



DISCLOSURE FOR G4-2: DESCRIPTION OF KEY IMPACTS, RISKS, AND OPPORTUNITIES

1 OUR KEY IMPACTS ON SUSTAINABILITY AND EFFECTS ON STAKEHOLDERS

Our key impacts on sustainability have been identified through our [materiality process](#). A summary of these for our seven most material topics is given below. Please see the “Why is this issue material to SGS” section under each of our material topics within our [Sustainability Report](#) for more detail on the risks and opportunities for SGS associated with current sustainability trends.

TOPIC	POTENTIAL RISKS FOR OUR STAKEHOLDERS	POTENTIAL OPPORTUNITIES FOR OUR STAKEHOLDERS
ETHICAL CONDUCT	<ul style="list-style-type: none"> • Potential customers may be defrauded by counterfeit “SGS” products • Potential loss of customer revenue and reputation from counterfeit products bearing SGS logo • Corruption and malpractice could lead to some stakeholders receiving unfair advantages or being exploited. Trust could be undermined 	<ul style="list-style-type: none"> • Customers and suppliers benefit from excellent professional conduct • Our professional conduct provides customers with a licence to operate and the ability to compete in the marketplace through products and services that meet expected standards
ECONOMIC PERFORMANCE	<ul style="list-style-type: none"> • Shareholders do not receive a return on their investment • Company is unable to attract and retain employees if it does not offer competitive compensation and benefits • Suppliers and creditors lose goodwill if obligations are not met • Governments lose revenue through taxes at national levels • Development opportunities at community level can be impaired if SGS does not ‘give back’ through pro bono services, donations and employee skills/time 	<ul style="list-style-type: none"> • Shareholders receive a return on their investments • Employees benefit from competitive salaries and benefits and SGS remains competitive in the labor market • Value to society through job creation and skills development • Obligations to suppliers and creditors are met • Customer orders are fulfilled • Governments gain tax revenues • Local communities receive investment through donations and sponsorship
OCCUPATIONAL HEALTH AND SAFETY (H&S)	<ul style="list-style-type: none"> • Employees and contractors could be subject to unsafe working conditions if H&S standards are not upheld • Adverse impact on employee wellbeing resulting in higher sickness absence/ lower productivity/ higher staff turnover • Loss of customer confidence in SGS systems linked to managing H&S risks 	<ul style="list-style-type: none"> • We work with our customers to improve safety • A strong safety culture supports business development by attracting and retaining customers who prioritize H&S in their service providers • We provide a range of H&S-related services that benefit our customers and their stakeholders

TOPIC	POTENTIAL RISKS FOR OUR STAKEHOLDERS	POTENTIAL OPPORTUNITIES FOR OUR STAKEHOLDERS
TALENT ACQUISITION AND DEVELOPMENT	<ul style="list-style-type: none"> • Failure to attract and retain talent would affect SGS's ability to deliver services to the standard expected by customers, resulting in loss of business • Lack of investment in employee development would adversely impact morale/productivity and ultimately staff turnover 	<ul style="list-style-type: none"> • Customers benefit from the expertise of our employees • Talented potential employees are offered competitive salaries and benefits and the prospect of ongoing professional skills and career development • Global business benefits from the increase in skills resulting from the training SGS provides to its own employees and to its customers
ENERGY AND CLIMATE CHANGE	<ul style="list-style-type: none"> • Although not particularly carbon intensive, SGS has the same duty as all other organisations to minimize its carbon footprint to reduce the potentially serious effects of climate change 	<ul style="list-style-type: none"> • We offer a wide range of services linked to reducing the carbon footprints of our customers • Local communities will benefit from our support of community carbon reduction projects
SUSTAINABILITY SERVICES	<ul style="list-style-type: none"> • Potential customers may be unable to take advantage of, or be unaware of, the benefits of responding proactively to climate change and other key sustainability risks and opportunities 	<ul style="list-style-type: none"> • Customers are able to improve their sustainability performance and/or their reputation/market opportunities • SGS shareholders could benefit from growth in this area • Employees could benefit from developing skills linked to sustainability services
HUMAN RIGHTS	<ul style="list-style-type: none"> • Corruption and malpractice could lead to some stakeholders receiving unfair advantages or being exploited. Trust could be undermined • Potential for legal challenges alleging human rights violations in business operations • Potential for social and/or political disruption due to denial of basic human rights, leading to labor strife, restricted access to goods or services, or delays in movement of finished products 	<ul style="list-style-type: none"> • All stakeholders benefit from a stable and just society where the individual and collective rights of people are consistently and thoroughly observed

1.1.1 PERFORMANCE

For a summary of our performance and explanation of trends, please see our online [Data Bank](#) for performance by sustainability pillar, as well as in-depth data. A summary of performance, key trends and future commitments is also given under the performance section of each our material topics within our online [Sustainability Report](#). Our economic performance is reported through our [Annual Report](#). In 2014, we developed a series of sustainability ambitions for 2020. These ambitions, and the wider sustainability challenges linked to many of them, are presented in our [2014 Sustainability Review](#).

Our performance on key areas is assessed through our [Green Book](#), which translates a range of sustainability indicators into financial costs to enable us to identify where actions are required to mitigate risk or maximize opportunities across our affiliates. This is presented every six months to our Operations Council members, many of whom serve on our Sustainability Steering Committee. In addition, we review our sustainability progress on an affiliate basis through our sustainability workshops. Read more about our processes to assess performance, and adjust our approach accordingly, in the 'How We Manage' and 'How We Measure' sections of our [Sustainability Report](#).

2 IMPACTS OF SUSTAINABILITY TRENDS, RISKS, AND OPPORTUNITIES ON SGS

2.1.1 KEY RISKS AND OPPORTUNITIES FOR SGS

The “Why this issue is material to SGS” section under each of our material topics within our [Sustainability Report](#) provides detail on the risks and opportunities for SGS associated with current sustainability trends. A summary of these for our seven most material topics is given below. We prioritize key sustainability topics through our [materiality process](#). This takes into account factors such as impacts on our strategy and competitive position, and well as financial impacts, using outputs from our Board risk review, our Green Book (which quantifies costs associated with a range of sustainability issues) and other analyses. See the [Materiality Results](#) section of our online Sustainability Report for more information on how this process was applied, and the outcomes, in 2014.

TOPIC	POTENTIAL RISKS FOR SGS	POTENTIAL OPPORTUNITIES FOR SGS
ETHICAL CONDUCT	<ul style="list-style-type: none"> • Reputational risk of malpractice • Financial and reputational risks of counterfeit “SGS” products • Risk that third parties may attempt to coerce our employees • Financial cost of prosecutions linked to malpractice 	<ul style="list-style-type: none"> • Excellent professional conduct is a potential differentiator for our customers and other stakeholders
ECONOMIC PERFORMANCE	<ul style="list-style-type: none"> • As with all businesses, economic slow-downs affecting particular business lines or whole markets can impede economic performance. See our Annual Report for a detailed analysis 	<ul style="list-style-type: none"> • Strong economic performance enables the company to return wealth to its stakeholders and fund further growth • Global scale means that risk of economic slowdown in certain markets is spread/ counter-balanced
OCCUPATIONAL HEALTH AND SAFETY (H&S)	<ul style="list-style-type: none"> • Some of the industries and locations in which we work, such as heavy industry and remote locations, have an inherent higher level of physical risk • Financial risk of fines/ prosecutions linked to poor management of health and safety • Reputational risk potentially leading to loss of business 	<ul style="list-style-type: none"> • We have a duty to maintain a safe and healthy workplace for our employees and contractors • A greater focus among some clients on the management systems underlying safety performance enables us to differentiate ourselves by our extensive global systems • Greater employee loyalty to the company due to their appreciation of the safe working environment
TALENT ACQUISITION AND DEVELOPMENT	<ul style="list-style-type: none"> • Global competition for talent is growing, and SGS requires highly skilled employees. Additionally, some of the industries in which SGS works typically have high levels of casual labour. Inability to maintain levels of skilled staff could lead to a loss of business 	<ul style="list-style-type: none"> • Increased international mobility of the workforce (particularly in science and technology-based industries) could enable SGS, as a global company, to fill vacancies from the widest talent pool • Development of employees internally may reduce recruitment costs • Development of our employees’ talents supports wellbeing and productivity

TOPIC	POTENTIAL RISKS FOR SGS	POTENTIAL OPPORTUNITIES FOR SGS
ENERGY AND CLIMATE CHANGE	<ul style="list-style-type: none"> Like all businesses, SGS is subject to potential regulatory, physical and socio-economic risks associated with climate change. See Risks and Opportunities Associated with Climate Change for more information Financial risk linked to environmental permits/ fines/ prosecutions Reputational impact of poor management of environmental impacts Financial risk of business growing without reduction in overhead costs linked to resource use (plus rising costs of resources putting a greater burden on overhead spend) 	<ul style="list-style-type: none"> We can help our customers address climate change through a range of services. See Risks and Opportunities Associated with Climate Change for more information
SUSTAINABILITY SERVICES	<ul style="list-style-type: none"> Customer demand for the more discretionary services is likely decline during economic downturns Increased competition from peer companies in response to customer and societal demand for sustainability services 	<ul style="list-style-type: none"> Opportunity to offer a wide range of services that contribute to a more sustainable future
HUMAN RIGHTS	<ul style="list-style-type: none"> Loss of trust and reputational integrity from a failure to protect the human rights of people affected by our business operations Financial risk linked to legal challenges resulting from human rights violations Social and/or political disruption to our business operations 	<ul style="list-style-type: none"> Compliance with human rights principles enshrined in national and international law is ensured We can help our customers to protect the rights of workers in their own operations and those producing goods and services for the global marketplace SGS and our customers benefit from maintaining positive stakeholder relations and contributing to a more stable and productive business environment

2.1.2 PERFORMANCE

For a summary of our performance and explanation of trends, please see our [Data Bank](#) for performance by sustainability pillar, as well as in-depth data. A summary of performance, key trends and future commitments is also given under the performance section of each our material topics within our online [Sustainability Report](#). In 2014, we developed a series of sustainability ambitions for 2020. These ambitions, and the wider sustainability challenges linked to many of them, are presented in our [2014 Sustainability Review](#).

2.1.3 GOVERNANCE

Our Board of Directors is responsible for the ultimate direction of the Group, and conducts the annual assessment of all the major risks to the Group. The Operations Council is responsible for the operational management of the Group, and is chaired by the Chief Executive Officer, who has ultimate responsibility for our operational integrity and sustainability performance. Many Operations Council members sit on the Sustainability Steering Committee which develops sustainability strategy, reviews performance and our management approach, and agrees core programs and targets. The Corporate Sustainability team is responsible for day-to-day management of sustainability, and develops the Group's policies, strategies and targets, in consultation with the Sustainability Steering Committee. For more information, see [Governance on Sustainability Issues](#) and [Managing Risks and Opportunities](#).