



SGS has started a process to understand our value to society. Value to society is based on the premise that all business activities take place within a field of social capital, which is contained within the natural environment. Social capital allows the development of interpersonal relationships that in turn enable the combination of human capital, natural capital and intellectual capital to produce goods and services (i.e. manufactured capital). A key component of the value to society framework is determining the economic values for respective capital stocks and flows. This process of economic evaluation, often termed monetisation, is necessary to enable integration of the full factors of production (i.e. the natural capital, human capital, manufactured capital, etc.) into a core financial-based business decision-making system. The first stage in the process has involved the quantification and economic valuation of the various capital stocks and flows that comprehensively represent the necessary inputs and outputs of our business activities. First, we identified the entire asset base that underpins SGS' operations. Conceptually supported by the International Integrated Reporting Council's [IRRC] guidelines, operations require (directly and indirectly) a complement of:

FINANCIAL CAPITAL

The medium for exchange, a store of economic value and as a unit of account.

NATURAL CAPITAL

The economic functions of the natural environment.

HUMAN CAPITAL

The economic functions of the labour force.

INTELLECTUAL CAPITAL

The economic functions of knowledge.

SOCIAL CAPITAL

The economic functions of trust within stakeholder networks.

MANUFACTURED (OR BUILT) CAPITAL

The economic functions of property, plant, equipment, inventory and intermediate inputs.

In future, we will start reporting around the six capitals. A significant amount of work has already been completed, which indicates that the business activities of SGS are net positive (which means that we contribute more value than we derive). There is further work to be done to adapt the concept to our business model using auditable data, but we expect to be in a position to report on this in detail in 2016. We are also focusing on aligning our future reporting to the IRRC framework. As such, 2016 will be a decisive year involving high-level stakeholder dialogue and consultation on our evolved reporting approach. More details on how we are measuring our value to society can be found on our website:

www.sgs.com/cs-report2015