



CONSUMER & RETAIL SERVICES @ SGS

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WHEN YOU NEED TO BE SURE



EVOLUTION: THE ENVIRONMENT AND SGS

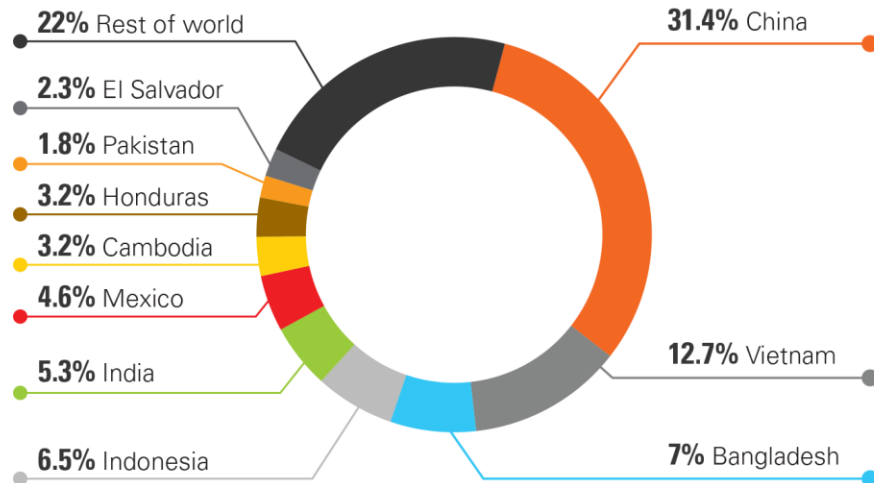
- Traditional market under pressure:
 - Weak economy
 - Cost pressure
 - Rise of e-Commerce
- China production and export facing headwinds:
 - Production migration from China to other countries
 - TPP makes China less attractive as the 'world factory'
- Reorganization for SGS:
 - Renewed focus for consumer goods
 - Food and Automotive SBUs move to other business lines with better synergies



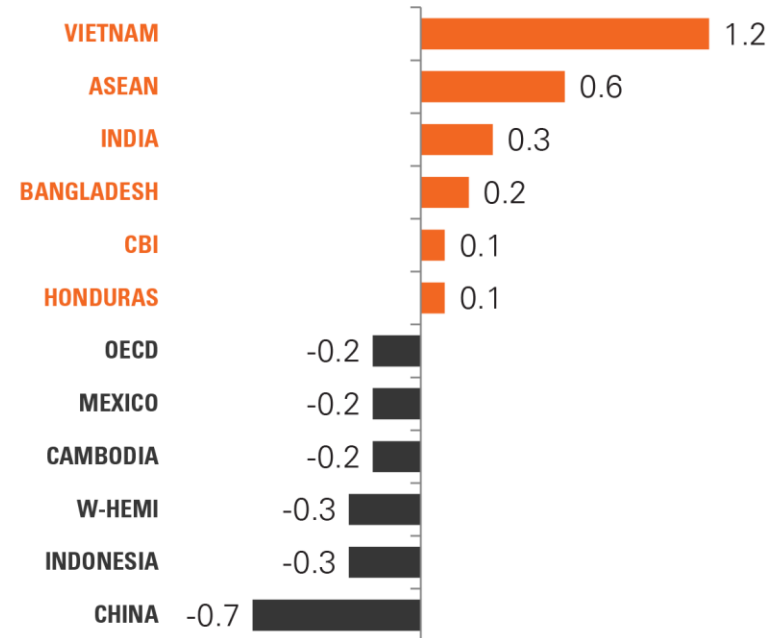
- Market fundamental remains sound:
 - Shorter product lifecycle
 - Digital economy and Internet of Things
 - Rise of e-Commerce market place
 - US bounce back
 - New buying market: China becomes world's market and investor

- CRS beyond China:
 - New sourcing countries
 - Refocused service approach: networked sales strategies to reposition in potential growth areas

**U.S. APPAREL IMPORTS
BY COUNTRY OF ORIGIN (DOLLAR VOLUME) YTD MAY 2015**



**MAJOR US APPAREL IMPORT SHARE SHIFTS
BY TOP COUNTRY/REGION**



YTD May 2015 vs. 2014

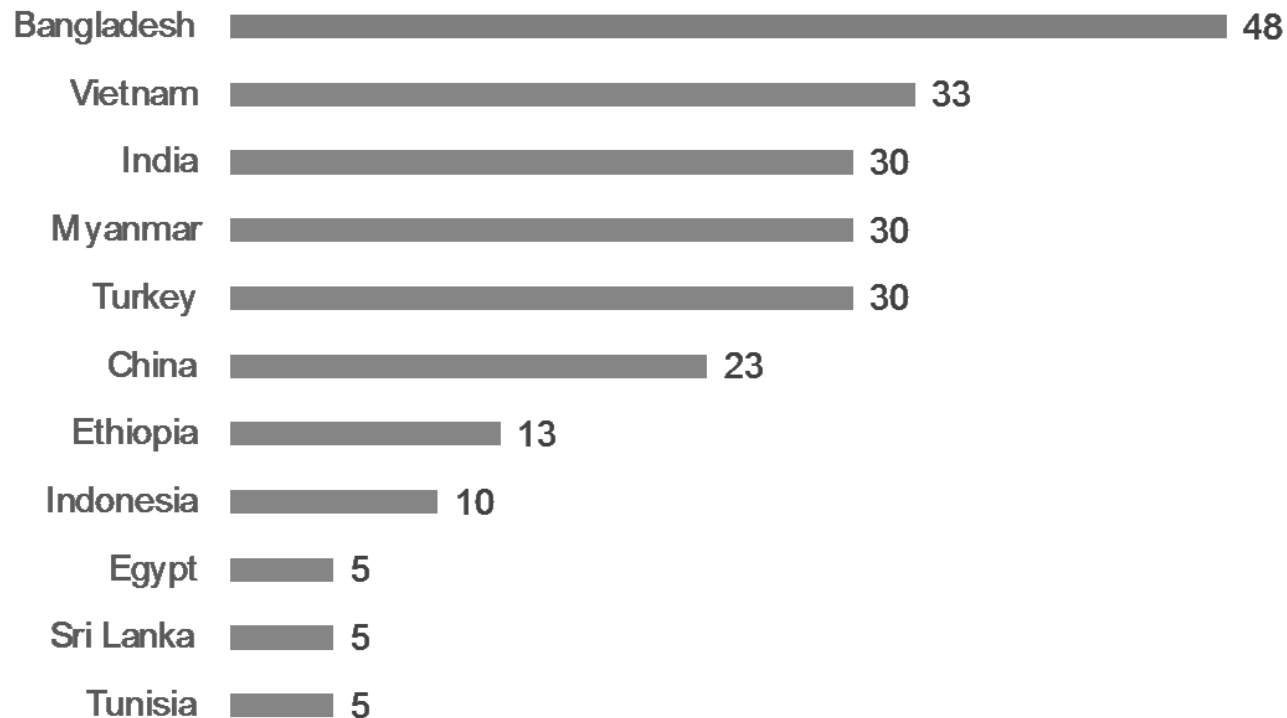
Source: OTEXA

<https://www.sourcingjournalonline.com/china-suffers-biggest-loss-u-s-apparel-import-share-year/>

Exhibit 1: Bangladesh remains the top future sourcing location;
Ethiopia appears on the list for the first time.

“What will be the top 3 sourcing destinations over the next 5 years?”

Respondents who ranked the respective countries within the top 3, n = 40, %

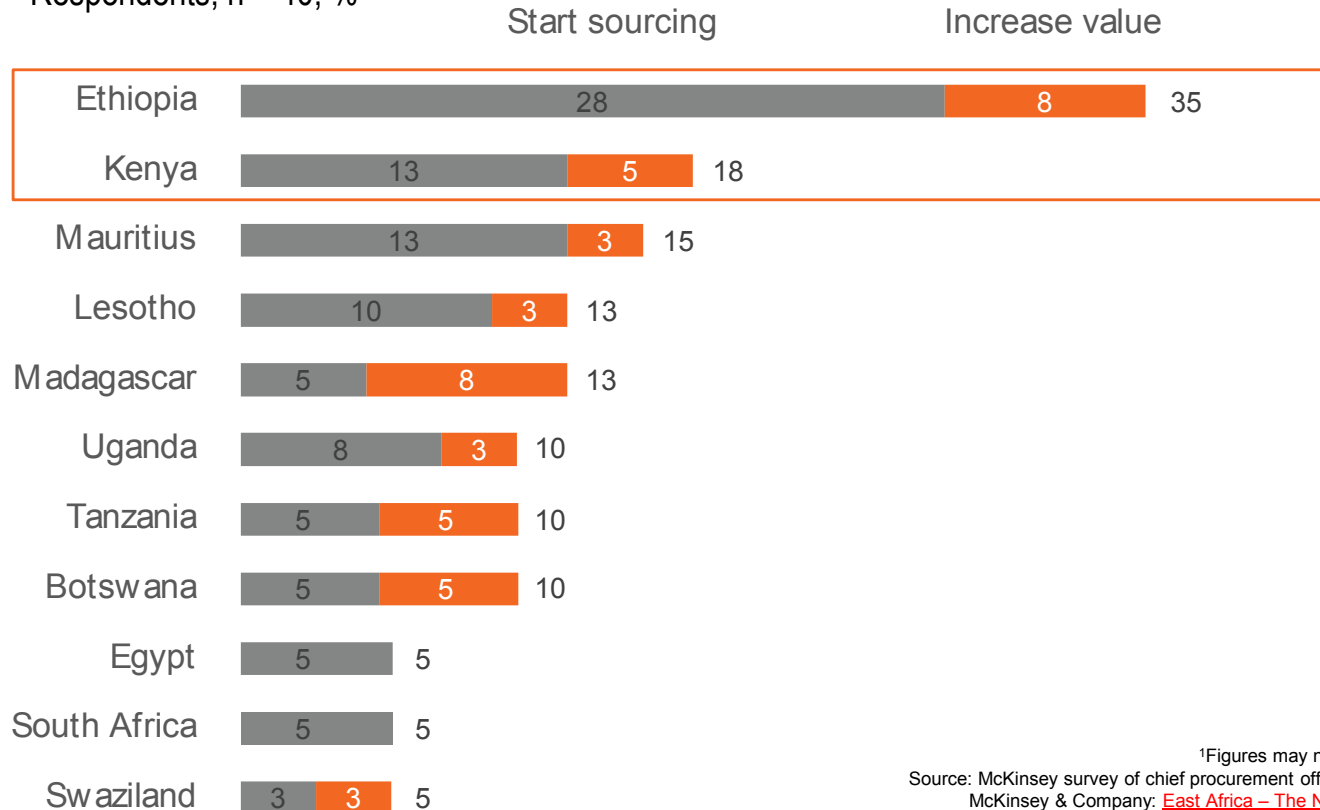


Source: McKinsey survey of chief procurement officers, January/February 2015
McKinsey & Company: [East Africa – The Next Hub for Apparel Sourcing](#)

Exhibit 2: Among sub-Saharan African countries, Ethiopia and Kenya are of greatest interest to global buyers.

“Do you expect to either start or increase sourcing from these countries between now and 2020?”

Respondents, n = 40, %¹



¹Figures may not sum, because of rounding.

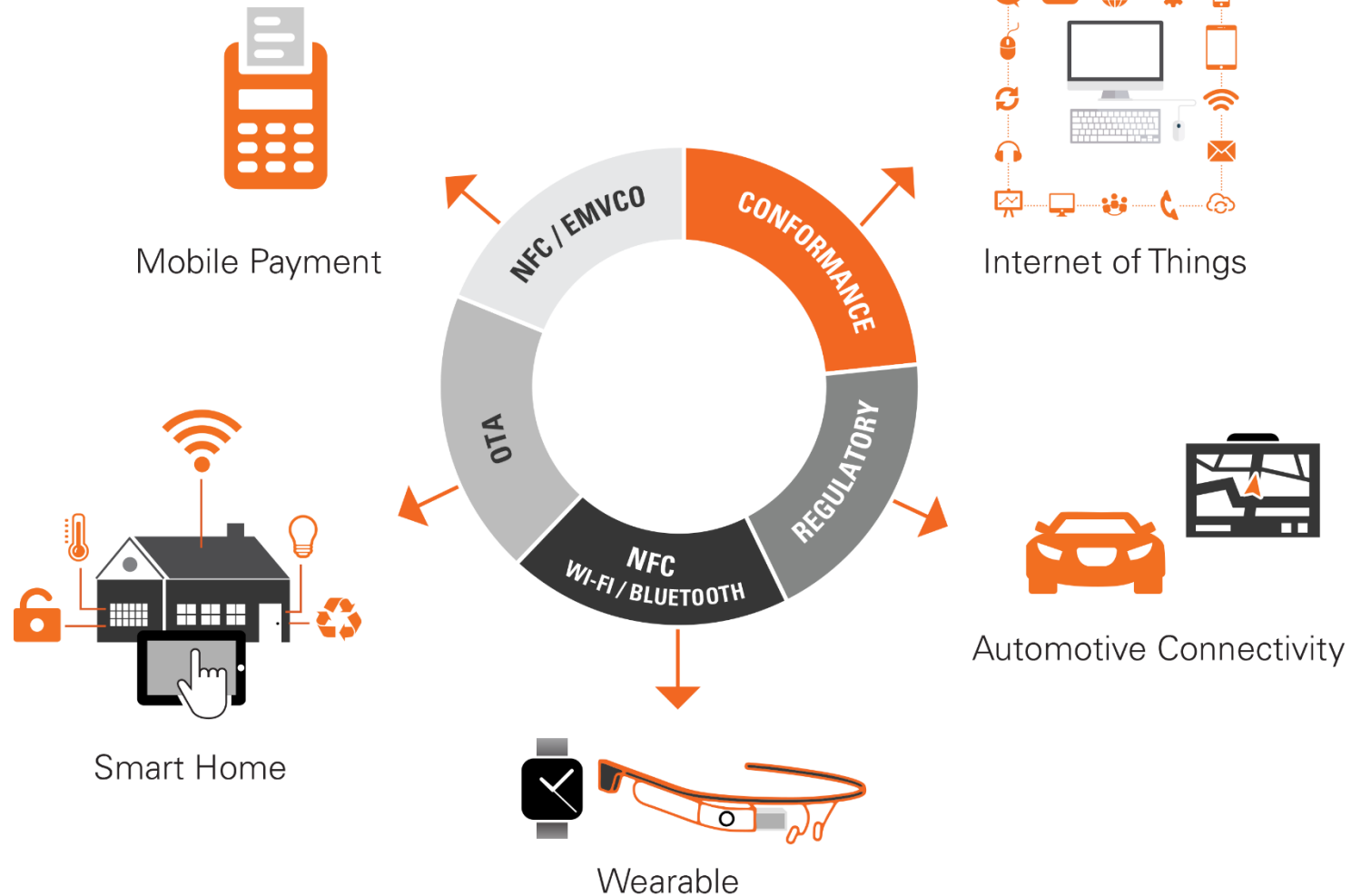
Source: McKinsey survey of chief procurement officers, January/February 2015
McKinsey & Company: [East Africa – The Next Hub for Apparel Sourcing](#)

- Traditional market, but growth potential exists in middle term
- Strategic lab development in new sourcing countries
- Beyond RSTS, providing holistic solutions for ZDHC:
 - Driving market trend to manage chemicals, from upstream through whole supply chain
 - Extend RSTS services from RSL to MRSL, testing from product/raw materials to chemical products
 - Continuing demand for wastewater testing, EHS audit, chemical management training
 - Prepare solutions for evolution to other industries, such as leather

SOFTLINES AND HARDLINES: ADJUSTMENT AND OPPORTUNITY

- China becomes the world's market – GB testing demands increase throughout the network
- Revitalizing and evolving traditional field services with sustainability elements
- Developing new service for fire technology
- Restructure Strategic Account Platform to
 - Retailer team
 - e-Commerce team
- Merging TJP with Hardgoods: leverage synergies and further improve efficiency

- North America: safety solutions
- Fast-growing products:
 - Wearable tech
 - Medical devices
- Wireless goes beyond mobile phones:
 - Internet of Things
 - Electronic and mobile payment security: testing and certification
- New technologies with new requirements:
 - Functional safety
 - IoP
 - Software security



WHERE DO WE FOCUS? KEY MARKETS



- Major buying markets driving volume for SL and HL:
 - The US
 - The EU, particularly Germany

- Rapidly developing domestic markets – future stars:
 - China: GB, wireless, market liberalization, IOT, eCommerce, M&A opportunities
 - US: technology-driven services including wireless, medical devices, US safety solutions, eCommerce, M&A opportunities

WHERE DO WE FOCUS? PROCESS AND RESOURCES



- Digitalization, automation and process improvement to drive additional efficiency
- Re-aligning resources and re-deploying operational excellence:
 - Rationalizing cost base
 - Rapid efficiency improvements in declining countries
 - Re-deploy global key account management and operational expertise to emerging supplying countries



SGS