SGS INVESTOR DAYS 2019

BUSINESS UPDATE

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CEO

7-9 November 2019
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
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
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
A $230BN GLOBAL FRAGMENTED TIC MARKET

Broader market potential is significantly larger

55% In-house with customers/governments
45% Current addressable outsourced market

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

REGULATIONS

- Mandated Regulations
- Related to Regulations

SUPPLY CHAIN GROWTH & COMPLEXITY

OUTSOURCING

GLOBAL GDP

REGULATION – NEW & ENFORCEMENT

SUSTAINABILITY

DATA

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Curved line represents the smoothed leading TIC company growth
CAPITAL ALLOCATION TOWARDS HIGHER VALUE CREATION

- Lower barriers to entry
- Less regulation
- Less complex
- More people intensive
- Lower growth
- Lower margin

- Higher barriers to entry
- More regulation
- More complex
- Scope for automation and digitization
- Higher growth
- Higher margin
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
## LEVERAGING M&A ACROSS THE GLOBAL NETWORK

<table>
<thead>
<tr>
<th>Country</th>
<th>Rationale for acquiring</th>
<th>Deployment in network</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SGS WTS 2006</strong></td>
<td>USA, CRS</td>
<td>Create a global testing market to service major mobile phone OEMs</td>
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<tr>
<td><strong>SGS Bluesign 2008</strong></td>
<td>Switzerland, CRS</td>
<td>Experts in chemical management for the textile industry</td>
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<tr>
<td><strong>SGS Galson 2014</strong></td>
<td>USA, EHS</td>
<td>Leverage expertise and capacity in industrial hygiene testing and pump rental for global customers</td>
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<tr>
<td><strong>SGS Search 2014</strong></td>
<td>Netherlands, EHS</td>
<td>Provide a platform to access European real estate and fire safety markets</td>
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<tr>
<td><strong>SGS BioPremier 2016</strong></td>
<td>Portugal, AFL</td>
<td>New technology to complement food authenticity testing portfolio</td>
</tr>
<tr>
<td><strong>SGS Axys 2016</strong></td>
<td>Canada, EHS</td>
<td>Acquire competence in North America for complex testing of micro-pollutants</td>
</tr>
<tr>
<td><strong>SGS Vanguard 2018</strong></td>
<td>USA, AFL</td>
<td>Accelerate US food market expansion and secure local expertise</td>
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</table>
Evolutions 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*
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

Origin Client Premise

Customs office of departure

Approve

Inform Client

Transport to destination

Goods received

End transit Open import declaration

Phases:
- Transmit Transport Information
- Prepare Declarations (Export/Transit)
- Submit Declarations
- Approve
- Inform Client
- Transport to destination
- Goods received
- End transit Open import declaration

Actions:
- Origin Client Premise
- Customs office of departure
- Customs office of destination
- Destination Client Premises

- 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

- 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

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
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 Madrid (Spain)
- Operational since March 2018
- Focus on Networks assessments & Pentesting
- SGS Global SOC

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

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

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
OPERATIONAL INTEGRITY COMBINED WITH WORLD CLASS SERVICES @ SGS
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

**WCS AT SGS**

**Kaizen projects**
typical return less than 12 months

**WCS teams**
are implemented

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

**Activities kicked off @ local level in**
**100% of labs**
OPERATIONAL INTEGRITY
RESULTS

Accident rate divided by 2.5 during the last 5 years, and by 4 during the last 9 years.

All managers and employees trained:

- 170,000 trained people for SGS Rules for Life during the last 5 years
- 2,500 "OI Audits" per year

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

10,000 “Risk Assessments” per year
RESULTS & BENCHMARK

TRIR (1M), LTIR (1M) and LDSR (100K)

TRIR (1M)
LTIR (1M)
FTE

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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.
OUR VALUE TO SOCIETY
SUSTAINABILITY HIGHLIGHTS AND RECOGNITIONS

2019 AWARDS AND RECOGNITION

- **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
- **pwc 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
<table>
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<th>Customer Problem</th>
<th>SGS Solution</th>
<th>Target Customers</th>
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| **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) |
TIC MEGATRENDS

CONNECTIVITY

HEALTH & WELLNESS

MOBILITY

CYBERSECURITY

SUSTAINABILITY & CLIMATE

NUTRITION