

# Invitation to the Annual General Meeting of Shareholders of SGS SA



WHEN YOU NEED TO BE SURE

**SGS**

Geneva, the 4<sup>th</sup> March 2022

Dear Shareholders of SGS SA,

The recent lifting of the restrictions on public gatherings makes it now possible for SGS to organize its 2022 Annual General Meeting with the physical attendance of our shareholders, for the first time since March 2019! I am looking forward to meeting you on this occasion. The convocation and agenda of the meeting is attached to this message.

The COVID-19 pandemic has brought much disruption to our lives during the last two years, as it has to the markets and industries in which the SGS group is active. During the last two years, our company has demonstrated a strong resilience and a capacity to innovate. I would like to thank our employees, clients, suppliers, partners, and other stakeholders for their unwavering support during these testing times.

Thanks to the efforts of our employees, we were able to announce a strong performance of the SGS group in 2021, generating sales growth of 14.3% (8.9%) to CHF 6'400 million and a net profit attributable to shareholders of CHF 613 million, representing an increase of 27.7% over prior year. The board will thus be able to recommend a distribution of dividend of CHF 80.- per share.

At the meeting, we will ask you to elect the Board of Directors. All current board members will stand for re-election. I am happy also to introduce a new board member, Ms. Phyllis Cheung. With her nomination, we will continue to strengthen our Board of Directors, adding new skills, new expertise and bringing additional insights into the important Asian markets of growing importance to the SGS group.

The Group is actively implementing its 2023 long term strategy which was designed with the active participation of the Board. We are also progressing in our endeavors to strengthen the sustainability of our business, provide value to society with our services to our clients with the aim of creating long term sustainable value to our shareholders. As part of these initiatives, the Board has decided to set up among its members a dedicated sustainability committee to steer our initiatives in Environment Social and Governance (ESG) matters.

No doubt that the year 2022 will present again many challenges, with continuing disruptions created by the pandemic, the return of inflation in many parts of the world and increasing political uncertainties. I have every confidence that our leadership team and our dedicated 96'000 employees worldwide will be up to these various challenges and will navigate safely through these turbulent times. It is their contribution and passion that makes SGS such a unique company.

I would like also to thank you, our shareholders, for your trust and continuing support.

Yours truly,



Calvin Grieder  
Chairman of the Board of Directors

Geneva, 4<sup>th</sup> March 2022

**Tuesday, 29 March 2022**  
**at 14:00**  
(doors opened at 13:00)

**Théâtre du Léman**  
(Fairmont Grand Hotel Geneva),  
Quai du Mont-Blanc 19  
Geneva

## **Agenda**

- 1. Annual Report 2021**
  - 1.1. Annual report and financial statements of SGS SA and of the SGS Group
  - 1.2. Advisory Vote on the 2021 Remuneration Report
- 2. Release of the members of the Board of Directors and of the Management**
- 3. Appropriation of Profit**
- 4. Elections**
  - 4.1. Election to the Board of Directors
  - 4.2. Election of the Chairman of the Board of Directors
  - 4.3. Election to the Remuneration Committee
  - 4.4. Election of the Statutory Auditors
  - 4.5. Election of the Independent Proxy
- 5. Remuneration Matters**
  - 5.1. Remuneration of the Board of Directors until the 2023 Annual General Meeting
  - 5.2. Fixed Remuneration of Senior Management for the fiscal year 2023
  - 5.3. Annual Variable Remuneration of Senior Management for the fiscal year 2021
  - 5.4. Long Term Incentive Plan to be issued in 2022

# Proposals of the Board of Directors

## 1. Annual Report 2021

### 1.1. Annual Report, financial statements of SGS SA and consolidated financial statements of the SGS Group for 2021

**Proposal:**

Approval of the annual report, the financial statements of SGS SA and the consolidated financial statements of the SGS Group.

### 1.2. Advisory vote on the 2021 Remuneration report

**Proposal:**

Acceptance of the 2021 Remuneration report.

**Explanation:**

The vote on the Remuneration report is non-binding and is designed to allow Shareholders to express their opinion on the overall remuneration policies of the SGS Group.

## 2. Release of the Board of Directors and of the Management

**Proposal:**

Release of the members of the Board of Directors and of the Management.

## 3. Appropriation of profit resulting from the balance sheet of SGS SA

**Proposal:**

	CHF Mio
Profit for the year	714'760'947
Balance brought forward from previous year	110'997'119
Dividend paid on own shares released into circulation in 2021 prior the Annual General Meeting of March 2021	(1'688'800)
Capital reduction by cancelation of shares	70'700
Share buy-back program	0
Reversal of reserve for own shares	53'734'814
<b>TOTAL RETAINED EARNINGS AVAILABLE FOR APPROPRIATION</b>	<b>877'874'780</b>
<i>Proposal of the Board of Directors</i>	
<b>Dividends, CHF 80 per share (1)</b>	<b>(599'333'760)</b>
<b>BALANCE CARRIED FORWARD</b>	<b>278'541'020</b>

(1) No dividend is paid on own shares held directly or indirectly by SGS SA

**Explanation:**

If approved, a dividend of CHF 80.- per share will be paid, after deduction of Swiss withholding taxes with a value date of April 4, 2022.

## **4. Elections**

### **4.1. Elections to the Board of Directors**

#### ***Proposal:***

Re-election of:

- Mr. Calvin Grieder
- Mr. Sami Atiya
- Mr. Paul Desmarais, jr.
- Mr. Ian Gallienne
- Mr. Tobias Hartmann
- Mr. Shelby R. du Pasquier
- Ms Kory Sorenson
- Ms Janet S. Vergis

Election of:

- Ms Phyllis Cheung

each for a term of one year ending on the date of the 2023 Annual General Meeting.

#### ***Explanation:***

The Board proposes the individual re-election of the above-listed Directors who have served during 2021. Their biographies and qualifications are included in the Corporate Governance Report of the Company.

In addition, the Board proposes the election of Ms Phyllis Cheung to the Board of Directors. Her biography is enclosed. Ms Cheung qualifies as an independent director as per the criteria defined by the Company and outlined in its Corporate Governance Report.

### **4.2. Election of the Chairman of the Board of Directors**

#### ***Proposal:***

Re-election of Mr. Calvin Grieder, for a term of one year ending on the date of the 2023 Annual General Meeting.

#### ***Explanation:***

In line with the Company's Articles of Association the Chairman is elected by the Annual General Meeting. The Board proposes the re-election of Mr. Calvin Grieder as Chairman of the Board of Directors.

### **4.3. Election to the Remuneration Committee**

#### ***Proposal:***

Election of:

- Mr. Sami Atiya
- Mr. Ian Gallienne
- Ms Kory Sorenson

each for a term of one year ending on the date of the 2023 Annual General Meeting.

#### ***Explanation:***

In line with the Company's Articles of Association the Members of the Remuneration Committee are elected by the Annual General Meeting. The Board proposes the re-election of Mr. Ian Gallienne and Ms Kory Sorenson and the election of Mr. Sami Atiya. If elected, Mr. Sami Atiya will be appointed as Chairman of the Remuneration Committee. Mr. Sami Atiya and Ms Kory Sorenson qualify as independent Directors as per the criteria defined by the Company and outlined in its Corporate Governance Report.

#### **4.4. Election of Statutory Auditors**

***Proposal:***

Election of PricewaterhouseCoopers SA, Genève, as Auditors of SGS SA and Group Auditors for the business year 2022.

***Explanation:***

The Board recommends the re-election of PricewaterhouseCoopers SA as auditors for the fiscal year 2022. They have served as auditors for the first time for the fiscal year 2021.

#### **4.5. Election of the Independent Proxy**

***Proposal:***

Election of the public notary firm Jeandin & Defacqz, Geneva, as Independent Proxy for a term of one year ending on the date of the 2023 Annual General Meeting.

***Explanation:***

The Independent Proxy exercises the voting rights of shareholders who do not attend physically the Annual General Meeting. He or she is independent from the Company and complies with voting instructions received. The Board recommends the re-election of the public notary firm who has performed this duty in prior years.

### **5. Remuneration Matters**

#### **5.1. Remuneration of the Board of Directors until the 2023 Annual General Meeting**

***Proposal:***

Approval of an aggregate amount of CHF 2'700'000.- representing the remuneration of the members of the Board of Directors for the period ending on the date of the 2023 Annual General Meeting.

***Explanation:***

The proposed remuneration of the Board of Directors comprises fixed fees for each of the Board Members, and a fixed fee for the Chairman of the Board of Directors. Board members attending a Board Committee are entitled to additional fees justified by additional work and responsibilities. The proposed increase in the board remuneration from CHF 2'300'000 last year to CHF 2'700'000 is justified by an adjustment of the Board fees to market conditions, by the increase of the number of Board members and by the split of the Governance and Sustainability committee into two separate committees, namely the Nomination Committee and the Sustainability Committee. Board members will receive part of their remuneration by way of restricted shares, with the same pricing as for the shares awarded to the management. Board members are required to keep the shares for a minimum period of three years and need to accumulate during their tenure a number of shares equivalent in value to two years of remuneration.

This amount excludes the Swiss mandatory social contributions (AVS-AI) payable by the Company in relation to the board fees, over which the Board has no control. In accordance with the Company's articles of association, up to 50% of the remuneration can be settled by way of awards of shares.

## **5.2. Fixed Remuneration of Senior Management for the fiscal year 2023**

### ***Proposal:***

Approval of a maximum aggregate amount of CHF 12'500'000. representing the fixed remuneration of the members of the Group Operations Council for the fiscal year 2023.

### ***Explanation:***

The Company's articles of association provide that the Annual General Meeting approves in advance the maximum aggregate amount payable in fixed remuneration (as defined in the Company's remuneration report) to members of the Operations Council during the following calendar year.

The Company seeks thus approval to pay during the calendar year 2023 up to a maximum aggregate amount of CHF 12'500'000 in fixed remuneration to members of the Operations Council (including the Group CEO). This amount includes the gross base salary, payable to the OC members, but excludes mandatory social contributions payable by the employer, over which the Company has no control. The requested amount also comprises all other cash allowances, contributions to pension plans and other fringe benefits with a monetary value, other than the variable remuneration which is approved separately by the Annual General Meeting.

The requested amount is lower than the amount approved by the AGM in 2021 for the year 2022 (CHF 14'000'000). This reflects the strategic reorganization of the Group business in 2021 which has resulted in a more efficient management team. During 2021, the actual paid fixed remuneration to members of the Operations Council was equivalent to CHF 9'762'000.

## **5.3. Annual Variable Remuneration of Senior Management for the fiscal year 2021**

### ***Proposal:***

Approval of an aggregate amount of CHF 7'230'770 representing the annual variable remuneration of the members of the Group Operations Council for the fiscal year 2021.

### ***Explanation:***

On the basis of the Group performance in 2021, the Operations Council (including the Group CEO) are entitled to the payment of annual bonuses in the aggregate amount of CHF 7'230'770 (for the 2020 performance: CHF 3'120'254.-), out of which an amount of CHF 3'447'851.- will be settled by way of restricted share awards.

## **5.4 Long Term Incentive Plan to be issued in 2022**

### ***Proposal:***

Approval of the issuance of a Long-Term Incentive Plan to be granted to the members of the Operations Council in 2022, for a total maximum equivalent to CHF 13'500'000.-.

### ***Explanation:***

As per the Company's Articles of Association, the Annual General Meeting authorizes the aggregate amount of any long-term incentive plans to be granted to senior management in the current year. The Company seeks approval to issue a new Long-Term Incentive Plan in 2022.

Beneficiaries of the plan will receive Performance Share Units, whose vesting will be contingent upon the Group reaching long-term financial and environmental, social and governance (ESG) objectives in 2024.

The amount subject to the approval of the Annual General Meeting represents the value of the Performance Share Units at the time of their grant, assessed at the maximum possible vesting level under the plan rules. The main principles of the proposed Long-Term Incentive Plan are outlined in the Remuneration Report.



## **ANNUAL GENERAL MEETING OF SHAREHOLDERS OF SGS SA Annex to the Invitation**

### **Biography of Ms Phyllis Cheung, candidate for election to the Board of Directors**

**Ms. Phyllis Ka Yan Cheung**

**Nationality:** Chinese

**Year of Birth:** 1970

Ms. Cheung earned a Bachelor of Arts degree from The University of Hong Kong and an executive M.B.A degree from The Chinese University of Hong Kong.

She has 30 years of experience in the consumer industry and has been serving as Chief Executive Officer of McDonald's China since 2015. Phyllis oversees the Company's 4,500+ restaurants business strategy, operations and development. Under her leadership, the number of restaurants in the Chinese mainland has doubled with rapid expansion in lower-tier cities. Envisioning the roadmap of digital transformation, she led the company to establish a comprehensive technology and data driven system to elevate customer dining experience through omni-channel digital platforms. While accelerating business development, Phyllis has also initiated various brand trust and sustainability programs covering digital food safety, green restaurants, green packaging, children's welfare, youth employment, etc.

Preceding her role at McDonald's China, Ms. Cheung had served as the managing director of Singapore and Regional manager of Malaysia.

Prior to joining McDonald's, Phyllis was strategic planner at Leo Burnett. She had a long history of fast moving consumer goods experience in Asian markets such as Hong Kong, India and mainland China. She spent several years working for some of the largest advertising shops, including Saatchi & Saatchi, J. Walter Thompson.

Phyllis is a council member of the Soong Ching Ling Foundation. She has been selected as one of the Most Powerful Women by Fortune China and Top 100 Business Women by Forbes China.

#### **Other affiliations :**

- Fellow, Aspen China Fellowship
- Member, Aspen Global Leadership Network

# Organizational Matters

## Exercise of voting right

Shareholders registered on the Company's share registry with voting right on March 22, 2022 are entitled to exercise their voting rights at the Annual General Meeting.

## Physical Attendance at the General Meeting

Shareholders who wish to attend personally the Annual General Meeting are kindly invited to apply for an Admission card by returning the enclosed form to SGS SA, c/o Devigus Shareholder Services, Birkenstrasse 47, CH - 6343 Rotkreuz, no later than March 25, 2022.

## Representation at the General Meeting

Shareholders may be represented at the Annual General Meeting by another registered shareholder with a written proxy.

Alternatively, shareholders may, free of charge, appoint the Independent Proxy, to cast their votes.

To grant a proxy, please use do so electronically by accessing the online form using the QR Code in the present convocation, or alternately use the enclosed form and return it to SGS SA, c/o Devigus Shareholder Services with the enclosed envelope.

SGS provides the opportunity to Shareholders wishing to raise a question, or otherwise address the Meeting, to send a message to the Board of Directors through a dedicated e-mail address at: [SGS.AGM@sgs.com](mailto:SGS.AGM@sgs.com). The Board of Directors will address the most important questions during the Meeting, possibly mentioning the name of the shareholders who submit the questions. All messages will be answered individually by e-mail.

## 2021 Integrated Report

View and download our 2021 Integrated Report, which includes our Business Report, Corporate Governance Report, Remuneration Report, and Sustainability Report, as well as the Group's Consolidated Financial Statements, the SGS SA Financial Statements and auditors' reports, at [www.sgs.com](http://www.sgs.com). The report is also available to shareholders at the Company's registered office at Place des Alpes 1, 1201 Geneva.

## French and German Translations

Translations of this invitation to the AGM, including the agenda, explanations and proxy form are available by accessing the site using the QR Code printed in the convocation.

## Correspondence

Please address all correspondence regarding the General Meeting to SGS SA, c/o Devigus Shareholder Services, Birkenstrasse 47, CH - 6343 Rotkreuz

Yours faithfully,  
SGS SA  
Board of Directors