Company's achievements against pre-defined performance levels, and can range between zero (in case the performance of two of the metrics is below target) and 150% (in case the performance of all three metrics is at maximum or above).

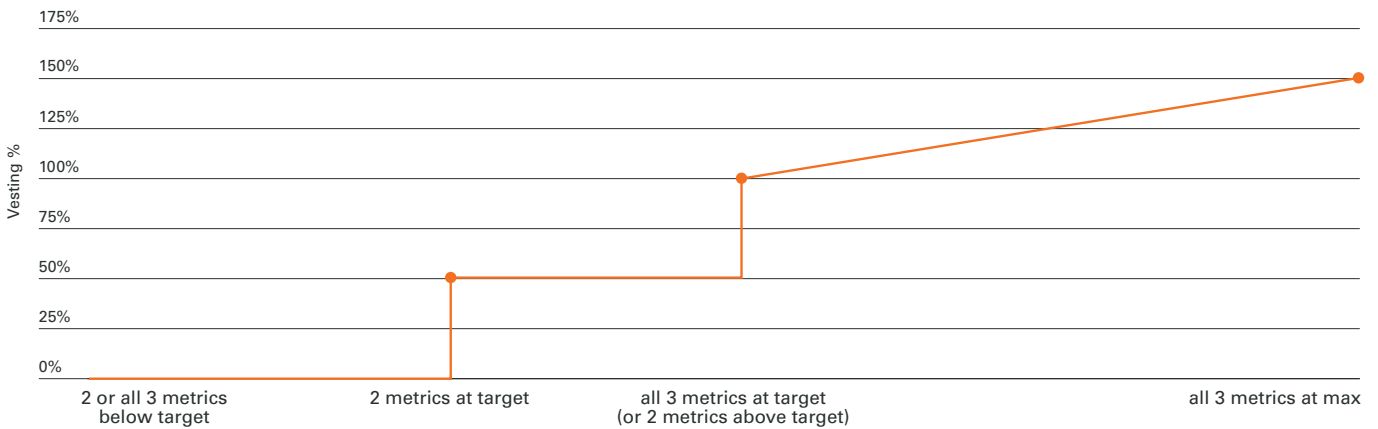
1. Total shareholder return: (Ending stock price - Beginning stock price) + Sum of all dividends received during the measurement period.

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

Relative TSR vesting formula



ESG metrics vesting formula

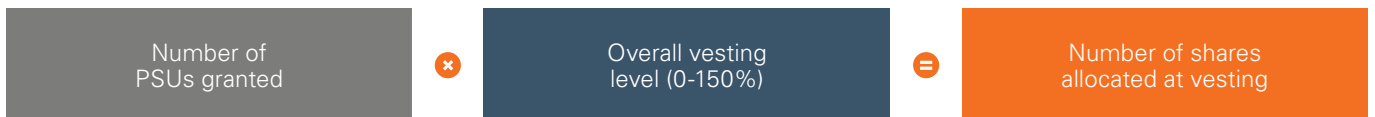


The overall vesting level of the PSUs granted will be calculated as a weighted average of each of the respective vesting levels for Relative TSR (80%) and ESG metrics (20%), and ranges between 0% and 150%.

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.



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 invested PSUs are as a rule 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 vesting 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 vesting period that have expired until the termination date. 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 estimation 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 his total remuneration. The part of remuneration settled in equity instruments (Restricted Shares and PSUs) represents, at target, 59% of his total remuneration.

For the other members of the Operations Council, the part or remuneration at risk represents, on average, 64% of their total remuneration. The part of remuneration settled in equity instruments represents, on average, 50% of their total remuneration.

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

The part of the fixed remuneration linked to benefits 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 payout), at target (both Short-Term and Long-Term Incentives at 100% payout) and at maximum (both Short-Term and Long-Term Incentives at maximum payout).

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.

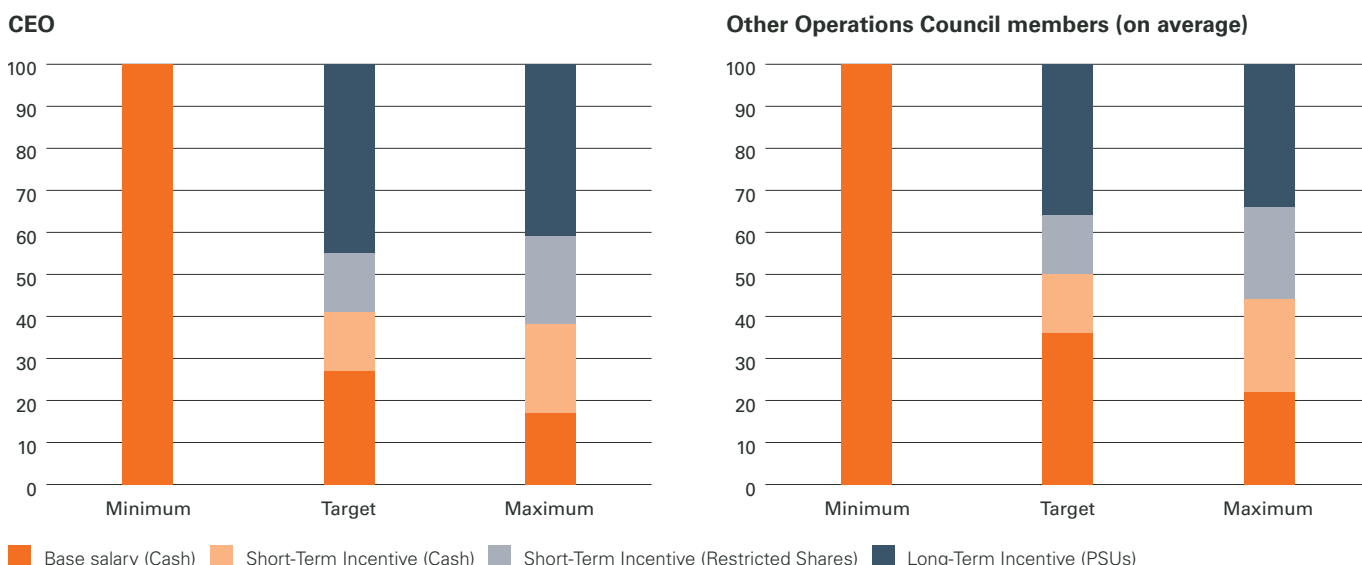
The determination of equity amounts against the SOG is defined to include vested shares allocated under the Short-Term and Long-Term Incentive plans and other shares that are owned by the Operations Council member directly or indirectly (by ‘closely related persons’).

The 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.

Remuneration mix for the CEO and other Operations Council members in three cases (%)



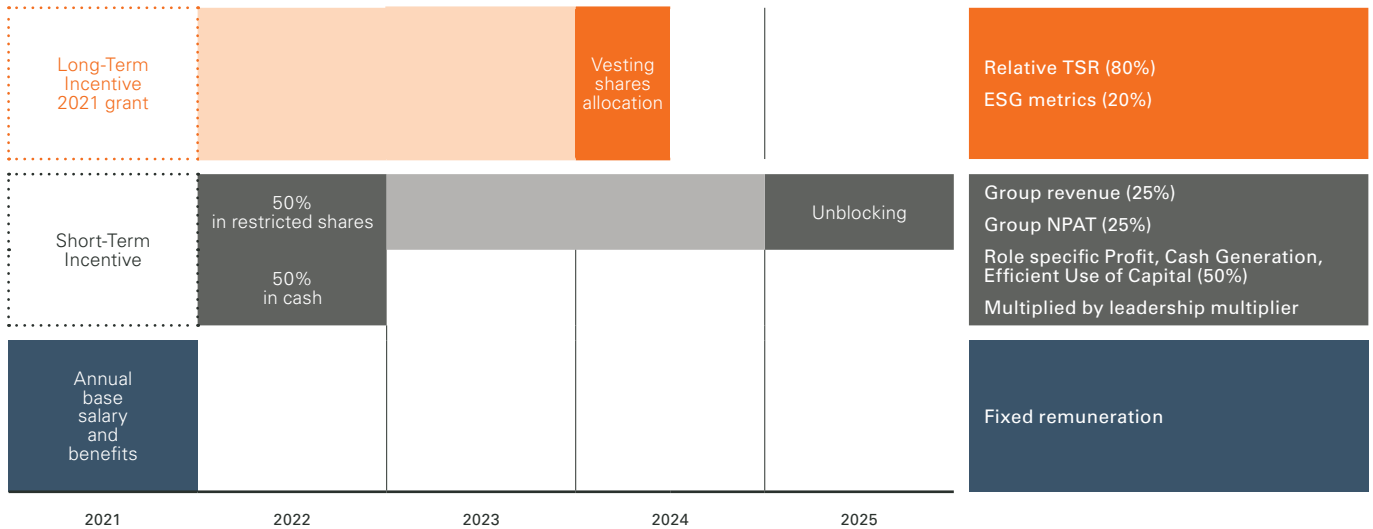
3.2.8. Timeline of remuneration

The following chart outlines the timeline of payment of each remuneration element that was earned in 2021:

- The annual base salary is paid during 2021
- The cash portion of the Short-Term Incentive is paid in March 2022, shortly after the Annual General Meeting
- The share portion of the Short-Term Incentive is allocated in April 2022 and will be unblocked in April 2025
- The PSUs granted under the Long-Term Incentive in 2021 will be earned over the performance period from 2021 to 2023 and will vest, subject to performance conditions and continuity of employment, in February 2024

Timeline of remuneration

Timeline (performance period, time of payment)



Shareholding Ownership Guideline

4. Remuneration awarded to the Board of Directors

For the mandate from AGM 2021 to AGM 2022, the annual board retainer was CHF 500 000 for the Chairman of the Board of Directors and CHF 150 000 for the other Board of Directors members (unchanged from prior mandate). The Chairman of the Audit Committee was entitled to an additional fee of CHF 70 000; Directors serving as Audit Committee members were entitled to an additional fee of CHF 50 000 (unchanged from prior mandate). The Chairman of the Remuneration Committee was entitled to an additional fee of CHF 40 000; Directors serving as Remuneration Committee members were entitled to an additional fee of CHF 30 000 (unchanged from prior mandate). Directors serving on the Governance & Sustainability Committee were entitled to an additional fee of CHF 30 000 (unchanged from prior mandate).

(CHF thousand)	Board Retainer	Audit Committee fee	Remuneration Committee fee	Governance & Compliance Committee fee
Chairman	500	70	40	–
Membership	150	50	30	30

The total remuneration of the Board of Directors for the mandate from AGM 2021 to AGM 2022 is equal to CHF 1 880 000, within the amount approved by the AGM 2021 (CHF 2 300 000).

Each Board member can choose to receive up to 50% of his/her remuneration settled in shares that may be restricted; the remaining portion is settled in cash. The cash part is paid partly in the current fiscal year and partly in the next fiscal year, on a pro-rata temporis basis. The shares or restricted shares are granted in the next fiscal year, after the publication of the Group's results.

The table below details the remuneration elements and the settlement vehicle of the Directors for the mandate AGM 2021 to AGM 2022.

(CHF thousand)	Chairmanship	Board membership	Audit Committee membership	Remuneration Committee membership	Governance & Compliance Committee membership	Total remuneration	Proportion to be settled in cash	Proportion to be settled in shares ¹	Proportion to be settled in restricted shares ¹
C. Grieder	500	–	–	–	–	500	100%	–	–
S. Atiya	–	150	–	–	30	180	100%	–	–
P. Desmarais, Jr.	–	150	–	–	–	150	100%	–	–
I. Gallienne	–	150	–	30	30	210	100%	–	–
T. Hartmann	–	150	50	–	–	200	100%	–	–
S. R. du Pasquier	–	150	–	40	–	190	75%	–	25%
K. Sorenson	–	150	70	30	–	250	50%	–	50%
J. S. Vergis	–	150	50	–	–	200	100%	–	–
Total	500	1 050	170	100	60	1 880			

1. Shares and restricted shares will be granted during fiscal year 2022.

The table below details the remuneration elements and the settlement vehicle of the Directors for the mandate AGM 2020 to AGM 2021.

(CHF thousand)	Chairmanship	Board membership	Audit Committee membership	Remuneration Committee membership	Governance & Sustainability Committee membership	Total remuneration	Proportion to be settled in cash	Proportion to be settled in shares ¹	Proportion to be settled in restricted shares ¹
C. Grieder	500	–	–	–	–	500	100%	–	–
S. Atiya	–	150	–	–	30	180	100%	–	–
P. Desmarais, Jr.	–	150	–	–	–	150	100%	–	–
A. F. von Finck	–	150	–	–	30	180	100%	–	–
I. Gallienne	–	150	–	30	30	210	100%	–	–
C. Grupp	–	150	–	–	–	150	100%	–	–
T. Hartmann	–	150	50	–	–	200	100%	–	–
G. Lamarche	–	150	70	–	–	220	100%	–	–
S. R. du Pasquier	–	150	–	40	–	190	75%	–	25%
K. Sorenson	–	150	50	30	–	230	100%	–	–
Total	500	1 350	170	100	90	2 210			

1. Restricted shares were granted during fiscal year 2021.

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

The following table details the remuneration elements granted to each of the Directors for their tenure in fiscal year 2021. It includes both pro-rata temporis elements of remuneration for the mandate AGM 2020 to AGM 2021 and pro-rata temporis elements or remuneration for the mandate AGM 2021 to AGM 2022.

(CHF thousand)	Board retainer	Representation fees	Committee fees	Total remuneration	Cash	Shares value	Shares NB	Restricted shares value	Restricted shares NB	Employer social charges
C. Grieder	501	–	–	501	501	–	–	–	–	–
S. Atiya	150	–	30	180	180	–	–	–	–	16
P. Desmarais, Jr.	150	–	–	150	150	–	–	–	–	11
A. F. von Finck ¹	35	–	7	42	42	–	–	–	–	4
I. Gallienne	150	–	61	211	211	–	–	–	–	19
C. Grupp ¹	35	–	–	35	35	–	–	–	–	2
T. Hartmann	150	–	50	200	200	–	–	–	–	–
G. Lamarche ¹	35	–	16	51	51	–	–	–	–	5
S. R. du Pasquier	150	–	40	190	142	–	–	48	18	17
K. Sorenson	110	–	68	178	178	–	–	–	–	16
J. S. Vergis ²	116	–	39	155	155	–	–	–	–	14
Total	1 582	–	311	1 893	1 845	–	–	48	18	104

1. Until the AGM 2021.

2. As of the AGM 2021.

The following table details the remuneration elements granted to each of the Directors for their tenure in fiscal year 2020. It includes both pro-rata temporis elements of remuneration for the mandate AGM 2019 to AGM 2020 and pro-rata temporis elements or remuneration for the mandate AGM 2020 to AGM 2021.

(CHF thousand)	Board retainer	Representation fees	Committee fees	Total remuneration	Cash	Shares value	Shares NB	Restricted shares value	Restricted shares NB	Employer social charges
C. Grieder	418	–	25	443	443	–	–	–	–	–
P. Kalantzis ¹	113	–	–	113	113	–	–	–	–	9
S. Atiya ²	115	–	23	138	138	–	–	–	–	13
P. Desmarais, Jr.	190	–	–	190	115	75	27	–	–	14
A. F. von Finck	149	–	41	190	190	–	–	–	–	17
L. von Finck ¹	34	–	–	34	34	–	–	–	–	3
I. Gallienne	149	–	53	202	202	–	–	–	–	18
C. Grupp	149	–	7	156	156	–	–	–	–	11
T. Hartmann ²	115	–	39	154	154	–	–	–	–	14
G. Lamarche	149	–	65	214	214	–	–	–	–	19
S. R. du Pasquier	146	–	44	190	190	–	–	–	–	17
K. Sorenson	190	–	87	277	177	–	–	100	36	23
Total	1 917	–	384	2 301	2 126	75	27	100	36	158

1. Until the AGM 2020.

2. As of the AGM 2020.

The overall remuneration paid to the Board of Directors in 2021 is lower than the overall remuneration paid in 2020, due to the change in the composition of the Board.

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 2021. All amounts disclosed in this section include the Short-Term Incentive cash amount and restricted shares that will be granted in April 2022 with respect to performance in 2021 (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 2021.

(CHF thousand)	Base salary	Other cash allowances	Contributions to pension plans	Other contributions and benefits in kind	Total fixed remuneration
Operations Council (including Senior Management)					
Cash (including allowances)	7 599	1 019	–	–	8 618
Contributions and benefits in kind	–	–	804	340	1 144
Equity	–	–	–	–	–
Total	7 599	1 019	804	340	9 762
Senior Management (including Chief Executive Officer)					
Cash (including allowances)	2 278	145	–	–	2 423
Contributions and benefits in kind	–	–	259	22	281
Equity	–	–	–	–	–
Total	2 278	145	259	22	2 704
Chief Executive Officer					
Cash (including allowances)	1 200	64	–	–	1 264
Contributions and benefits in kind	–	–	112	9	121
Equity	–	–	–	–	–
Total	1 200	64	112	9	1 385

The aggregate total fixed remuneration of the members of the Operations Council did not exceed the maximum amount approved by the Annual General Meeting in 2020 (CHF 14 000 000). For 2022, the 2021 Annual General Meeting already approved a maximum aggregate total fixed remuneration for the members of the Operations Council (CHF 14 000 000).

The table below summarizes the fixed remuneration paid to the Operations Council, Senior Management and the Chief Executive Officer in 2020.

(CHF thousand)	Base salary	Other cash allowances	Contributions to pension plans	Other contributions and benefits in kind	Total fixed remuneration
Operations Council (including Senior Management)					
Cash (including allowances)	7 969	1 024	–	–	8 993
Contributions and benefits in kind	–	–	1 044	320	1 364
Equity	–	–	–	–	–
Total	7 969	1 024	1 044	320	10 357
Senior Management (including Chief Executive Officer)					
Cash (including allowances)	2 078	138	–	–	2 216
Contributions and benefits in kind	–	–	257	21	278
Equity	–	–	–	–	–
Total	2 078	138	257	21	2 494
Chief Executive Officer					
Cash (including allowances)	1 000	64	–	–	1 064
Contributions and benefits in kind	–	–	101	8	109
Equity	–	–	–	–	–
Total	1 000	64	101	8	1 173

The decrease in fixed remuneration compared with 2020 reflects the change in the composition of the Operations Council.

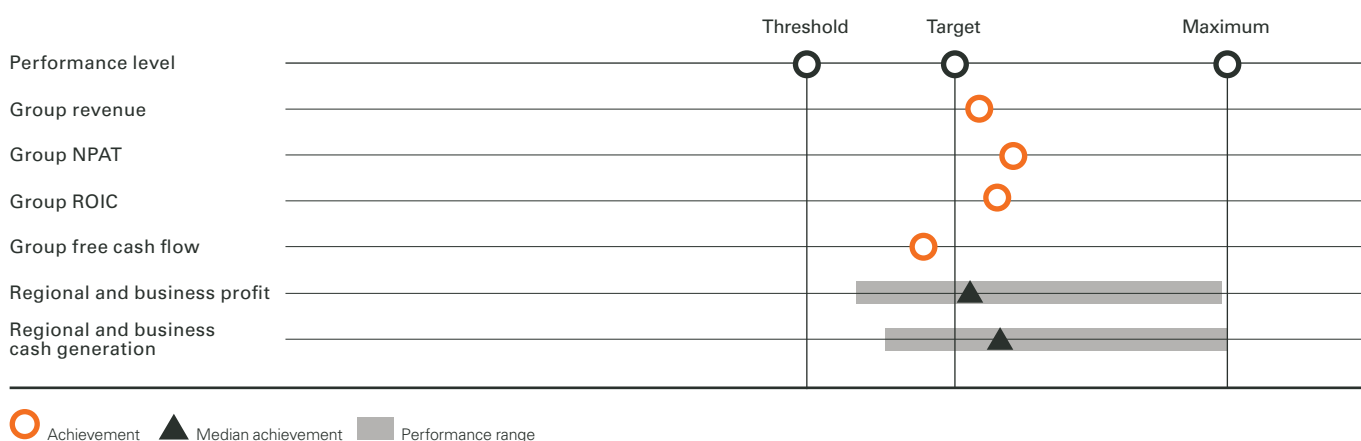
5.2. Short-term variable remuneration

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

In 2021, the achievement of financial targets at Group level, in the businesses and in the regions ranges from 88.0% to 133.3% (2020: 47.3% to 108.7%).

The chart below summarizes the 2021 performance achievements against targets for the financial objectives (revenue, profitability, cash generation and capital efficiency) used in the Short-Term Incentive.

2021 performance achievements against targets



The overall Short-Term Incentive payout amounts to 121.9% of the target incentive opportunity for the CEO (2020: 60.9%) and ranges from 79.1% to 157.1% of the target incentive opportunity for the other members of the Operations Council (2020: 12.4% to 86.4%). 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 2021, SGS restricted shares will be allocated to the members of the Operations Council in April 2022, after the approval of the total Short-Term Incentive amount by the Annual General Meeting (in April 2021, 530 restricted shares were granted in settlement of the equity portion of the Short-Term Incentive 2020). 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, 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 2021 performance year, and its comparison with the incentive opportunity.

(CHF thousand)	Minimum	Target	Maximum	Actual short-term variable remuneration
Operations Council (including Senior Management)				
Cash (including allowances)	–	3 195	7 988	3 783
Contributions and benefits in kind	–	–	–	–
Equity	–	2 893	7 233	3 448
Total	–	6 088	15 220	7 231
Senior Management (including Chief Executive Officer)				
Cash (including allowances)	–	1 059	2 648	1 296
Contributions and benefits in kind	–	–	–	–
Equity	–	1 059	2 648	1 296
Total	–	2 118	5 295	2 592
Chief Executive Officer				
Cash (including allowances)	–	600	1 500	732
Contributions and benefits in kind	–	–	–	–
Equity	–	600	1 500	732
Total	–	1 200	3 000	1 464

The total short-term remuneration amount will be submitted for approval to the Annual General Meeting of 2022, 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 2020 performance year, and its comparison with the incentive opportunity.

(CHF thousand)	Minimum	Target	Maximum	Actual short-term variable remuneration
Operations Council (including Senior Management)				
Cash (including allowances)	–	3 651	9 128	1 711
Contributions and benefits in kind	–	–	–	–
Equity	–	2 908	7 270	1 409
Total	–	6 559	16 398	3 120
Senior Management (including Chief Executive Officer)				
Cash (including allowances)	–	959	2 398	569
Contributions and benefits in kind	–	–	–	–
Equity	–	959	2 398	569
Total	–	1 918	4 796	1 138
Chief Executive Officer				
Cash (including allowances)	–	500	1 250	304
Contributions and benefits in kind	–	–	–	–
Equity	–	500	1 250	304
Total	–	1 000	2 500	608

The total 2020 short-term remuneration amount was approved by the Annual General Meeting of 2021, and the settlement for both the cash and the equity part were implemented shortly after.

The increase in short-term variable remuneration compared to 2020 reflects the 2021 recovery after the impact of Covid-19 pandemic on the 2020 financial performance of the Group.

5.3. Long-term variable remuneration

In 2021, the Group implemented a Long-Term Incentive plan for the performance period 2021-2023. Under the Long-Term Incentive plan 2021-2023, a total of 6 003 Performance Share Units (PSUs) were granted to the members of the Operations Council; this includes 2 462 PSUs granted to Senior Management, of which 1 481 granted to the Chief Executive Officer.

The PSUs awarded under the Long-Term Incentive 2021-2023 vest after the three-year performance period 2021-2023, in early 2024, subject to the performance conditions (relative total shareholder return and Environmental, Social and Governance metrics; see Section 3.2.4. of this Report for detailed explanations on the performance conditions) and to continuity of employment of the beneficiaries during the vesting period.

The number of PSUs granted is calculated dividing the value of the grant, as disclosed in Section 3.2.4. of this report, 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 2021-2023 Long-Term Incentive plan is a transition plan, from the past practice (until the 2018-2020 plan), with one grant every three years, to the new practice, with one grant every year. The value of the 2021 grant is two thirds of the value granted under the past practice; the value of the future annual grants, 2022 onwards, will be one third of the value granted under the past practice.

A cash Long-Term Incentive plan was implemented in 2021 for one Operations Council member who was newly appointed. This incentive mirrors the Long-Term Incentive PSUs plan 2021-2023, with exact same vesting and performance conditions, from the date of the appointment to 31 December 2023.

In 2020, the Group did not implement any Long-Term Incentive plan for the Operations Council members.

The table below summarizes the value of the long-term variable remuneration awarded to the Operations Council, Senior Management and the Chief Executive Officer in 2021.

	Number of PSUs granted	Total value of the grant ¹ (CHF thousand)
Operations Council (including Senior Management)		
Cash (including allowances)	–	382
Contributions and benefits in kind	–	–
Equity	6 003	16 216
Total	6 003	16 598
Senior Management (including Chief Executive Officer)		
Cash (including allowances)	–	–
Contributions and benefits in kind	–	–
Equity	2 462	6 651
Total	2 462	6 651
Chief Executive Officer		
Cash (including allowances)	–	–
Contributions and benefits in kind	–	–
Equity	1 481	4 001
Total	1 481	4 001

1. The 2021-2023 LTI plan is a transition plan between the past practice (one grant every three years) and the new practice (annual grant); the value of the grant is two thirds of the past plans, while as of 2022 the value of the grant will be one third of the past plans. Details on the value of the incentive opportunity of the transition plan 2021 and the annual plans 2022 onwards are disclosed in Section 3.2.4. of this Report.

The table below summarizes the 2020 annualized value of the long-term variable remuneration awarded to the Operations Council, Senior Management and the Chief Executive Officer in 2018 and 2019.

	Number of PSUs granted	Total value of the grant (CHF thousand)	Annualized value of the grant (CHF thousand) ¹	2019 Annualized value of the grant (CHF thousand) ²
Operations Council (including Senior Management)				
Cash (including allowances)	–	–	1 172	1 042
Contributions and benefits in kind	–	–	–	–
Equity	–	–	7 777	8 469
Total	–	–	8 949	9 511
Senior Management (including Chief Executive Officer)				
Cash (including allowances)	–	–	980	898
Contributions and benefits in kind	–	–	–	–
Equity	–	–	1 837	2 317
Total	–	–	2 817	3 215
Chief Executive Officer				
Cash (including allowances)	–	–	–	–
Contributions and benefits in kind	–	–	–	–
Equity	–	–	1 500	1 500
Total	–	–	1 500	1 500

1. The annualized value of the grant for the year 2020 is: i) for the Equity part, one third of the total value of the 2018 grant at grant date, and ii) for the cash part, a fraction of the total value of the 2019 grant corresponding to the period from 1 January 2020 to 31 December 2020.

2. The annualized value of the grant for the year 2019 is: i) for the Equity part, one third of the total value of the 2018 grant at grant date, and ii) for the cash part, a fraction of the total value of the grant corresponding to the period from the OC appointment to 31 December 2019.

5.4. Total remuneration

The tables below present all components of the remuneration earned in 2021 and 2020 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 remuneration 2021

(CHF thousand)	Total fixed remuneration	Total short-term variable remuneration	Total 2021 remuneration before LTI	Total long-term variable remuneration ¹	Total 2021 remuneration	Employer social charges
Operations Council (including Senior Management)²						
Cash (including allowances)	8 618	3 783	12 401	382	12 783	–
Contributions and benefits in kind	1 144	–	1 144	–	1 144	2 637
Equity	–	3 448	3 448	16 216	19 664	–
Total	9 762	7 231	16 993	16 598	33 591	2 637
Senior Management (including Chief Executive Officer)³						
Cash (including allowances)	2 423	1 296	3 719	–	3 719	–
Contributions and benefits in kind	281	–	281	–	281	878
Equity	–	1 296	1 296	6 651	7 947	–
Total	2 704	2 592	5 296	6 651	11 947	878
Chief Executive Officer						
Cash (including allowances)	1 264	732	1 996	–	1 996	–
Contributions and benefits in kind	121	–	121	–	121	518
Equity	–	732	732	4 001	4 733	–
Total	1 385	1 464	2 849	4 001	6 850	518

1. The 2021-2023 LTI plan is a transition plan between the past practice (one grant every three years) and the new practice (annual grant); the value of the grant is two thirds of the past plans, while as of 2022 the value of the grant will be one third of the past plans. Details on the value of the incentive opportunity of the transition plan 2021 and the annual plans 2022 onwards are disclosed in Section 3.2.4. of this Report.

2. 19 FTE (Full-Time Equivalent).

3. 3 FTE.

Total and annualized remuneration 2020

(CHF thousand)	Total fixed remuneration	Total short-term variable remuneration	Total 2020 remuneration before LTI	Total long-term variable remuneration ¹	Annualized long-term variable remuneration ¹	Total 2020 remuneration	2020 Annualized remuneration	Employer social charges
Operations Council (including Senior Management)²								
Cash (including allowances)	8 993	1 711	10 704	–	1 172	10 704	11 876	–
Contributions and benefits in kind	1 364	–	1 364	–	–	1 364	1 364	1 378
Equity	–	1 409	1 409	–	7 777	1 409	9 186	–
Total	10 357	3 120	13 477	–	8 949	13 477	22 426	1 378
Senior Management (including Chief Executive Officer)³								
Cash (including allowances)	2 216	569	2 785	–	980	2 785	3 765	–
Contributions and benefits in kind	278	–	278	–	–	278	278	359
Equity	–	569	569	–	1 837	569	2 406	–
Total	2 494	1 138	3 632	–	2 817	3 632	6 449	359
Chief Executive Officer								
Cash (including allowances)	1 064	304	1 368	–	–	1 368	1 368	–
Contributions and benefits in kind	109	–	109	–	–	109	109	174
Equity	–	304	304	–	1 500	304	1 804	–
Total	1 173	608	1 781	–	1 500	1 781	3 281	174

1. The annualized value of the grant for the year 2020 is: i) for the Equity part, one third of the total value of the 2018 grant at grant date, and ii) for the cash part, a fraction of the total value of the 2019 grant corresponding to the period from 1 January 2020 to 31 December 2020.

2. 21 FTE (Full-Time Equivalent).

3. 3 FTE.

5.5. Remuneration mix

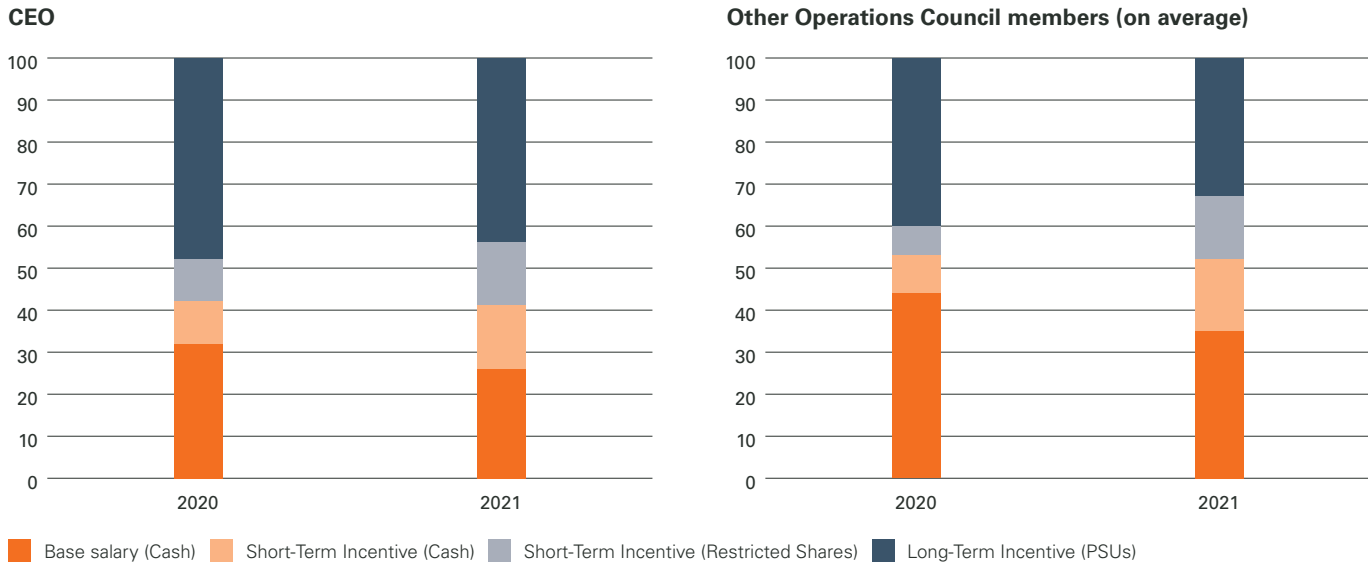
In 2021, the part of remuneration at risk (Short-Term Incentive and Long-Term Incentive) for the CEO represents 74% of the total remuneration (2020: 68%); the part of remuneration settled in equity instruments (Restricted Shares and PSUs) represents 59% of the total remuneration (2020: 58%). For the other members of the Operations Council, the part of remuneration at risk represents, on average, 65% of the total remuneration (2020: 56%); the part of remuneration settled in equity instruments represents, on average, 48% of the total remuneration (2020: 48%).

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

The part of the fixed remuneration linked to benefits 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 2021 and 2020.

Remuneration mix for the CEO and other Operations Council members (%)



5.6. Other compensation elements

5.6.1. Severance payments

No severance payments were made in 2021 to members of the Operations Council (unchanged from prior year).

5.6.2. Other compensation to members or former members of the governing bodies

In 2021 no other payment was made to any member or former member of the governing bodies (consideration for non-compete of CHF 240 000 was paid in 2020 to a former member of the Operations Council).

5.6.3. Loans to members or former members of the governing bodies

As at 31 December 2021, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies or related parties (unchanged from prior year).

Report of the statutory auditor

to the General Meeting of SGS SA

Geneva

We have audited the remuneration report of SGS SA for the year ended 31 December 2021. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 4 and 5 (pages 101 to 108) of the report.

Board of Directors' responsibility

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 the remuneration report complies 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, the remuneration report of SGS SA for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

Other matter

The remuneration report of SGS SA for the year ended 31 December 2020 was audited by another firm of auditors whose report, dated 23 February 2021, expressed an unmodified opinion on this report.

PricewaterhouseCoopers SA

Guillaume Nayet

Louise Rolland

Auditor in charge

Geneva, 21 February 2022



PricewaterhouseCoopers SA, avenue Giuseppe-Motta 50, case postale, CH-1211 Genève 2, Switzerland
Téléphone: +41 58 792 91 00, Téléfax: +41 58 792 91 10, www.pwc.ch

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