



CBE: GROWTH STRATEGY UPDATE

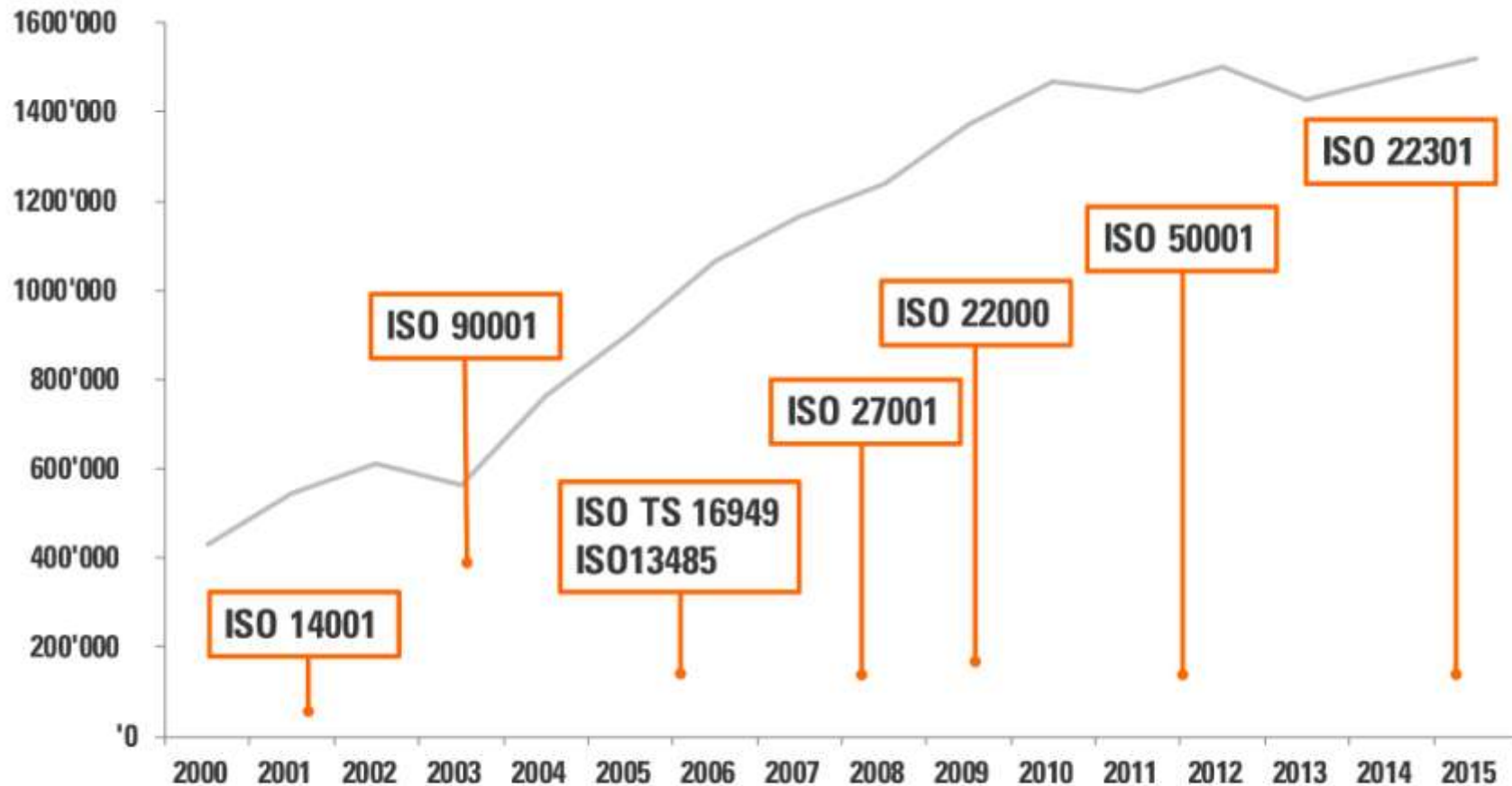
Jeffrey McDonald – EVP – Certification & Business Enhancement

Investor Days, 27-28 October 2016

WHEN YOU NEED TO BE SURE



Number of certificates





CERTIFICATION



THIRD PARTY

Audit and certification of customers' management systems to internationally recognized standards



BUSINESS ENHANCEMENT



**PERFORMANCE
ASSESSMENT**



**TECHNICAL
SOLUTIONS**



TRAINING

Change or transformation that improves or increases the value of people, process, product or service

| | | | | |
|-------------------|-----------------------|--------------|--------------|--------------|
| MARKET SIZE (BN) | 4–5 | 25–35 | 60–80 | 350–360 |
| OUTSOURCED (%) | 100% | 50% | 80% | 40% |
| MARKET GROWTH (%) | Low/mid single digit* | Double digit | Double digit | Double digit |

**High growth in industry specific sectors*

2016 → 2020 **Focus on high growth certification sectors**

Priority areas:

-  Medical devices
-  Digital services
-  Hospitality & travel
-  Pharma/cosmetics
-  Energy management

Traditional, stable growth certification business

✦ CENTRALIZATION OF NON-TRANSACTIONAL BACK OFFICE ACTIVITIES

- Auditor cost optimization / improved scheduling
- Accreditation management

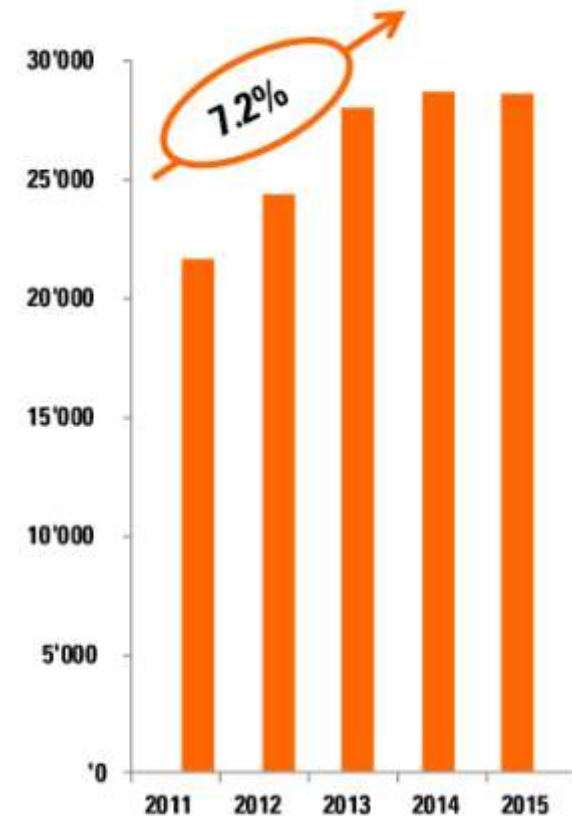
Industry trends

- Market growing at 20% and anticipated to reach CHF 400 billion by 2018
- Dramatic increase in regulatory requirements and increased scrutiny by Notified Bodies
- Increasing demand for better healthcare and development of innovative medical devices

Our services

- CE marking of medical devices and in vitro diagnostic medical devices
- ISO 13485 certification
- Medical devices single audit program
- Single solution provider with robust lab network

- Total certificates CAGR: ISO 13485



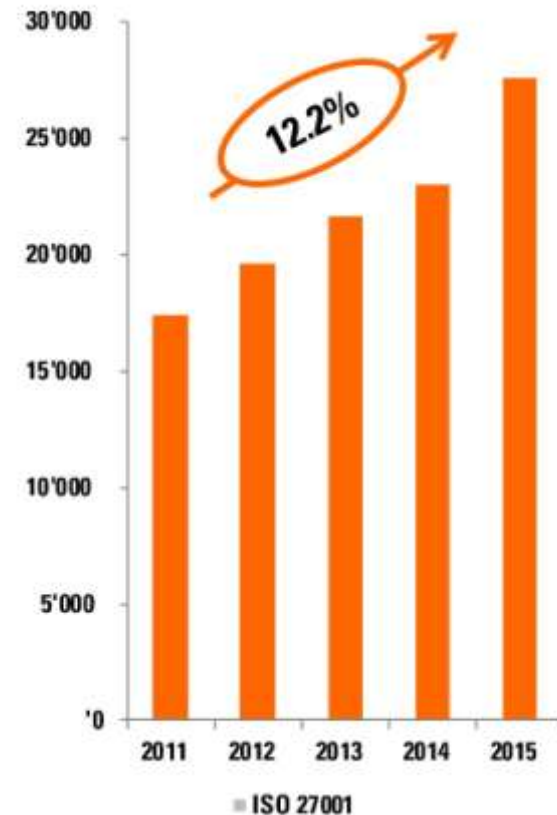
Industry trends

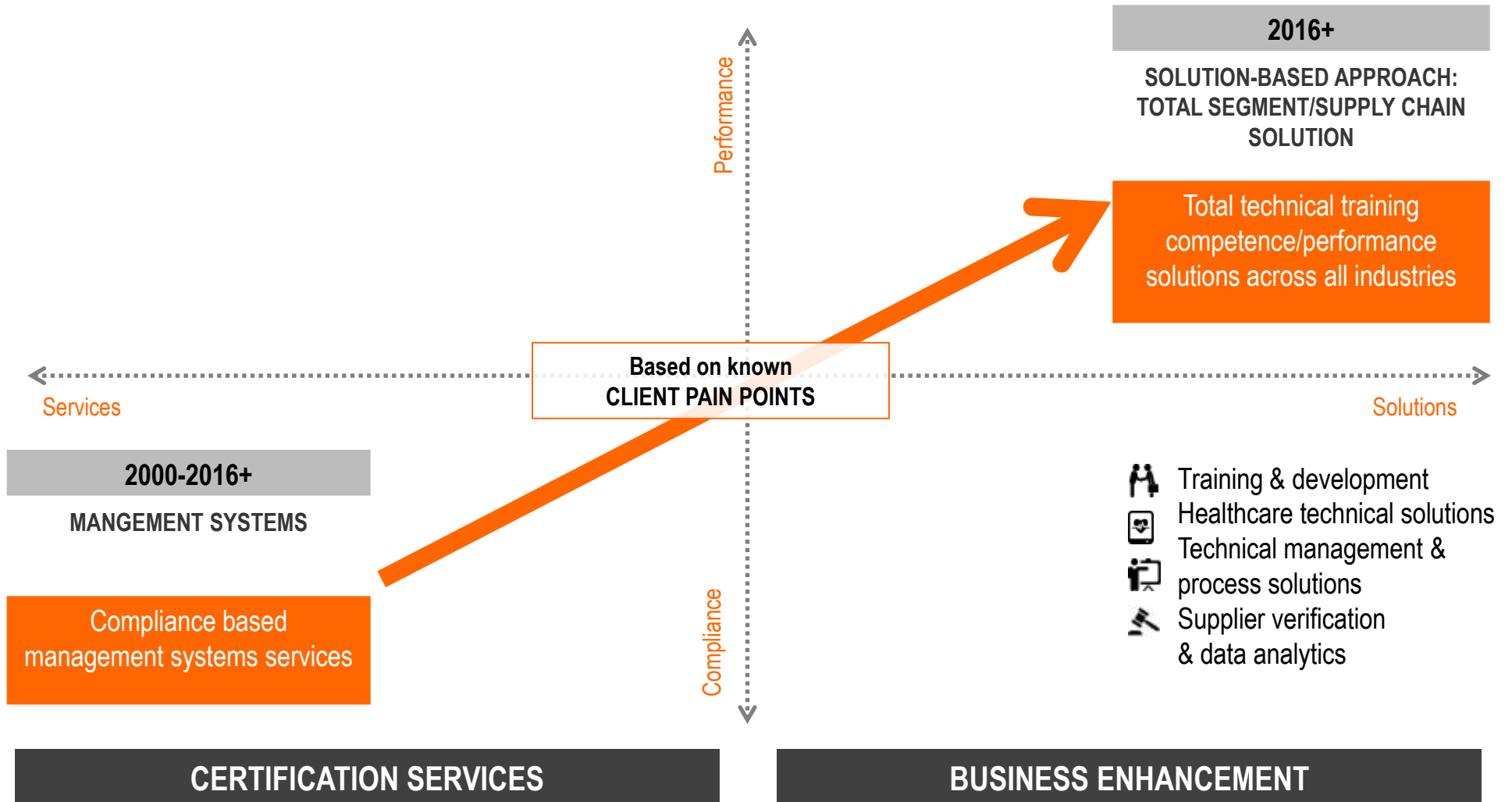
- Market estimated to grow to USD 170 billion by 2020
- US information security budgets growth almost double IT budget growth
- SGS core competency: audits to a standard (over 200,000 customers)

Our services

- ISO 27001 and 22301
- Audit cloud service providers to existing standards
- IT architecture and processes audit
- Training and education
- Risk and threat assessment
- Consulting on incident response and intrusion detection
- Penetration testing
- Consulting and professional services
- Pre approval for cyber security insurance providers, e.g. Beazley

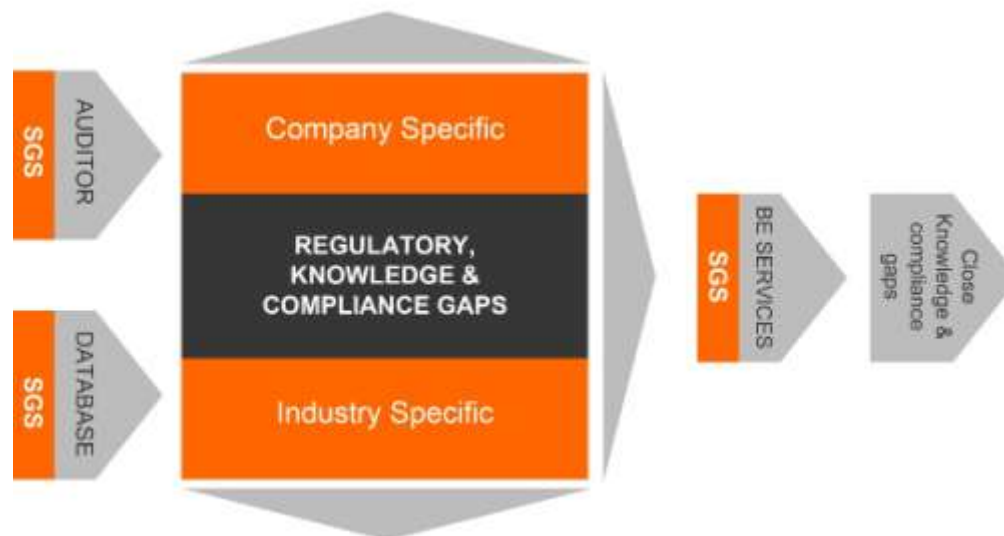
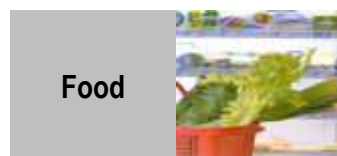
■ Total certificates CAGR: ISO 27001





Over 200,000
certified customers – and growing

Historical information on compliance, quality, environmental, health and safety industry regulations



**Revenue & profit
drivers**

| BE | Training & development | Healthcare technical solutions | Technical management process solutions | Supplier verification data analytics |
|----|------------------------|--------------------------------|--|--------------------------------------|
|----|------------------------|--------------------------------|--|--------------------------------------|



USD 107bn

**GLOBAL ELEARNING
REVENUE IN 2015**

**2015 TOP 10 ELEARNING
GROWTH RATES BY COUNTRY**

| | | |
|----|-------------|-----|
| 1 | INDIA | 55% |
| 2 | CHINA | 52% |
| 3 | MALAYSIA | 41% |
| 4 | ROMANIA | 38% |
| 5 | POLAND | 28% |
| 6 | C. REPUBLIC | 27% |
| 7 | BRAZIL | 26% |
| 8 | INDONESIA | 25% |
| 9 | COLUMBIA | 20% |
| 10 | UKRAINE | 20% |

2016 TECHNOLOGY TREND INSIGHTS



**89% INCREASE OF MOBILE
LEARNING**



**82% INCREASE OF SOCIAL
LEARNING**



**35% INCREASE IN DEMAND
FOR MOOCs**



**81% INCREASE OF
VIDEO CONTENT**



**90% INCREASE OF
LMS USE**



**80% INCREASE OF VIRTUAL
CLASSROOMS**



**71% INCREASE OF
PERFORMANCE SUPPORT**



USD 8.7bn

**GLOBAL MLEARNING
REVENUE IN 2015**

**2015 TOP MOBILE LEARNING
COUNTRIES**

| | |
|----|-------------|
| 1 | INDIA |
| 2 | CHINA |
| 7 | BRAZIL |
| 8 | INDONESIA |
| 11 | USA |
| 12 | JAPAN |
| 13 | SOUTH KOREA |

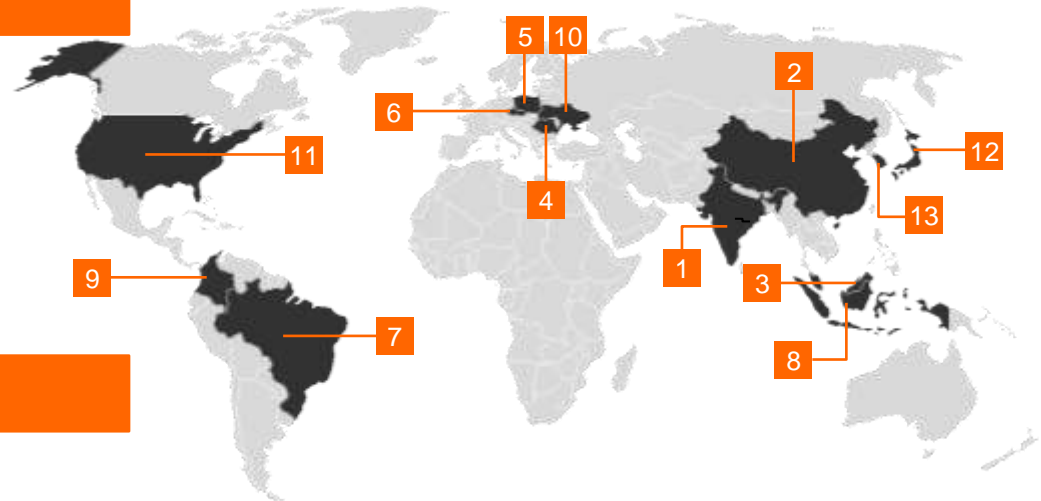


USD 4bn

**GLOBAL LMS
REVENUE IN 2015**

**2015 TOP LMS
COUNTRY**

| | |
|----|-----|
| 11 | USA |
|----|-----|



**SGS ACADEMY GLOBAL REVENUE GROWTH
AT 27% (YTD)**

Training solutions aligned to key CBE growth areas

Bundling training solutions across all serviced industries

Data from supplier verification solutions: develop learning to close performance and compliance gaps within supply chains

Technology as the enabler to deliver blended learning in a fast and scalable way

Utilising data from audit reports and certification resources to drive expansion of our portfolio

SGS LEARNING MANAGEMENT SYSTEM KEY FACTS: SEPT 2015 VS. 2016



**143% INCREASE OF NEW
REGISTERED USERS**



**103% INCREASE OF
CLASSROOM ENROLMENTS**



**2951% INCREASE OF
ELEARNING ENROLMENTS**



**101% INCREASE OF ORDERS
TAKEN OFFLINE**



**70% INCREASE OF ORDERS
TAKEN ONLINE**

CASE STUDY: GLOBAL FOOD & BEVERAGE COMPANY

PAIN POINT

- Compliance with QHSE, social responsibility and legislative standards to assist business operations

SOLUTION

- Testing, auditing and training solutions, including:
 - Workshop on the purpose of a risk based management system
 - ISO 9001,14001 and 18001 certification
 - Supplier and ethical audits
 - Third party inspections

RESULTS

- Customer can examine, control and improve risk management systems – a more responsible and sustainable future
- Compliance to local legislation and management system certification
- Strengthened customer relationship

CASE STUDY: GLOBAL MINERALS COMPANY

PAIN POINT

- Compliance requirement with ISO certification and legislation to ensure safe work environment

SOLUTION

- Career path for safety personnel to ensure up-skilling and formal qualifications:
 - Customized project on behavior-based safety observation and coaching
 - Delivery of skills and technical training interventions
 - ISO 9001, 14001 and OHSAS 18001 certification, legal compliance and second party group audits

RESULTS

- Improved interpersonal skills enabling better interactions
- Less downtime and more productivity
- Compliance to local legislation

EFFICIENCY: BACK OFFICE CENTRALIZATION

- Certain administrative tasks centralized in two global centers: Poland and the Philippines
- Third center being set up in Latin America
- Approx. 160 staff by end of 2017
- 10 countries migrated in Europe, 2 countries in Asia
- Workflow system → paperless offices
- Result: stronger discipline in processes, improved data quality in systems



** Depending on country and process.*

CERTIFICATION

Focus on certification segments/key geographies with above average growth rates

- Medical devices
- Digital services
- Hospitality

**BUSINESS
ENHANCEMENT**

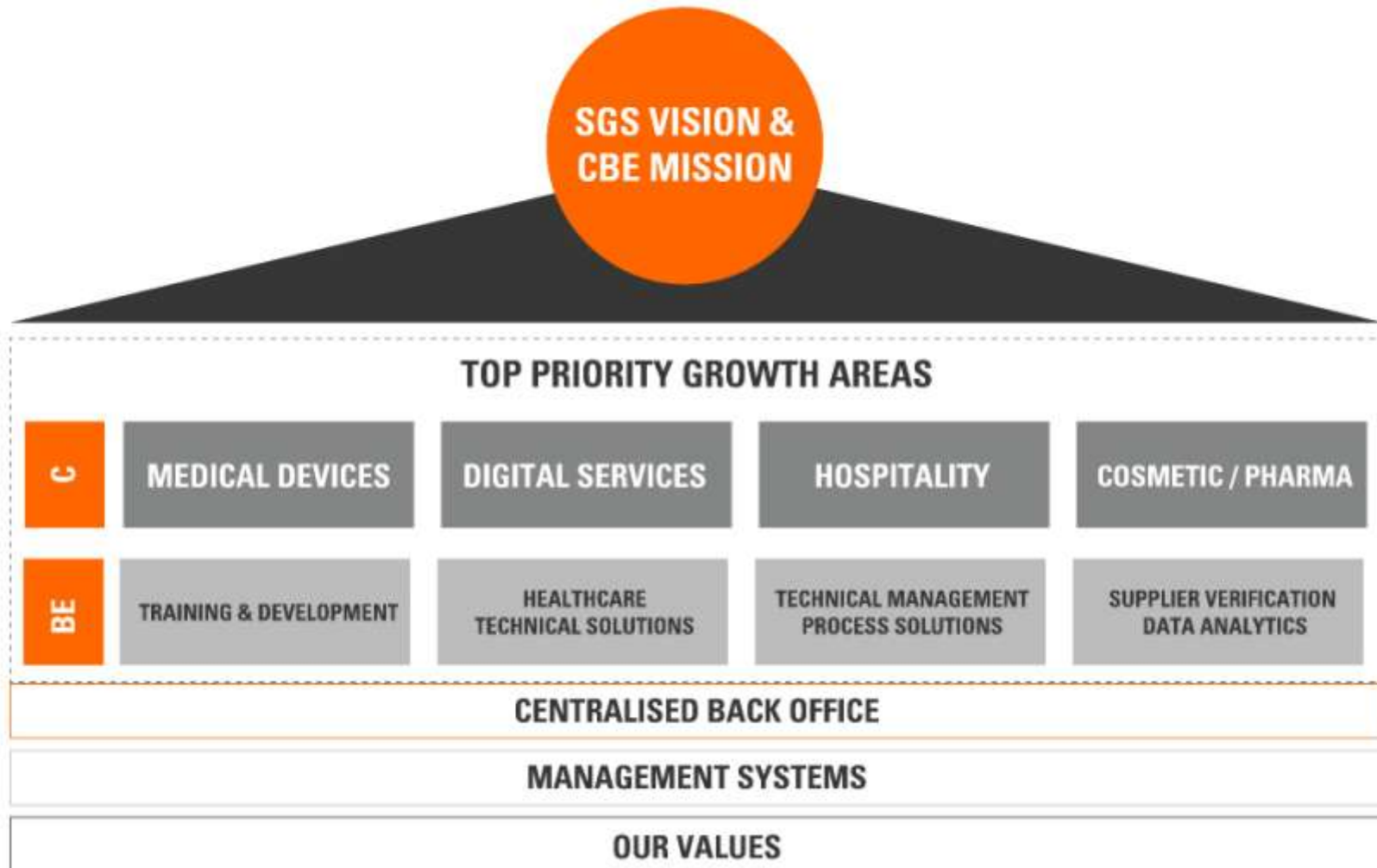
Grow revenue share of new services to 40% by 2020, leveraging expertise in all target industries

- Performance assessment auditing
- Training
- Technical consulting

**CENTRALIZATION
OF BACK OFFICE
ACTIVITIES**

Continue centralizing non-transactional back office activities to standardize procedures and benefit from economies of scale

- Europe (completed)
- Asia (2017)
- Americas (2018)





MISSION 2020

**UNDER
CONTROL**

TAKE OFF COMPLETED