



SGS INVESTOR DAYS 2019

OPENING OF THE CHINESE MARKET AGRICULTURE, FOOD & LIFE

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EVP Agriculture, Food & Life

7-9 November 2019

WHEN YOU NEED TO BE SURE

SGS



**Second
largest
affiliate**

in the AFL network

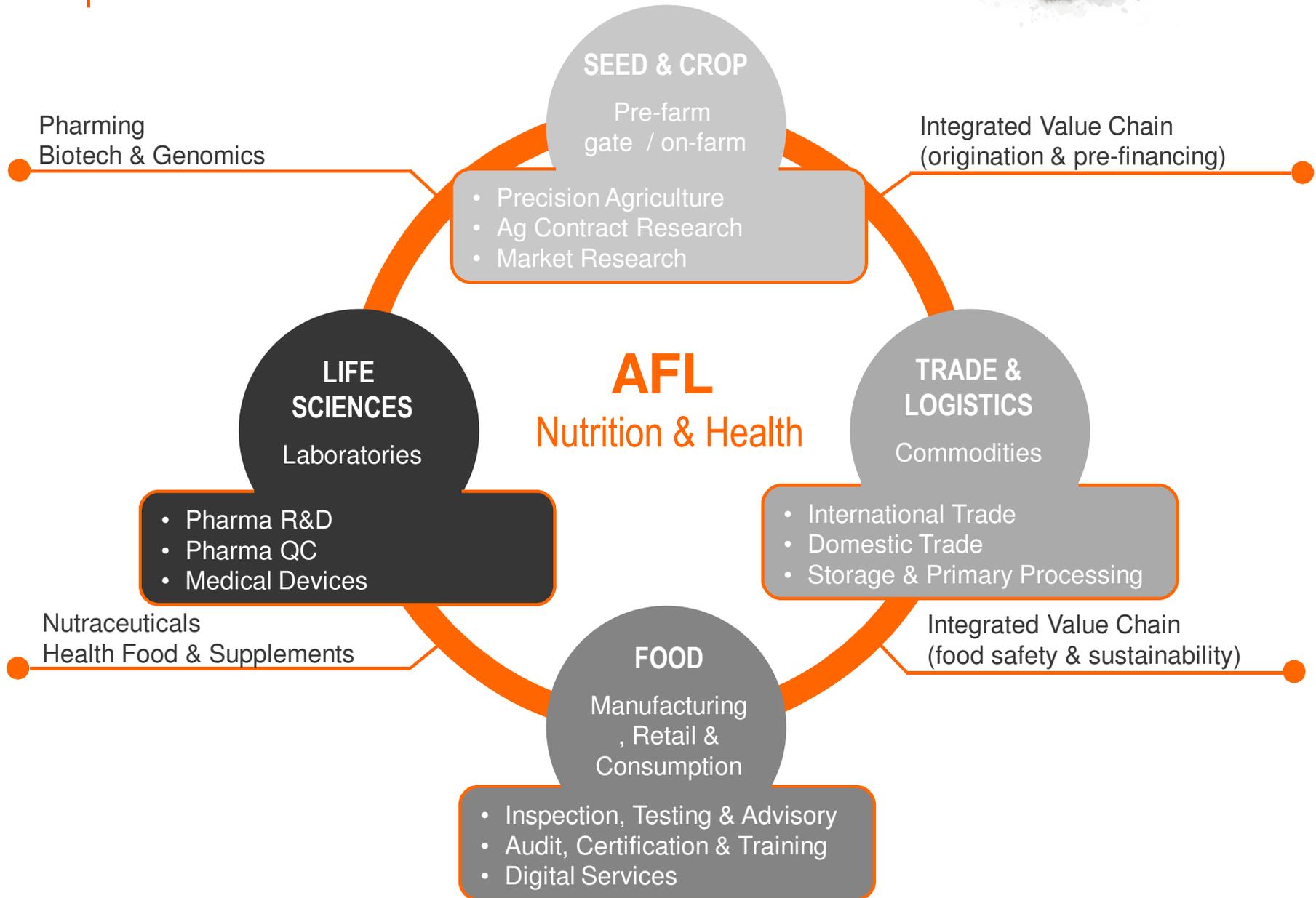
**Diversified
service
portfolio and
fast growing
business**

**Main focus
on Chinese
domestic
market**

No. 1
position in
Agriculture, Food
& Life among
international
(non-Chinese)
TIC companies

Only ISO-17025, GMP, FDA
registered & inspected
international
TIC player for Life
Lab CRO in China





CURRENT MARKET POSITION

MARKET SIZE & GROWTH

STRATEGIC FOCUS

MAIN COMPETITION



International Independent Provider in a Highly Fragmented Market

CHF 50-100M
(mostly governmental institutions)
Growth: 5-10%

- Farm nutrition management
- Ag contract research for input registration

Local



Market Leader
(private 3rd Party)
International & Domestic Trade

CHF 100M
(20-30% with private TIC sector)
Growth: 2-5%

- International trade
- Domestic trade, logistics & primary processing

Local / International



Leading Service Provider
Top 5 private labs

Food testing:
CHF 2B (govt/private)
Food certification:
>CHF100M
Growth: 8-10%

- Brand protection for food companies
- Food international trade
- Local Food Safety / QA

Local



Leading Service Provider
Top 3 (third-party GMP TIC players)
Top 1 (foreign GMP TIC players)

Total CRO for analytical: CHF 1B
(majority in the hands of govt. labs)
Growth rate 2015-2020: ~20%

- Analytical services for international and Chinese Life Science companies covering therapeutic drugs & medical devices

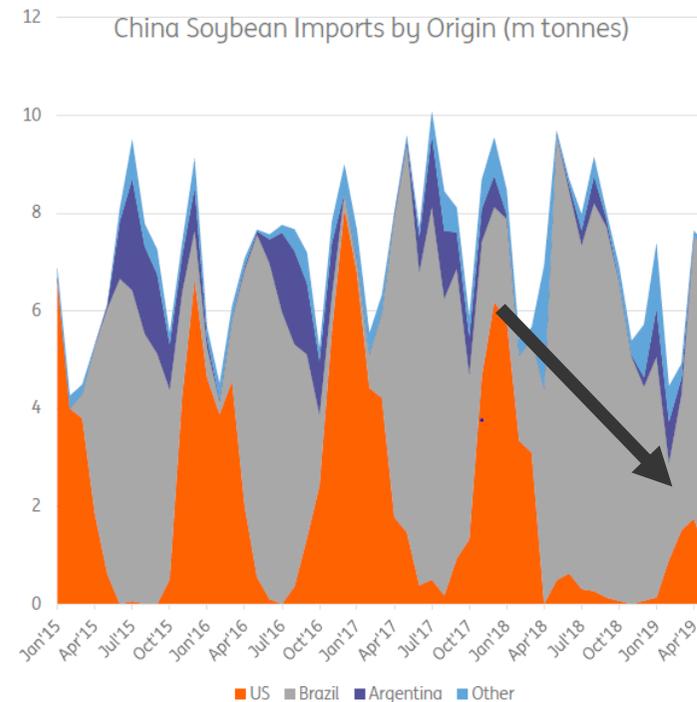
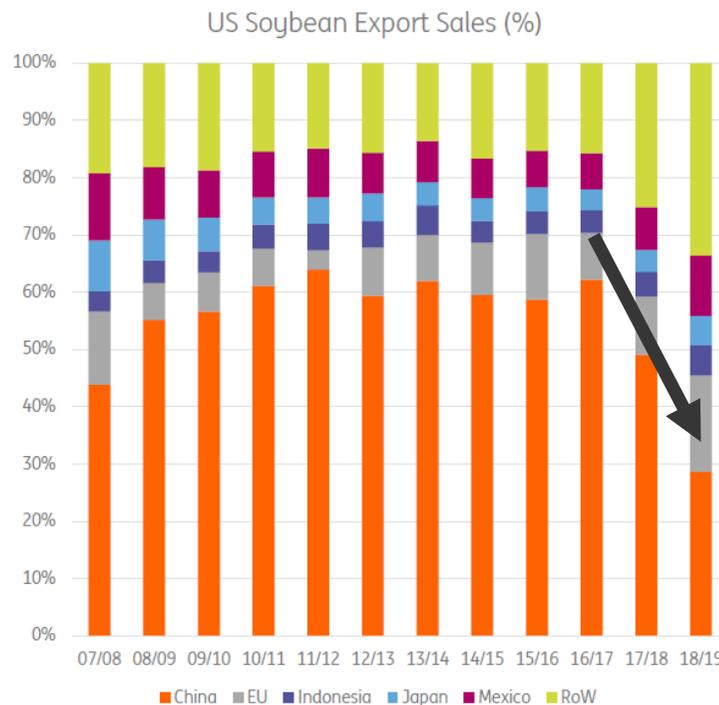
Local



1400+ employees:

-  Office
-  Agri-Food Laboratory
-  Inspection
-  Life Laboratory

- Clear impact on soybean import, shift from US to Brazil origin (not detrimental to the TIC industry)



- No other major impact felt so far in the market, however China seems willing to buy more agricultural products in a year if a partial trade deal with the US is signed



SEED & CROP



**TRADE &
LOGISTICS**



FOOD



LIFE SCIENCES



- Pre-farm gate – agricultural input CRO
 - Previously in the hands of public institutes
 - New regulations on Management of Plant Protection Product Registration Testing announced end of 2017. As a result, this activity is now open to third-parties

- On-farm services
 - Emerging market and growing, but currently extremely fragmented and adoption rates of Precision Agriculture techniques are still low

SEED & CROP SERVICE PORTFOLIO & SCOPE FOR GROWTH

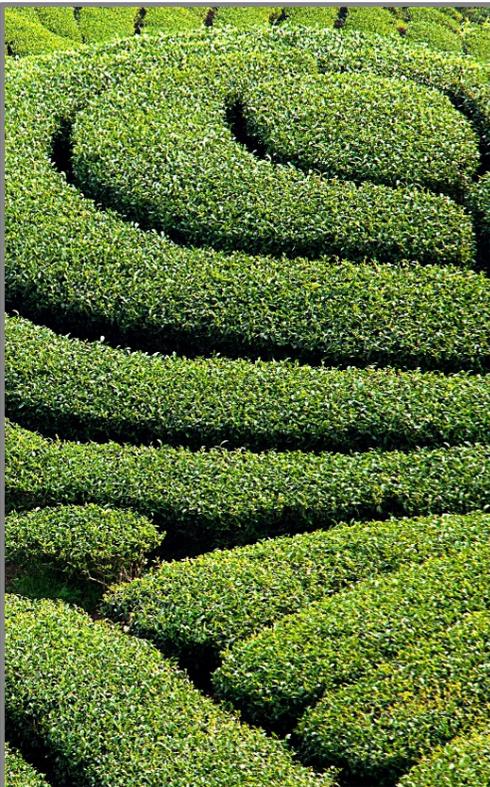


CURRENT SERVICES

- Soil, irrigation water and plant testing as well as fertilizer recommendation services for the Chinese market
- Market Research on domestic market/crop for international companies
- Field agricultural input contract research

SCOPE FOR GROWTH

- Laboratory testing for agricultural input registration (based on ICAMA Good Laboratory Practices)



SEED & CROP



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- Until recently, commodity imports into China were mandatorily supervised by CIQ (China Inspection & Quarantine)
- Domestic trade remains open to international inspection companies
- Recent reform of the state organizations will lead to the progressive opening of the market to international inspection companies:
 - Merger of Customs and CIQ. The mandate for import/export commodity inspection system starts changing to focus more on their duty to protect state tax and health/quarantine rather than 100% control of quality
 - Transition expected over the next couple of years from 100% inspection to random inspection covering 20-30% of imported commodities

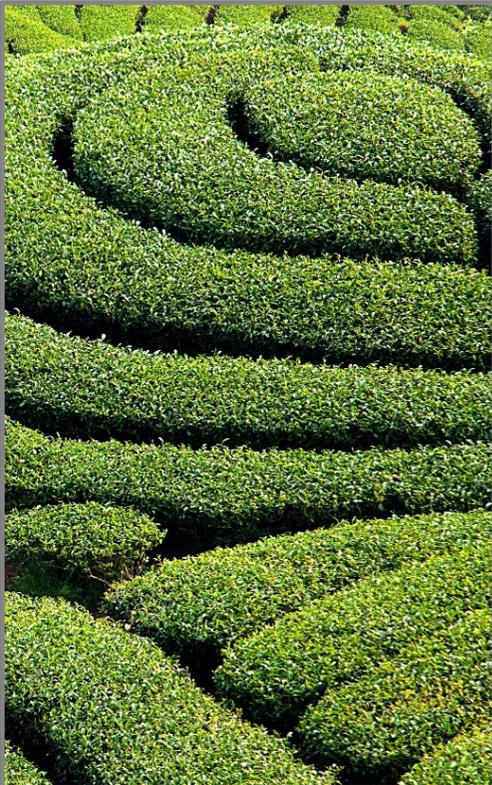


CURRENT SERVICES

- Inspection and testing services for international and domestic commodity trade
- Stock verification/monitoring for commodity in storage
- Primary processing monitoring

SCOPE FOR GROWTH

- Additional market share when market further deregulates for commodity imports
- Supply chain monitoring



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FOOD MARKET & REGULATION HIGHLIGHTS



- Rising cases of food safety incidents has led to stricter rules and regulations from government
- Growing consumer awareness and changing preferences towards better quality and safer food
- Focus is changing from responding to contamination to preventing it, gradually moving from market surveillance/post production mandatory sampling/testing to process monitoring
- Government will tend to more easily accept third-party information in the future



COMMERCIAL MARKET

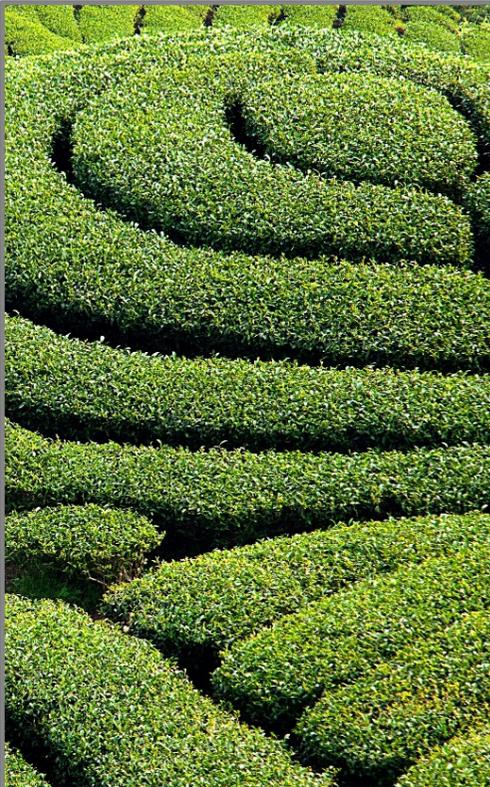
- Full service portfolio for all the main agri-food categories to support food manufacturers and retailers as far as quality, food safety, authenticity and productivity are concerned.
- Active food international trade with multiple players:
 - 15,407 Chinese companies were registered for export in 2018
 - 40,000 Chinese importers

GOVERNMENT RELATED BUSINESS

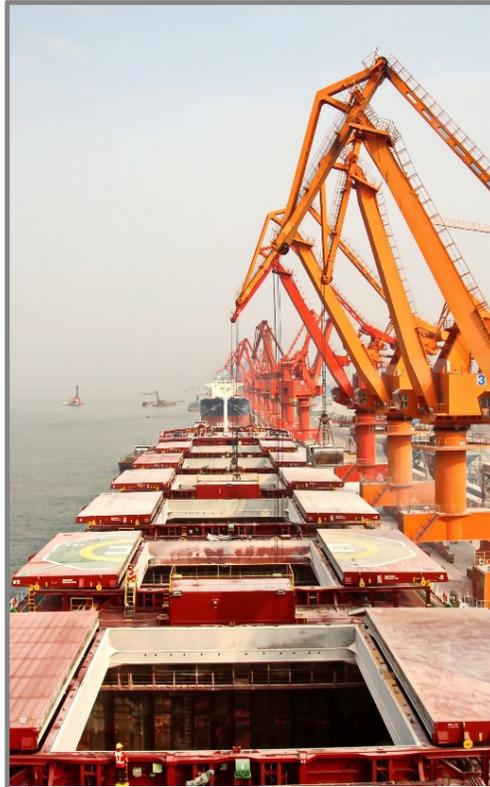
- Auditing for food safety control to support government efforts to shift focus from product validation to process monitoring
- Support government with supplementary resources and capacity



- Food producers in China are increasingly turning to GFSI-recognized certification schemes which confirm that food products meet the highest possible standards for safety and quality
- Product Compliance Services to facilitate import & export activities or sales via eCommerce
- Health Food
- Next Generation Sequencing and implementation of new testing technologies
- Supply chain transparency & traceability
- Strengthening of regional coverage for testing and further penetration of domestic food manufacturing



SEED & CROP



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- Huge promise of China's pharmaceutical industry*:
 - In 2016, China became the world's second-biggest drug market
 - In 2018, sales reached \$137B, doubling in just 6 years. Only 12% is coming from biotech (vs. 25% global average), China is now accelerating growth in this segment
 - 25% of US market size today, projected to be 50% by 2030. Some 400M Chinese now have health-insurance plans
 - Growth likely to come from Chinese drug makers. Pharma is part of the "Made in China 2025" strategy for global leadership

- 
- Growing alignment of China's drug regulations with international standards (Pharmacopoeia, ICH guidelines, etc.). Local regulation for biopharma is maturing
 - In 2015, CFDA announced that all chemical oral generic drugs in the market should undergo consistency study, including dissolution & bio-equivalence study as supplementary documents to support registration. New decree aims to improve quality of generics and to encourage local R&D of new drugs (*No. 44[2015] issued by the State Council*)



CURRENT SERVICES

- CRO Laboratory services, incl. chemical & micro testing and other project based services (method development, method validation, stability studies, E&L, etc.)
- Client base: 40% International / 60% Chinese pharma companies

SCOPE FOR GROWTH

With currently only 3% of total world CRO market size*, China CRO will continue to grow much faster than world average.

- Domestic pharma industry
- Bioanalysis
- Biologics / Biosafety

- **SGSonLine:** SGS China portal used as a dynamic window on a select number of services delivered off-line:
 - From Jan to Sept 2019, more than 4700 leads generated from SGSonLine with strong conversion rate
 - Many requests came from first time customers
- Consumer engagement programs B2B2C via QR codes
- SGS DigiComply for regulatory advisory and label review
- Continuous digitalisation of internal processes (e.g. OneVision project for Life labs)



TRANSFORMATION

Leverages SGS scientific expertise and talent to implement a fully digitalized network that interconnects people, systems and laboratories to create a state of the art, global network focused on business excellence.



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