

SGS INVESTOR DAYS 2019

BUSINESS UPDATE

Frankie NG
CEO

7-9 November 2019

WHEN YOU NEED TO BE SURE

SGS

SGS BUSINESS PRINCIPLES SUCCESS ARE…



INTEGRITY
Making sure we build trust

RESPECT
Making sure we treat all people fairly

HEALTH AND SAFETY
Making sure we establish safe and healthy workplaces

SUSTAINABILITY
Making sure we add long-term value to society

QUALITY AND PROFESSIONALISM
Making sure we act and communicate responsibly

LEADERSHIP
Making sure together and think ahead

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OPERATIONS COUNCIL

SGS INVESTOR DAYS 2019
07-09 NOVEMBER



FRANKIE NG
CEO

BUSINESS LINES



OLIVIER COPPEY
Agriculture, Food and Life



WIM VAN LOON
Industrial



JEFFREY MCDONALD
Certification and Business Enhancement



DERICK GOVENDER
Minerals



CHARLES LY WA HOI
Consumer and Retail



ALIM SAIDOV
Oil, Gas and Chemicals



PETER POSSEMIERS
Environment, Health and Safety



THOMAS KLUKAS
Transportation



ROGER KAMGAING
Governments and Institutions

FUNCTIONS



DOMINIK DE DANIEL
Finance



TOBIAS REEKS
Investor Relations



OLIVIER MERKT
Legal & Compliance



FRED HERREN
Digital and Innovation



JOSÉ MARÍA HERNÁNDEZ-SAMPELAYO
Human Resources



CHRISTOPH HEIDLER
Information Technology

REGIONS



DIRK HELLEMANS
North and Central Europe



FRANKIE NG
North America



TEYMUR ABASOV
Eastern Europe and Middle East



LUIS FELIPE ELIAS
South and Central America



FABRICE EGLOFF
Africa and Western Europe



HELMUT CHIK
North East Asia



MALCOLM REID
South East Asia Pacific

UPDATE ON FY 2019 TRADING



- Recent macroeconomic trends have been challenging
- Continued softness in certain Lines of Business following H1
- Discontinuation of contracts with lower than expected returns following the dashboard review
- H2 2019 organic growth in the low single-digit
- Higher adjusted operating income margin in FY 2019
- Annualized savings from the structural optimization program of at least CHF 90m
- Cash generation to be robust
- Maintain best in class return on invested capital

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2020 PLAN GUIDANCE

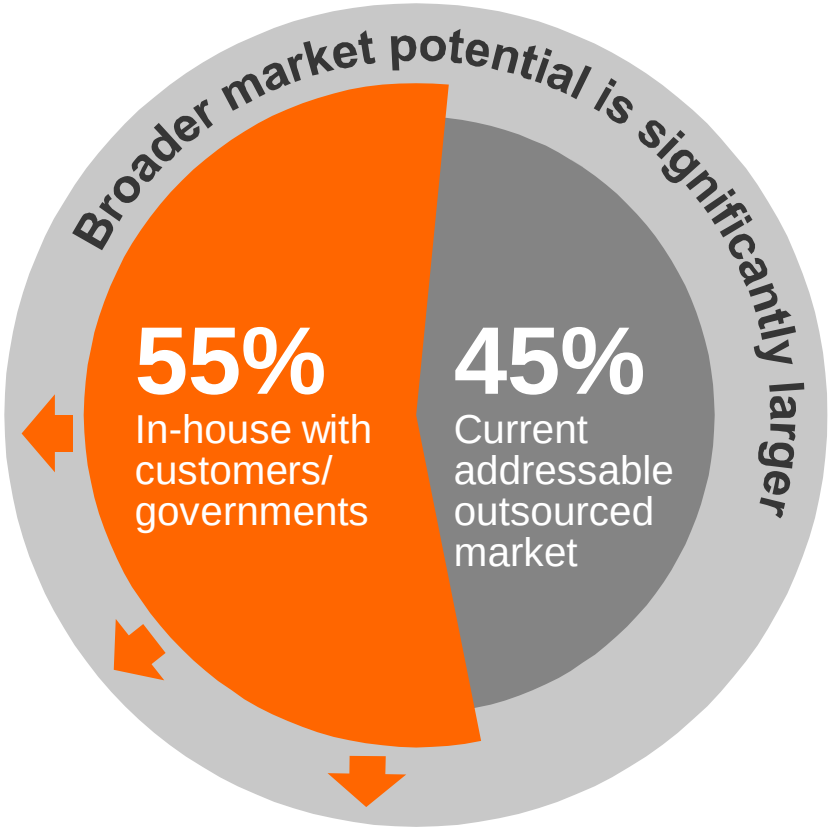
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- Solid organic growth
- Accelerate mergers and acquisitions and remaining disciplined on returns
- Adjusted operating income margin of above 17% by end of period
- Strong cash conversion
- Maintain best-in-class return on invested capital
- At least maintaining the dividend or grow it in line with the improvement in adjusted net earnings

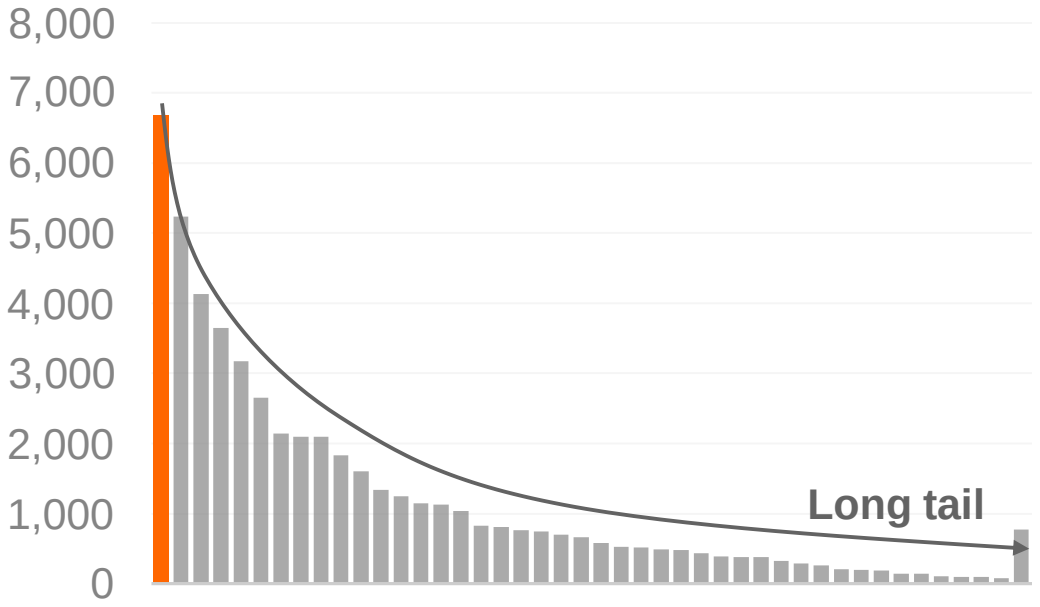
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A $230BN GLOBAL FRAGMENTED TIC MARKET





LARGEST TIC COMPANY REVENUE $M (TOP 20 = ~40% MARKET SHARE)



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TIC INDUSTRY GROWTH DRIVERS



REGULATIONS



- *Mandated Regulations*
- *Related to Regulations*

DATA

SUPPLY CHAIN GROWTH & COMPLEXITY

OUTSOURCING

GLOBAL GDP

REGULATION – NEW & ENFORCEMENT

SUSTAINABILITY

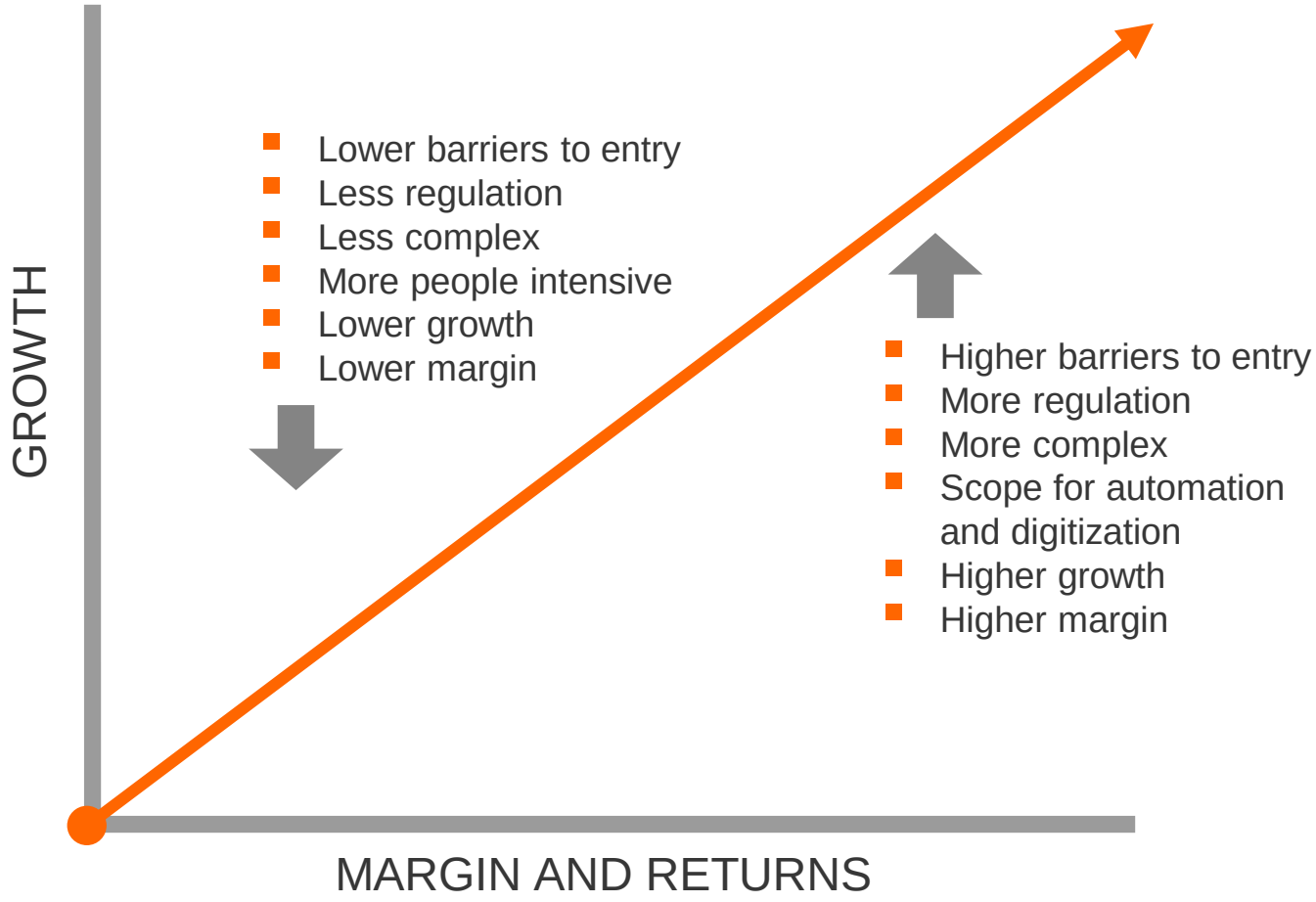
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

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- Curved line represents the smoothed leading TIC company growth

CAPITAL ALLOCATION TOWARDS HIGHER VALUE CREATION





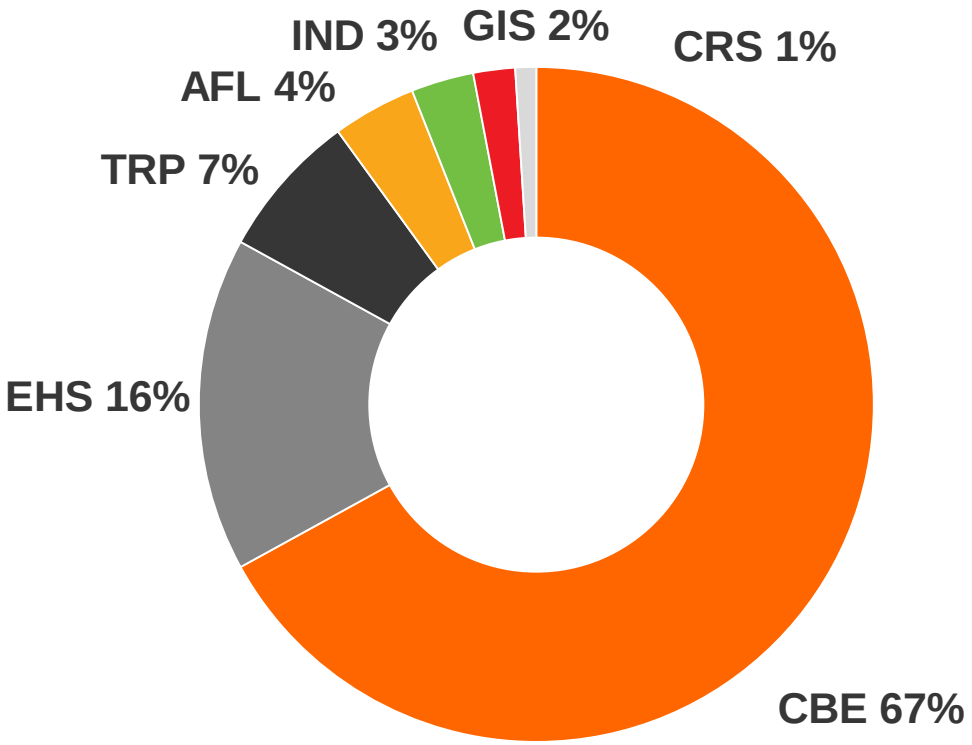
PETROLEUM SERVICE CORPORATION

Maine Pointe
Total Value Optimization • Guaranteed™

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ACCELERATING M&A





12 acquisitions in 2019
so far compared to 9 in 2018

Targets are focused on
growth areas

CHF 120m of acquired revenue
so far in 2019 CHF33m in 2018

Full pipeline
with many larger targets

All acquisitions expected to be
EVA positive in 2020

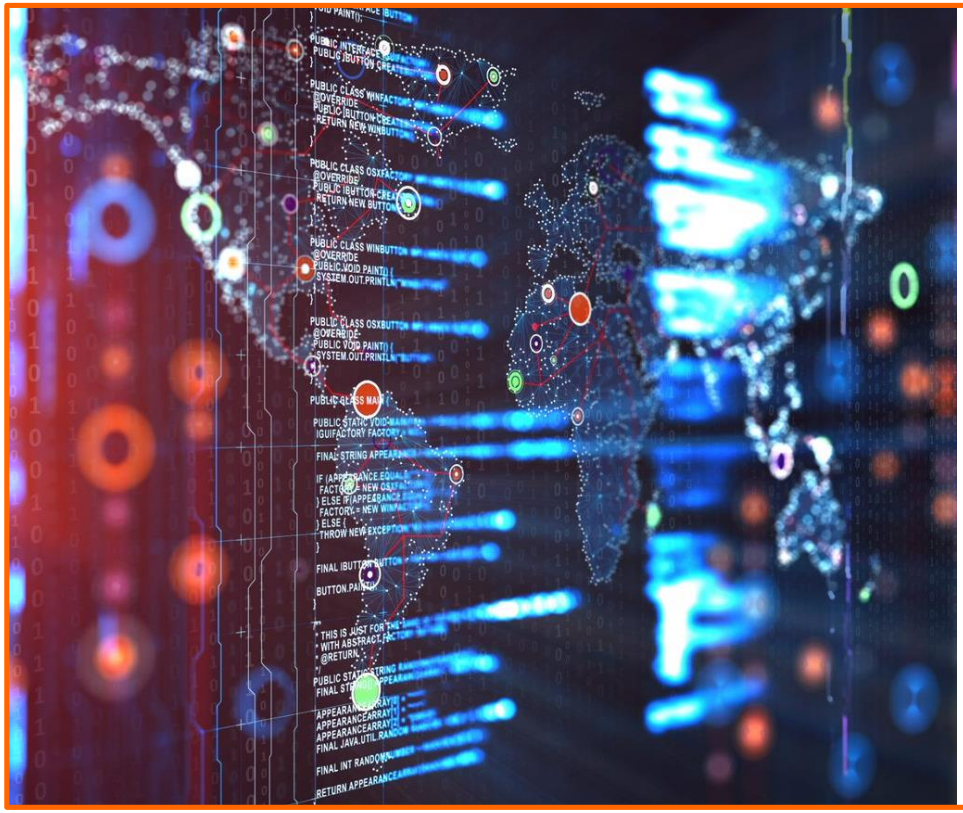
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LEVERAGING M&A ACROSS THE GLOBAL NETWORK



	Country	Rationale for acquiring	Deployment in network
SGS WTS 2006	▪ USA ▪ CRS	▪ Create a global testing market to service major mobile phone OEMs	▪ Services supported by Global network accessing key Asian OEMs and supporting their expansion
SGS Bluesign 2008	▪ Switzerland ▪ CRS	▪ Experts in chemical management for the textile industry	▪ Services expanded to major Asian countries, US and other EU countries ▪ 37% CAGR since joining SGS Group
SGS Galson 2014	▪ USA ▪ EHS	▪ Leverage expertise and capacity in industrial hygiene testing and pump rental for global customers	▪ Now world's largest Industrial Hygiene Air Testing lab ▪ Revenue generating across entire SGS network
SGS Search 2014	▪ Netherlands ▪ EHS	▪ Provide a platform to access European real estate and fire safety markets	▪ Asbestos lab network established across Europe ▪ Service expansion to energy efficiency and building inspection
SGS BioPremier 2016	▪ Portugal ▪ AFL	▪ New technology to complement food authenticity testing portfolio	▪ NGS methodology replicated in key regional food centers (US, China, Germany)
SGS Axys 2016	▪ Canada ▪ EHS	▪ Acquire competence in North America for complex testing of micro-pollutants	▪ Combining with SGS Wilmington's expertise and scale has enabled joint tenders for larger contracts in NAM
SGS Vanguard 2018	▪ USA ▪ AFL	▪ Accelerate US food market expansion and secure local expertise	▪ 2 additional labs on East & West coasts of USA ▪ Hub & Spoke model to optimize resources

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DIGITAL EVOLUTION @ SGS

EVOLUTION OF DIGITAL SERVICES AND PRODUCTIVITY



Workflow Digitalization
TransiNet with 600K transactions with little human intervention

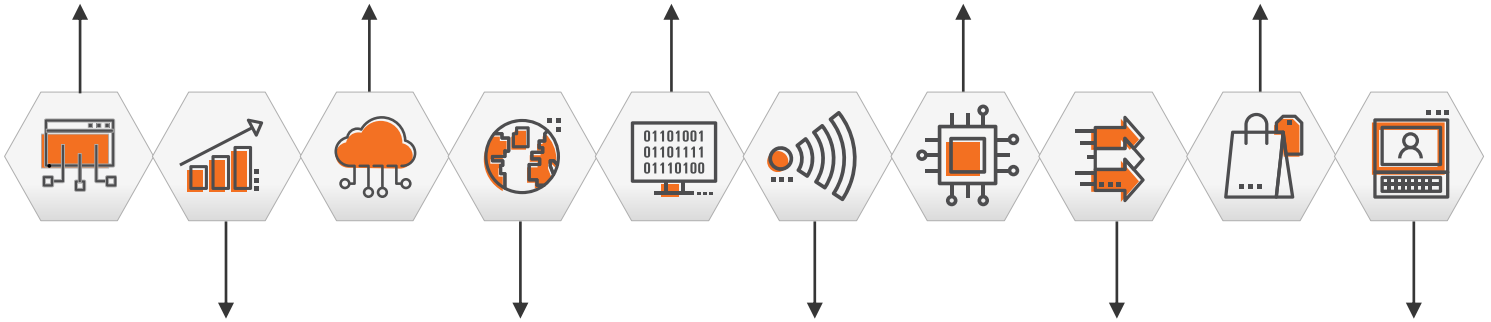
Data
Enhancing Consulting/training value by using historical data from certification/ inspection

Algorithms
AI algorithms enhancing productivity of results interpretation by 20%

Smart Sensors
3.5 million data points per day for air quality monitoring

eCommerce
SGS Customer portal adding value for online transactions

eCommerce portals increasing use of combined digital and physical services



Advanced Analytics
15m/year data points to clients for tracking of O&G consignments

Cloud migration
2000 servers migrated to Azure cloud

Connectivity
5G investment and deployment across network

Executed 30K inspections with remote solutions

Digital Services
DigiComply 5 million documents indexed & 10K webpages scanned daily

User Centricity
cybersecurity solutions in line with market needs

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TRANSITNET

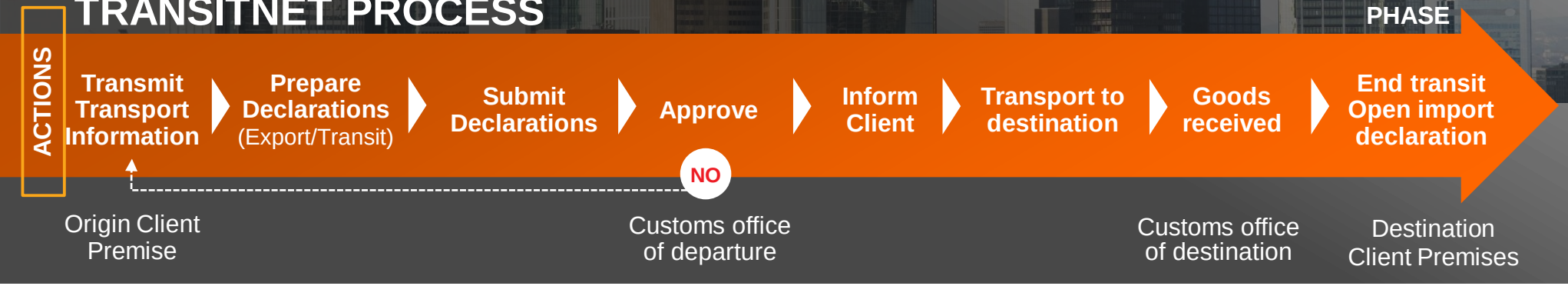


An effective alternative to a paper TIR system.

A dematerialized service to forwarding, transporting and shipping companies across the EU and other territories

Support of EU Commission & Customs

TRANSITNET PROCESS



Low churn, high renewal **>600k** transactions in 2019

CHF 100 mio revenue expected by 2025

100% digital solution since 2018

Maco and i2i acquisitions provide synergies

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NEW REGULATORY FRAMEWORK OPPORTUNITIES FOR TIC SECTOR



enisa European Network and Information Security Agency

Bundesamt für Sicherheit in der Informationstechnik

SOGIS Recognition Agreement

- European Cybersecurity Act approved 27th March 2019. Provides a framework for certification of all ICT products and clear mention of 3rd party certification
- US: Bill 734 and Internet of Things (IoT) Cybersecurity Improvement Act of 2019 requires US devices by the government to meet minimum requirements. More legislation to follow
- China: Expected regulations for security and privacy in IoT, privacy on mobile apps and technical guidelines. New Cryptography Law Oct 2019

CCN centro criptológico nacional

TIC industry to:

Help manufacturers of connected devices to demonstrate compliance with these requirements	Verify that a company network is able to resist average hacking attacks and has no inherent weakness	Certify organizations and people in respect of their capacity to deal with cyber risks

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SGS FOCUS AND ACTION PLAN

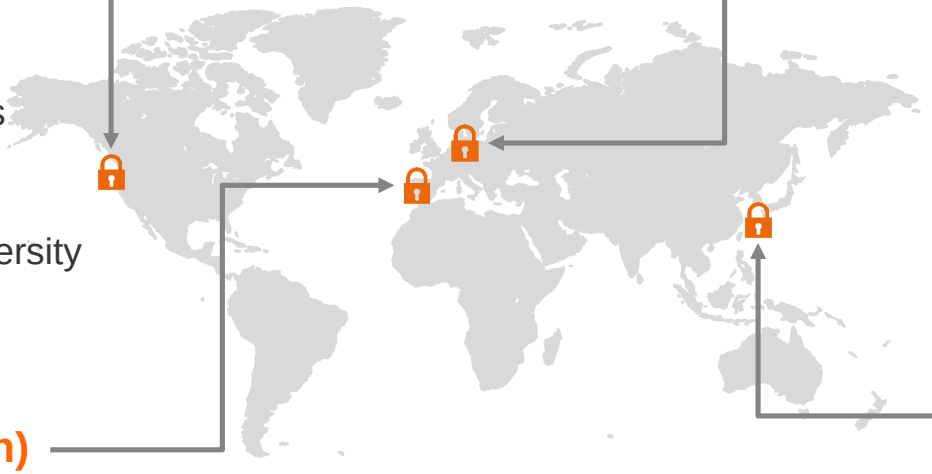


CyberLab North America

- Scheduled to open for business Q2 2020
- Focus on North American market
- Balance between networks assessments and product testing
- Partnership with local university envisaged

CyberLab Graz (Austria)

- Focus on product testing
- Operational From Sept 2019
- 7000 m2 and up to 250 Specialists by 2025
- Joint Venture with Technical University of Graz to set up a research institute signed Q1 2019.



CyberLab Madrid (Spain)

- Operational since March 2018
- Focus on Networks assessments & Pentesting
- SGS Global SOC

CyberLab Asia

- Scheduled H2 2020
- Balance between networks assessments and product testing

DIGITAL TRUST SERVICES

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EVOLUTION OF AUTOMATION AND ROBOTICS







PHASE 1

Safety Test Automation System (STAS) developed – a control box to automate safety testing lab

- Project started in 2015
- Significant improvement in testing parameter input accuracy
- > 50 FTE saving in China so far
- Replicated across China and further across global network

ROBOTICS

- Robots developed in > 10 different lab environments
- I.e. robotics arm deployed in auto and chemical labs
- > 15 FTE saving for these projects

PHASE 2

Connected STAS to robotics and automation equipment

- Project started 2017
- > 10 FTE additional saving for these projects
- Improves HSE
- Accuracy further improved as all robotics testing instructions are controlled centrally by STAS

PLAN FOR 2020:

6 more new types of robot in NEA: Taiwan, China, Korea

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OPERATIONAL INTEGRITY COMBINED WITH WORLD CLASS SERVICES @ SGS

WCS AT SGS

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Training, kaizen events and compass tools coaching

20 largest labs covering all geographies and businesses

250 Days of compass tools coaching

150 Days of classroom training

200 Kaizen events

Kaizen projects
typical return less than 12 months

WCS teams
are implemented

Activities kicked off @ local level in
100% of labs

Solid indications of waste/loss potential (baseline for productivity improvements) → **compass tools driving actions**

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OPERATIONAL INTEGRITY RESULTS

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Accident rate divided by 2,5 during the last 5 years, and by **4 during the last 9 years**

All managers and employees trained

2,4 million of Safety-Health & Environment training and awareness hours per year

170,000 trained people for SGS Rules for Life during the last 5 years

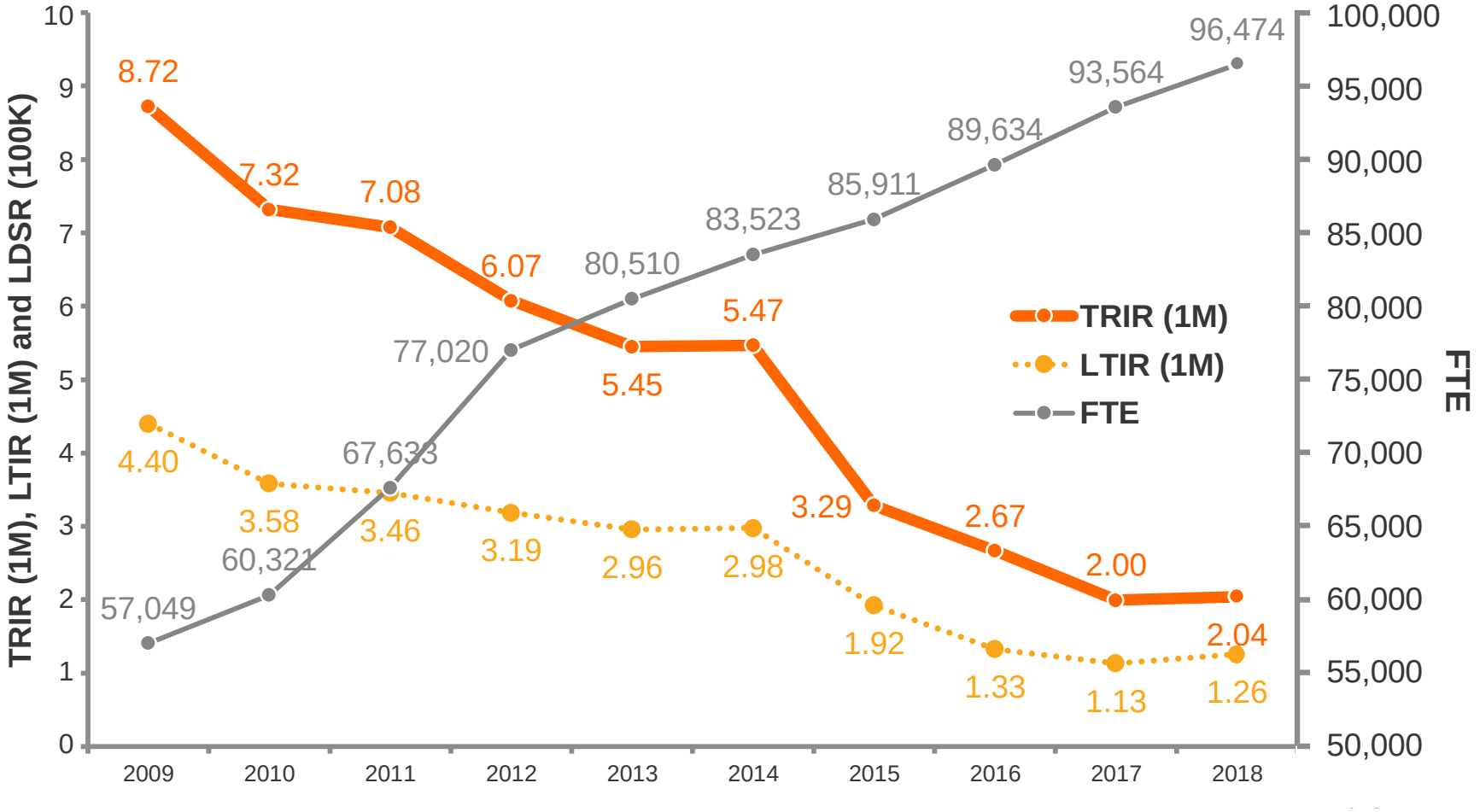
2,500 ''OI Audits'' per year

10,000 ''Risk Assessments'' per year

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RESULTS & BENCHMARK





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VALUE TO SOCIETY - SUSTAINABILITY

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Sustainability leadership is fundamental to our culture and inherently present in our services, allowing us to create long-term value for SGS' employees, customers, shareholders and for society

SUPPLY CHAIN



DIRECT OPERATIONS



SERVICES



VALUE FOR



EMPLOYEES & SUPPLIERS



CUSTOMERS



GOVERNMENT & INDUSTRIES



INVESTORS



COMMUNITIES & THE PLANET



CONSUMERS

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OUR VALUE TO SOCIETY

SUSTAINABILITY HIGHLIGHTS AND RECOGNITIONS

2019 AWARDS AND RECOGNITION

DJSI INDUSTRY LEADER 2019 –
6 years

SAM GOLD CLASS 2019 -
5 years

FTSE4GOOD INDEX
We were included in the FTSE4Good Index for the third time.

ECOVADIS GOLD RATING
4 years

CDP SUPPLIER ENGAGEMENT LEADER
Named Carbon Disclosure Project (CDP) Supplier Engagement Leader

BUILDING PUBLIC TRUST AWARD 2019
Best Integrated Report in Switzerland



2018 HIGHLIGHTS

1.5 CHF MILLION
Invested in communities around the world

22%
Decrease in total Greenhouse gas emissions against a 2014 baseline

CARBON NEUTRAL
SGS maintained its status as a carbon neutral company

63%
Total recordable incident rate (TRIR) reduced by 63% against a 2014 baseline

4.4 MILLION
Employee training hours across the SGS network

58%
Lost time incident (LTIR) reduced by 58% since 2014 baseline

18,544
Volunteering hours donated to community projects

SUSTAINABILITY AS A SERVICE



	Customer Problem	SGS Solution	Target Customers
Responsible Sourcing	▪ Long and opaque supply chains ▪ "Responsible sourcing" regulations ▪ Supply security concerns ▪ Brand / reputation damage risks ▪ Consumer pressures	▪ Minerals and Agri products traceability (blockchain) ▪ Provenance / authenticity assurance (tagging, marking, fingerprinting) ▪ Defining / interpreting responsible supply chain standards and metrics	▪ Technology and electronics companies ▪ Automotive ▪ Aerospace ▪ Finance (banks and tokenized investment)
Circular Economy	▪ Supply security concerns ▪ ESG commitments / pressures ▪ Consumer expectations ▪ Policy challenges ▪ Health and safety risks ▪ Operational challenges (quality)	▪ EV minerals, e-waste and plastics recycling ▪ Other waste monetisation and disposal ▪ Second life / repurposing of products testing ▪ Recyclability of products ("design out" waste) ▪ Recycling standards (input and output quality) ▪ Supply chain optimization & policy support	▪ EV value chain (battery and EV makers) ▪ Governments and intl. organizations ▪ Electronics companies ▪ Miners and midstream players looking to move into recycling ▪ Recyclers
Environmental Impact Management	▪ ESG commitments / pressures ▪ Climate change risks ▪ Health and safety risks	▪ Biodiversity, land and water (use and regeneration) ▪ Carbon measurement and management across lifecycle / value chain ▪ Air quality / emissions monitoring ▪ Energy efficiency and renewables ▪ Health impact monitoring	▪ Upstream players (mining, oil & gas, farming) ▪ Midstream (smelters & refineries) ▪ Downstream (value chain environmental impact measurement) ▪ Governments and intl. organizations ▪ Cities
Process Sustainability	▪ Reconciling sustainability with operational efficiency ▪ Fragmented value chain view ▪ Challenges to simulate / predict longer term impact	▪ Process sustainability design, measurement and testing / simulation (incl. using AI) ▪ Process optimization across value chain and product lifecycle ▪ Closure and remediation ▪ Business resilience testing	▪ Upstream ▪ Midstream ▪ Downstream (manufacturing)

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TIC MEGATRENDS

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CONNECTIVITY



HEALTH & WELLNESS



MOBILITY



CYBERSECURITY



SUSTAINABILITY & CLIMATE



NUTRITION

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WHEN YOU NEED TO BE SURE

