



SFS Group AG
Sustainability Report

Sustain ability

21

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Key Takeaways

Progress achieved

Scope 1 and 2 emissions reduced

By 2030, the aim is to reduce CO₂ emissions (Scope 1 & 2) by ≥90%. In 2021, the emissions could be reduced by -4.5%. On a like-to-like basis the progress is:

-11.9%

Practice-oriented education and training ensured

The long-term goal that 5–7% of permanent employees worldwide are in training programs was again confirmed in 2021 (PY 5.0%):

5.1%

Human rights as new material topic

For SFS, respect for human rights is indispensable and non-negotiable. This basic attitude is also expected from all business partners. There were no reports of human rights violations in the reporting year.

Accident rate decreased

SFS has set itself the goal of halving occupational accidents between 2020 and 2025. The key figure "accidents per 1 million working hours" was 4.1 in 2021 (PY: 4.7)

-12.8%

Significant increase in net value added

In a dynamic market environment, SFS was able to take advantage of the opportunities that arose and achieve strong results. These influenced the development of net value added in 2021 positively, with growth of:

20.2%

No compliance violations

In the reporting year as well as in the previous year, SFS was not affected by any sanctions in the area of socio-economic compliance.

On the right track

Dear Readers

They year 2021 was another very dynamic one for the SFS Group. In addition to high demand and bottlenecks in the supply chain, the COVID-19 pandemic remained the dominant topic. The health of our employees and their environment, and thus the regular adjustment of our protection concepts, was once again our top priority last year. In business terms, SFS seized the opportunities that were offered and was able to increase value thanks to the great commitment of its employees, the high level of competitiveness and cost discipline. Despite considerable operational pressure, the focus remained on implementing the environmental roadmap presented last year. The current report serves as an initial assessment of the current situation in order to provide you with transparent information on how far we have progressed in achieving our ambitious 2020 targets.

Additional key topic identified in dialog with stakeholders

As a member of the UN Global Compact, SFS is committed to the Sustainable Development Goals (SDGs) and is currently prioritizing six goals: SDG 3 – Good health and well-being, SDG 4 – Quality education, SDG 8 – Decent work and economic growth, SDG 9 – Industry, innovation and infrastructure, SDG 12 – Responsible consumption and production, and SDG 13 – Climate action. This prioritization also reflects the material topics identified in the materiality assessment. In this context, SFS reviews and questions the relevance of its material topics and their position in the materiality matrix every two years. As announced, extensive interviews and surveys of the stakeholder groups identified were once again carried out in 2021. Dialog with them has shown that the key issues to date remain the most

relevant and that we are therefore still on the right track. The issue of human rights, which we discuss in detail for the first time in this report, is new and has therefore been added. SFS currently reports on the following six key topics:

- GRI 201: Economic performance
- GRI 305: Emissions
- GRI 403: Occupational health and safety
- GRI 404: Training and education
- GRI 412: Human rights
- GRI 419: Socioeconomic compliance

Progress made toward achieving the goal

In terms of **economic performance**, SFS has set itself the goal of continuously increasing value added and distributing it evenly among its stakeholders. Net value added came to 45.4% in 2021, which is significantly higher than the previous year's figure of 42.0%. As a result, net value added increased by CHF 144.6 million year on year. Furthermore, owing to the healthy project pipeline and solid positioning, we expect the company to remain on its positive trajectory and to continue increasing value added.

In the area of **emissions**, our goal for Scope 1 and Scope 2 is to reduce CO₂ emissions (measured in tonnes of CO₂ per Swiss franc of value added) by ≥90% by 2030 compared with 2020. CO₂ emissions for Scope 1 and 2 were reduced by 4.5% in the year under review. Using a like-for-like approach, the improvement was actually 11%. The most important drivers were the purchase of green energy and the expansion of our own electricity production through the installation of photovoltaic



Jens Breu, CEO SFS Group

systems. By 2040, the aim is also to reduce CO₂ emissions for Scope 3 by ≥90%. Last year, the data quality for Scope 3 was significantly improved. Further progress is expected by 2023.

In the area of **occupational health and safety**, we were able to reduce the number of work-related accidents by 3.5% and are one step closer to our goal of halving accidents by 2025. In order to take into account the dynamic growth of the SFS Group, accidents are now measured and compared using the relative key figure of accidents per million working hours.

SFS attaches great importance to the dual-track system of **education and training**. The long-term target of 5–7% of permanent employees worldwide being on training programs was met once again last year (5.1%, compared with 5.0% in the previous year). Owing to the pandemic, it was once again impossible to extend the training activities and/or the standard of dual-track training to other areas of the Group. We are intensifying our efforts to increase the attractiveness of dual-track education and training again in 2022.

Compliance with **human rights** is indispensable and non-negotiable for us, which is why we also expect our business partners to guarantee respect for human rights. In the year under review, there were no reports of human rights violations at SFS. This will continue to be our aspiration in the future, which we are emphasizing with the publication of our sustainability guidelines →, thereby clearly positioning ourselves on the topic of human rights.

The SFS Code of Conduct describes the basic principles for being an exemplary, reliable and fair business partner and employer. We have established an effective compliance system to ensure compliance with the requirements of the Code of Conduct. In the year under review, the SFS Group was not affected by any sanctions in the area of **socioeconomic compliance**. This is also the clear expectation for 2022.

Sustainability success stories: sustainability in action

Embracing a sustainable mindset and practices gives us a chance to re-examine our products and processes on a daily basis and improve them continuously for the good of all stakeholders. As value creators, we develop environmentally friendly products and solutions in close cooperation with our customers and thus create sustainable added value.

The story **“First recyclable roof”** is an impressive illustration of this. The new roof construction with our fasteners is completely degradable at the end of its lifespan, which averages 25 years, and more than 90% of the materials used can be recycled. Another example of how we embody sustainability both internally and externally is the story of the **“Lean & Green Initiatives.”** Read here about how we have improved our internal performance, reduced energy consumption, increased the use of renewable energies and promoted biodiversity through numerous activities over the past year.

Outlook: improvement of the system and inclusion of the Hoffmann Group

The consistent implementation of sustainability objectives remains a high priority for SFS Group in 2022. As a contribution to climate protection, regional energy security and the achievement of national energy policy goals, we plan to increase the share of self-produced electrical energy at the site in Heerbrugg (Switzerland). To this end, a wind turbine is being planned as a supplement to the expansion of the existing large-scale photovoltaic system on the company premises at the in Heerbrugg.

With an improved system in the area of sustainability reporting, we are meeting the increasing requirements of employees, customers and the public and are tapping further potential for improving performance. In this context, the inclusion of the Hoffmann Group is a next focal point for reporting. Hoffmann is a leading international system partner for quality tools and has been part of the SFS family since May 2022.

We look forward to continuing our journey toward sustainable corporate development with you in 2022.

Sincerely,

Jens Breu
CEO

Materiality matrix

Six material topics identified

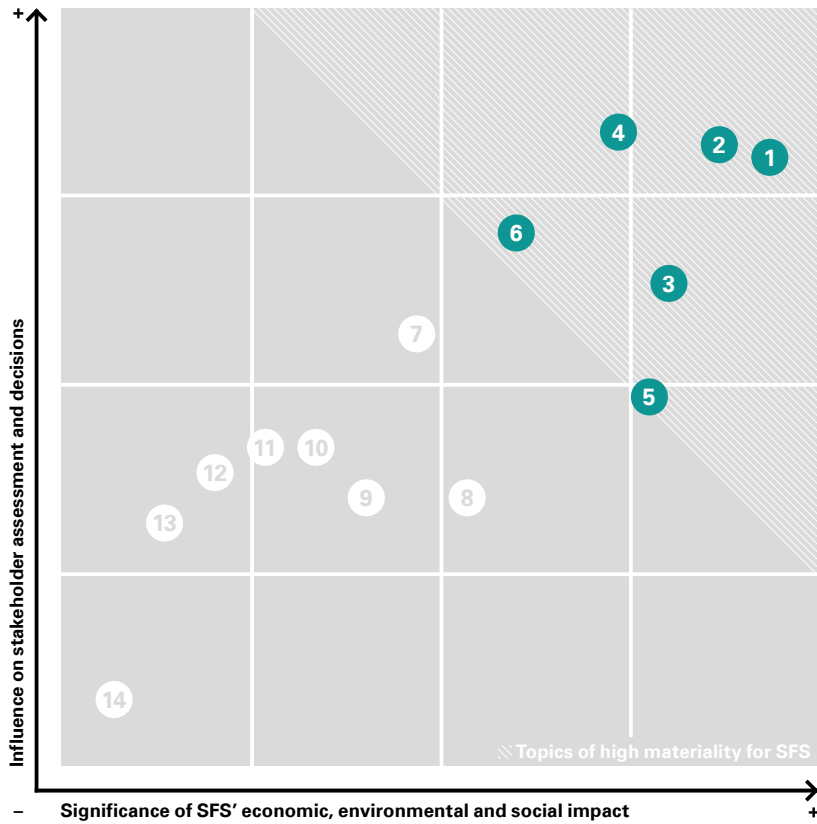
During the year under review, SFS conducted extensive interviews with experts in the defined stakeholder groups as part of its materiality assessment. The most relevant topics for sustainable development were identified on the basis of these interviews.

Six material topics identified

The GRI-defined overview of 34 sustainability topics across six dimensions was used as the basis for designing the expert interviews. The stakeholders involved were tasked with ranking 14 pre-selected topics in order of their relevance with respect to the economic, environmental or social performance of SFS. They were also asked which of the other topics they considered highly relevant. The new materiality matrix was created on the basis of this survey of five stakeholder groups and the assessment performed by the management of SFS. While the evaluation of the external stakeholder groups determines the topics, positions along the Y axis, their position along the X axis is established based on the opinions expressed by SFS's management. The material topics that SFS reports on below are indicated in turquoise in the matrix (bubbles 1–6).

Overall, the results of the materiality assessment are very similar to those of previous assessments. In addition to the five material topics to date, human rights have now been identified as another material topic. This even ranks 4th in the external stakeholders, evaluation, while SFS's management puts it in 6th place, right after the topic of training and development. Compared to the most recent materiality assessment conducted in 2019, the importance of training and further education has fallen most sharply in the ranking performed by external stakeholders. On the other hand, emissions have become more relevant for both SFS and external stakeholders.

Materiality matrix (per 2021)



1 Economic performance

SFS, economic performance and the value it generates for all stakeholders is at the centre of its daily business operations and decisions. [More →](#)

2 Occupational health and safety

Employees are at the heart of SFS's success. Creating a healthy and safe working environment is a central concern of the company. [More →](#)

3 Socioeconomic compliance

For us, correct behavior is an expression of lived partnership. [More →](#)

4 Emissions

SFS uses energy and natural resources in a sensitive and efficient manner to reduce or eliminate environmental impact. [More →](#)

5 Training and education

SFS is heavily involved in this area, which the stakeholders also attach great importance to. [More →](#)

6 Human rights

Compliance with human rights is indispensable and non-negotiable for SFS. [More →](#)

7 Energy consumption

8 Equal opportunities

9 Customer health and safety

10 Anti-corruption

11 Risk assessment of suppliers (environmental)

12 Risk assessment of suppliers (social)

13 Effluents and (hazardous) waste

14 Compliance in marketing

Success Stories

Sustainability in action

As Value Creators, we develop ideas and solutions that generate added value in economic, environmental and social terms for you, our stakeholders. The following success stories of the past year are impressive proof of our commitment to sustainability.

Diversity as part of the corporate culture →

Unisteel Technology Malaysia has recognized just how valuable diversity is to the success of the company. Whether in terms of origin, gender, age or religion – diversity forms part of Unisteel’s corporate culture.



Reducing emissions with “Lean & Green” →

Numerous measures from several divisions and countries were implemented over the past year that were designed not only to reduce energy consumption, cutting waste and emissions but also to use renewable energies and promote biodiversity.



Comprehensive “Green Initiative” at Unisteel →

To cut its CO₂ emissions, Unisteel has launched a “Green Initiative” and assembled a special team. This team is tasked with implementing specific, quantifiable sustainability projects.



First circular roof →

In cooperation with several manufacturers, Guardian in Helmond (Netherlands), a company of the SFS Group, helped to design the first circular roof in the Netherlands.



Improved data basis

GRI 101: Foundation 2016

GRI 101: Foundation

The reporting principles defined in GRI 101 were adhered to in the preparation of this report.

GRI 102: General Disclosures 2016

The list of general disclosures is based on the preparation of the report in accordance with the “Core” option.

1. Organizational profile

GRI 102-1: Name of the organization

SFS Group AG (SFS)

GRI 102-2: Activities, brands, products and services

SFS is a leading global provider of mechanical fastening systems and precision components. SFS Group AG is made up of the three segments Engineered Components, Fastening Systems and Distribution & Logistics, which represent the company’s corresponding business models. In the Engineered Components segment, SFS partners with customers to develop and manufacture customer-specific precision-molded parts, fastening solutions, and assemblies. Engineered Components comprises four divisions: Automotive, Electronics, Industrial and Medical. The Fastening Systems segment, which consists of the Construction and Riveting divisions, develops, manufactures and markets application-specific mechanical fastening systems. Both segments of SFS are attractively positioned and the Group is broad-based with respect to end markets and regions. Both segments generate their sales primarily in Switzerland, Europe, America and Asia (see Annual Report 2021, Markets →). In the Distribution & Logistics segment, SFS is a leading partner for fasteners, tools, fittings, and innovative logistics solutions in Switzerland and Liechtenstein. The products and services are authorized without restrictions in their designated markets; they are not discussed or questioned by stakeholders.

Annual Report 2021, p. 17, “SFS in brief” →

GRI 102-3: Location of headquarters

SFS Group AG
Rosenbergsaustasse 8
9435 Heerbrugg
Switzerland

GRI 102-4: Location of operations

SFS Group is a global player with manufacturing sites and distribution companies at more than 100 locations in 26 countries around the world.

To the overview of locations [→](#)

GRI 102-5 Ownership and legal form

SFS Group AG is a stock corporation (AG) under Swiss law (see Annual Report 2021, Corporate Governance [→](#)).

GRI 102-6: Markets served

Engineered Components (EC)

The EC segment develops, manufactures and supplies customer-specific precision-molded parts, mechanical fastening solutions, and assemblies. As a specialist in the field of cold forming, deep drawing, injection molding, precision machining, and mechanical fastening, the segment provides its partners with advisory services on the development of customer-specific components, and assemblies. By focusing on selected customer groups, it ensures high application expertise in business units and key account structures. The segment is a global leader when it comes to its applied technologies and applications – in the automotive, electronics, medical and other industrial niche markets.

Fastening Systems (FS)

The FS segment comprises the mechanical fastening systems of threaded fastening and riveting technologies. Cold forming, and injection molding as well as the related secondary operations are applied in the production of application-optimized products. To achieve greater convenience in processing as well as safety and cost-effectiveness for customers, who primarily hail from the construction and automotive industries as well as industrial manufacturing, the broad product range also includes setting devices and tools. Thanks to an international network of local sales companies, the application-oriented products are swiftly transported to the processing locations.

Distribution & Logistics (D&L)

The D&L segment is a leading national supplier of screws, tools, architectural hardware and innovative logistics solutions in Switzerland and Liechtenstein. It supplies industrial customers, professional trade, specialist retailers as well as wholesale distributors and DIY stores. Through international alliances and sourcing, Distribution & Logistics serves its customers with fast and reliable processes and products at competitive cost levels. The segment provides bespoke logistics services, thereby increasing customers, value added.

Corporate

The Corporate division comprises the Technology, Corporate Services and Corporate IT & Finance functions. These provide services for the EC, FS and D&L segments in an interdisciplinary function. Technology ensures the transfer of know-how among the segments and production sites. Methods, processes and best practices are exchanged and enhanced. Standardized investment policies and engineering processes improve the efficiency of the SFS Group further. The Corporate Services and Corporate IT & Finance divisions provide cross-segment services in the areas of information technology, finance, human resources, communications and other corporate functions.

Standardized investment policies and engineering processes improve the efficiency of the SFS Group further. The Corporate Services and Corporate IT & Finance divisions provide cross-segment services in the areas of information technology, finance, human resources, communications and other corporate functions. For more information on sales distribution by region and end markets, see Annual Report 2021, Markets [→](#).

GRI 102-7: Scale of the organization

- i.** Total number of employees: 10,509 FTEs as of December 31, 2021, see also Annual Report 2021, Key takeaways [→](#).
- ii.** Total number of companies as of December 31, 2021: 117 manufacturing sites and distribution companies [→](#).

iii./iv.
Net sales and total capital, divided into debt and equity: See financial overview from Annual Report 2021, pages 4 and 62 →

v.
Number of products or services offered

The number of products indicated corresponds to the volume sold at the end of each calendar year.

Segment	2021 Components (in millions)	2020 Components (in millions)	2019 Components (in millions)
Engineered Components	29,360.5	28,875.2	27,944.0
Fastening Systems	6,748.1	5,956.1	5,932.6
Distribution & Logistics	1,057.1	947.8	987.4
Total comprehensive income	37,165.6	35,779.1	34,864.0

GRI 102-8: Information on employees and other workers

The following tables show the employee structure by gender and employment type, by region and employment type, as well as by gender and level of employment. The figures are expressed in terms of full-time equivalents (FTEs).

Table a) Employee structure by gender and employment contract in FTE

	Female	Male	Total
Permanent employment contract (Previous year's value)	2,554.4 (2,530.0)	6,807.0 (6,863.9)	9,361.4 (9,393.9)
Temporary employment contract (Previous year's value)	374.4 (488.5)	773.5 (809.7)	1,147.9 (1,298.2)
Total FTE 31.12.2021 (Previous year's value)	2,928.8 (3,018.5)	7,580.5 (7,673.6)	10,509.3 (10,692.1)

Table b) Employee structure by region and employment contract in FTE

	Amerika	Asien	Europa	Schweiz	Total
Permanent employment contract (Previous year's value)	1,754.1 (1,762.6)	3,107.5 (3,170.5)	2,190.5 (2,193.4)	2,309.3 (2,267.4)	9,361.4 (9,393.9)
Temporary employment contract (Previous year's value)	98.6 (103.2)	884.8 (1,066.8)	139.8 (103.2)	24.7 (25.0)	1,147.9 (1,298.2)
Total FTE 31.12.2021 (Previous year's value)	1,852.7 (1,865.8)	3,992.3 4,237.3	2,330.3 (2,296.6)	2,334.0 (2,292.4)	10,509.3 (10,692.1)

Table c) Employee structure by gender and employment type (full-time/part-time) in FTE

	Female	Male	Total
Full-time employment in FTE (Previous year's value)	7,356.0 (7,451.0)	2,728.0 (2,812.0)	10,084.0 (10,263.0)
Part-time employment in FTE (Previous year's value)	224.5 (222.6)	200.8 (206.5)	425.3 (429.1)
Total FTE 31.12.2021 (Previous year's value)	7,580.5 (7,673.6)	2,928.8 (3,018.5)	10,509.3 (10,692.1)

Most of the activities performed for the SFS Group are performed by workers who are employed by the SFS Group.

GRI 102-9: Supply chain

Procurement within the SFS Group is organized on a decentralized basis and handled in the individual divisions. This makes it possible to optimally align it with the needs of the respective division. SFS maintains a global procurement network with a focus on Europe,

Asia and America. The individual divisions procure materials and raw materials locally and globally. The decision as to where raw materials are sourced depends on criteria such as availability, transport routes, risk and cost-effectiveness, as well as on suppliers, compliance with the guidelines of the UN Global Compact (see UN Global Compact →). For example, wires with special specifications can be imported if they are not available locally or if the procurement volume of a product can be spread out among two or more suppliers in order to reduce risk. Information regarding the purchasing activities of the various SFS Group divisions is shared in a peer group.

The SFS Group differentiates between seven main product groups:

WOM	Wire and other Materials
FC	Finished Components
OCE	Oil, Chemistry/Energy
Tools	Tools
ME	Machines & Equipment
PACK	Packing Material
SP	Service Provider

The SFS Group selects its suppliers according to uniform standards, which are set down in the quality manual. These include qualitative requirements, the implementation of a Code of Conduct and supplier audits. In this case, the supplier either signs the Code of Conduct or confirms, by agreeing to the QMA (Quality Management Agreement, BMS, G177, paragraph 12), that it complies with the statutory provisions on how it interacts with employees, environmental protection and occupational health and safety, and is working to reduce its activities, adverse effects on people and the environment. On request, they must also demonstrate that their company has implemented a Code of Conduct that embraces the principles of the UN Global Compact. In the case of small suppliers originating from non-risk countries and especially in the D&L segment, the Code of Conduct has not (yet) been implemented across the board. Compliance with the Code of Conduct is checked and supplier audits are carried out at the start of the collaboration. Subsequently, depending on the risk assessment with regard to the respective supplier and its strategic significance, a new review or audit is carried out annually or every two years. These audits can also be unscheduled depending on the situation.

The entire supplier network comprises around 6,500 suppliers (PY 6,500). SFS purchased its goods and materials from the following countries in the year under review:

- Europe 55% (PY 57%)
- Asia 32 % (PY 37%)
- America 13% (PY 6%)

Global procurement amounted to over CHF 800 million as of December 31, 2021 (PY CHF 600 million).

GRI 102-10: Significant changes to the organization and its supply chain

The prevailing dynamic market environment was characterized by high demand, supply chain bottlenecks and the ongoing COVID-19 pandemic. Production slowdowns, yet another of the consequences of the COVID-19 pandemic, led to global supply chain disruptions that resulted in shortages of semiconductors and other materials as well as price hikes, which also had an impact on developments at SFS.

Cornerstones of corporate strategy confirmed by the COVID-19 pandemic

The COVID-19 pandemic has been putting the effectiveness of business strategy to the test for nearly two years now. The strategic alignment has proven to be robust and correct:

- For SFS, close customer relationships are essential for the successful realization of its value proposition. In keeping with the “local for local”, strategy, SFS is steadily building up a global development and production platform. SFS and its customers benefit from superior supply reliability thanks to short and robust supply chains.
- Thanks to its balanced focus on different end markets, regions and sales channels, SFS is able to cushion the consequences of the decline in demand.
- The focus on clearly defined, tool-based manufacturing technologies and relevant additional operations enables technology leadership in core processes. Standardized machinery reduces risks and increases flexibility.

- Thanks to its good profitability and solid balance sheet, the company has the means and the ability to pursue its long-term strategy and to make the associated investments – even in a crisis.
- The global megatrends relevant to SFS remain intact: digital revolution, economic globalization, growing demand in the areas of health and well-being, limited availability of resources, demographic asymmetries.

Based on these findings, SFS is encouraged to pursue the path it has chosen consistently.

Strong competitive position lays foundation for future growth

SFS focuses on innovation trends that once again proved robust in the 2021 financial year. The segments, honed competitive edge enabled vital new project acquisitions and market share gains, which in turn lay the foundation for future growth. With respect to the manufacturing of assemblies for electric brake systems for the automotive industry, for example, a cooperative arrangement was intensified with leading Tier 1 suppliers in the US and the EU.

This growth was accompanied by investments in buildings, equipment, hardware and software. Major projects included the construction of the new production hall in Heerbrugg (Switzerland) for the Automotive division, ongoing efforts to switch to S/4HANA (the new generation of ERP systems), the strong commitment to cybersecurity and other project-specific investments. This additional production hall will offer capacity required for manufacturing assemblies for electric brake systems. The site expansion in Hallau (Switzerland) for the Industrial and Medical Divisions was completed on schedule and successfully put into operation. A production hall in the immediate vicinity of the existing Electronics division site in Johor Bahru (Malaysia) was purchased to facilitate the new projects expected in the areas of hard disk drives and medical devices.

Internationalizing the D&L segment with Hoffmann

The addition of Hoffmann in 2022 will give the D&L segment an internationally strong position in the attractive area of quality tools. Hoffmann is a leading international systems partner for quality tools that is well-known on European markets and serves more than 100,000 customers with a product range comprising around 500,000 items. Customers appreciate not only the company's comprehensive range of products but also its high level of product and logistics expertise, which will be strengthened even further through the commissioning of the new LogisticCity in Nuremberg (Germany), Europe's most high-performance logistics center for quality tools. The two companies have been collaborating successfully for many years and have a great deal of common ground with respect to their value proposition and values.

Changes to the Board of Directors and Group Executive Board

At the Annual General Meeting 2021, the Board of Directors of the SFS Group appointed Manuela Suter, currently CFO of Bucher Industries and a member of its Group Executive Board, to the Board of Directors. With her many years of experience in multi-divisional, international and listed industrial companies, she is a valuable addition to the Board. Similarly, at the Annual General Meeting 2021, Volker Dostmann took over as CFO of SFS from Rolf Frei, who will continue to serve the company in selected strategic projects until his retirement in 2023.

The Board of Directors of SFS Group AG requested to the Annual General Meeting 2022 that Thomas Oetterli, born 1969, be appointed to succeed Heinrich Spoerry as Chairman of the Board. Heinrich Spoerry will step down from the Board of Directors after reaching the age limit stipulated by law. Having joined SFS for the first time in 1981, Heinrich Spoerry helped shape SFS's successful development, making key contributions toward setting the Group's strategic course.

Thomas Oetterli has served as an independent member of the SFS Group's Board of Directors since 2011 and has chaired the Audit Committee since 2014. Through his many years of service on the SFS Group's Board of Directors, Thomas Oetterli has gained in-depth knowledge of the group of companies.

The Board of Directors also proposed that shareholders elect Dr. Peter Bauschatz, currently the chairman of the Supervisory Board of Hoffmann SE, to SFS's Board of Directors. The election of Dr. Peter Bauschatz was subject to the condition that the acquisition of Hoffmann SE be completed first, which is now the case. Hoffmann's current CEO, Martin Reichenecker, joined the Group Executive Board of SFS upon conclusion of the transaction. Hoffmann SE's inclusion at various levels of the SFS organization will create continuity and lay the foundation for the Group's successful future development.

The Board of Directors is pleased that the motions were approved by a large majority of shareholders.

GRI 102-11: Precautionary principle or approach

Today, SFS acts with foresight for the future and takes its economic, environmental and social responsibility seriously. In doing so, it not only increases the value of the company in the long term, but also contributes to sustainable development with its forward-looking solutions.

The precautionary approach or the precautionary principle plays an important role at SFS, which is why it is also enshrined in the Group's Corporate Principles and Code of Conduct. SFS understands sustainability to be the right balance between economic success, environmental friendliness and social responsibility while respecting human rights (as defined by the European Commission, SME Guide) and taking the needs of current and future generations into account. This attitude is an expression of partnership with the various stakeholder groups. However, the precautionary approach also serves to reduce or prevent negative impacts on society and the environment that have been or could be caused by the company. In addition to the principles of environmental management, SFS supports the goals of the Paris Agreement, such as limiting global warming to below 2 or 1.5 degrees Celsius. Specifically, SFS aims to reduce its CO₂ emissions (Scope 1 and 2) by ≥ 90 % by 2030 (measured as tons of CO₂ per franc of value added). By 2040, the aim is to reduce CO₂ emissions throughout the entire supply chain (Scope 3) by ≥ 90 % (measured in tons of CO₂ per franc of value added; see also the chart on the roadmap).

The Group Executive Board and the Board of Directors regularly assess the main business risks to which SFS Group is exposed. A comprehensive risk assessment is conducted at least once a year. In this assessment, the relevant risks are systematically classified according to the likelihood of occurrence and the severity of the potential consequences. Potential risks and actions to contain these risks were examined once again during the year under review. The focus was on the risks associated with data breaches and business interruptions due to cyber attacks, investment-related risks associated with major projects, delayed order fulfillment due to the pandemic, risks associated with acquired companies, warranty risks arising from product recalls, company exposure to the global economic environment, compliance and currency-related risks.

Through various internal audits and inspections of its own facilities as well as external audits of customers and certification organizations at the individual sites, SFS creates transparency, pursues a preventive approach and makes ongoing improvements. This also includes regular supplier assessments in order to identify risks in the respective supply chain at an early stage and introduce suitable measures. This also includes compliance with the ISO 9001 standard and, where required, the ISO 14001 and ISO 45001 standards.

In the interest of promoting ongoing further development with respect to innovations, new business areas and the topic of sustainability, SFS also pursues a broad-based idea management system. Here, the company also focuses on supplementing internal ideas and findings by involving external specialists.

GRI 102-12: External initiatives

In the year under review, SFS Group AG supported, developed or joined the following initiatives

- GRI
- UN Global Compact →

GRI 102-13: Membership of associations

As part of its commitment to corporate and social responsibility, SFS is also involved in various associations and interest groups. SFS is actively involved in the following:

- Arbeitgeberverband Rheintal (Rheintal Employers, Association) →
- Hans-Huber Stiftung (Hans-Huber Foundation) →
- Saint Gallen Appenzell Chamber of Commerce and Industry →
- Stiftung FH SCHWEIZ – zur Förderung des dualen Bildungswegs (Foundation of the University of Applied Sciences Switzerland – for the promotion of the dual education system) →
- Swissavant →
- Swissmem →

SFS is an active member of the associations and interest groups listed above and supports the organizations both financially and through the provision of personnel.

2. Strategie

GRI 102-14: Statement from senior decision-maker

CEO statement →

3. Ethics and integrity

GRI 102-16: Values, principles, standards and norms of behavior

SFS Code of Conduct →

SFS Corporate Principles →

The SFS Code of Conduct and the SFS Corporate Principles are broad-based and have been drafted by the Executive Board with the involvement of various stakeholders and approved by the Board of Directors. Both documents will be passed on to all new employees. In addition, all SFS employees receive training on the Code of Conduct every two years. The Corporate Principles and Code of Conduct are also firmly integrated into management workshops. The Code of Conduct, including an explanatory document, is published on the SFS Group website and therefore available to internal and external stakeholders in German and English. The Corporate Principles and Code of Conduct have also been translated into the twelve languages most commonly used by the company on the basis of its employees and business partners and are available to stakeholders in printed or digital form.

4. Governance

GRI 102-18: Governance structure

The Board of Directors and Group Executive Board attach very great importance to good Corporate Governance. In the interest of shareholders, customers, suppliers, other business partners and employees, the principles of Corporate Governance ensure the necessary transparency and a healthy balance of management and control. Here, SFS follows the guidelines of SIX Swiss Exchange Ltd.

cf. Corporate Governance Report 2021 →

Responsibilities with respect to sustainability clearly defined

One key aspect of this is the sustainable development of SFS. The CEO, together with the full Group Executive Board, regularly examines the issue, sets priorities and monitors progress in the respective categories. On behalf of the Group Executive Board, an interdisciplinary team consisting of representatives from the Environment and Safety, Compliance, HR and Communications departments coordinates and consolidates the various sustainability-related activities. Due to their different characteristics and in the interest of maximizing their effectiveness, the divisions, respective management teams are responsible for structuring the activities. Wherever possible, the topic of sustainability is integrated into regular management processes and reports using standardized metrics. The CEO approves the sustainability report in consultation with the Board of Directors.

5. Stakeholder engagement

GRI 102-40: List of stakeholder groups

The most important stakeholder groups at SFS are (alphabetical order):

- Competitors
- Customers
- Financial analysts/investors
- Financial and business media
- Local communities

- SFS Board of Directors
- SFS employees
- SFS Management
- Shareholders
- Universities/educational institutions
- Suppliers

GRI 102-41: Collective bargaining agreements

At the end of the year under review, around 20% of all employees were covered by collective bargaining agreements. This figure has remained stable year over year, taking into account the broader scope of data collection. No collective bargaining agreements apply in Switzerland and the USA.

GRI 102-42 Identifying and selecting stakeholders

The stakeholders listed under GRI 102–40 have been identified as important in the stakeholder dialog as they meet at least one of two criteria: Either the stakeholder group has a strong influence on the economic, environmental or social performance of SFS and/or the stakeholder group is strongly affected by the economic, environmental or social performance of SFS.

That makes the involvement of the most important stakeholders an essential part of sustainable business practices and the key to gathering opinions and insights from the entire company and its environment.

When surveying customers and suppliers, SFS focused on the Engineered Components segment as part of its 2016 materiality assessment. Customers and suppliers from the Distribution & Logistics segment were part of the stakeholder dialog in 2019. The most recent materiality assessment in 2021 therefore focused on the Fastening Systems segment. That means that customers and suppliers from all three segments have been included in the last three materiality assessments. In addition to these two stakeholder groups, the latest survey also included universities/educational institutions, financial analysts/investors and SFS Management.

GRI 102-43: Approach to stakeholder engagement

In addition to the most recent materiality assessment carried out in 2021 (see GRI 102–42), SFS conducts an ongoing dialog with its stakeholder groups through the following channels:

Employees

- Regular employee surveys (e.g., through participation in the Swiss Employer Award)
- Quarterly information
- Management by Objectives (MbO)
- CIP (Continuous Improvement Process)/ideas box
- mySFS employee app

Customers

- SFS sales representatives, technical advisors and key account managers are in regular contact with the customers.
- In the points of sale (e.g., HandwerkStadt branches in Switzerland or Triangle Fasteners offices in the US), customers are advised by professional sales teams and can provide their feedback directly.
- Customer satisfaction analyses: Against the backdrop of the newly implemented Group Guidelines, each division has reviewed its existing approaches to measuring customer satisfaction and developed a corresponding concept. The division-specific concepts vary as a result of the different customer segments. The means used for measuring customer satisfaction range from a scorecard such as those used by the Automotive division to the online surveys used by the Electronics division.

Universities/educational institutions

- Collaborative arrangements with various universities and educational institutions with regard to innovations, technological developments, the promotion of the dual education system and hands-on projects with students/trainees.

Financial analysts/investors

- Regular conference calls, bilateral discussions, investor days (every two years), conferences and roadshows by the CEO, CFO, Head of Corporate Services and Head of Corporate Development, Investor Relations & Communications

Financial and business media

- Regular bilateral discussions and interviews as well as the annual media conference with the media relevant to SFS

Suppliers

- Initial contact as part of the assessment process and implementation of the Supplier Code of Conduct
- Regular discussions between SFS buyers and suppliers
- Regular audits (in terms of quality, the environment, occupational safety)

Local communities

- Open houses at various production facilities

GRI 102-44 Key topics and concerns raised

In the year under review, the following key concerns and questions were raised by stakeholder groups:

- **Customers/analysts/investors: Enquiries regarding positioning and ESG measures** → During the year under review, SFS was contacted by customers on numerous occasions with self-disclosure requests as part of suppliers, ESG assessments. Customers, analysts and investors alike also expressed an interest in sustainability ratings. All requests were assessed and responded to individually. A future expansion of reporting through the inclusion of additional ratings is likely.
- **Media: Loss of earnings due to short-time working. How high was the loss of earnings for SFS employees during short-time work in Switzerland?** → In the reporting year, short-time work only had to be applied on a temporary basis in a few areas. The maximum loss of earnings for the affected employees was 4%. The other employees made solidarity contributions in the respective business units.
- **Media: Apprentices working from home. What impact is the COVID-19 pandemic having on apprentice training?** → In general, attempts were made to train apprentices in the company whenever possible. Where this was not possible, the situation required more supervision on the part of SFS and more self-organization on the part of the apprentices.
- **Media: COVID rules. What rules apply at SFS with regard to testing and vaccination in connection with the COVID-19 pandemic?** → Everything the Group did at all times was centered around the tenet of protecting the health of both employees and those around them. In principle, the safety plans implemented were based on the specifications of the respective authorities. In Switzerland, employees were able to test themselves on a weekly basis as part of a study conducted by the Cantonal Hospital of St. Gallen and supported by the local government. Participation in the study also made it possible to perform antigen pool tests quickly in case of suspected cases or before events such as meetings or training.
- **Media: Arms exports. Why is SFS licensed to supply war material in the “ammunition” category and why is no information available on the SFS website?** → The license related to the manufacture and supply of components for ignition triggering. This activity had been taken over as part of an acquisition focused on the automotive and industrial sectors and accounted for only around 0.003% of sales. SFS made a conscious decision to withdraw from this business in 2018.
- **Media: Institutional EU framework agreement. Is the failed framework agreement with the EU creating uncertainty for SFS?** → Yes. Around 25% of employees in Switzerland are cross-border commuters. More than 95% of the products manufactured in Switzerland are exported, most of them to the EU. Free access to European sales and labor markets is key to the successful development of SFS in Switzerland. We expect politicians to create stable and attractive framework conditions and to ensure free access to European sales and labor markets.
- **Media: Commitment to dual education. SFS is a member of the new consortium to support the Stiftung FH SCHWEIZ (Foundation of the University of Applied Sciences SWITZERLAND). What is the significance of dual vocational training for SFS?** → We are convinced of the strengths of the dual education system and the important role it plays for SFS and the Swiss economy as a whole. Because of that, we would like to promote the dual education system and underscore the importance of this suc-

cessful system to industry and society. Only thanks to high-quality and practical training can companies like SFS maintain their competitiveness and safeguard jobs in the process.

- Local communities/population: Purchase of land in Flawil** → In order to expand its production capacity for deep-drawn components for the automotive industry, SFS plans to expand its location in Flawil (Switzerland) and has signed a purchase agreement with the municipality of Flawil for the acquisition of a plot of land measuring 5,522 m². The land borders on the existing production buildings and is located in the commercial-industrial zone. It is currently being used for allotment gardens. A town hall meeting was held to decide whether to approve the sale. As part of the media coverage in the run-up to the meeting, various groups in the municipality of Flawil expressed their critical viewpoints on the project. While some attendees were reluctant to make the land available for industrial use, others were reluctant to sell the land, instead preferring to merely hand it over as a building under leasehold. The town hall meeting approved the sale of land at the end of November 2021 with a two-thirds majority. For SFS, the expansion of the plant in Flawil is an important step towards achieving the desired growth in the area of deep-drawn components for the automotive industry. The expansion will create around 40 additional jobs and positions for trainees. The special location in the center of town is reflected in the attractive design of the buildings and facade. The municipal council has promised that a substitute site would be found for the allotment gardens.
- Investors/customers: Cyber risks. What is SFS doing in the area of cybersecurity?** → In the area of cybersecurity, SFS is working with great dedication to minimize both the risk of an attack and its consequences through the use of technical solutions, by increasing the number of staff within the organization and by implementing preventive measures such as regular employee training. In the year under review, around 2% of total investments at Group level for buildings, equipment, hardware and software were related to cybersecurity.
- Local communities: Electricity supply in China. How is SFS affected by the rationing of the energy supply in China?** → One of SFS's largest production platforms is located in Nantong (China). The platform, which was built from scratch and in accordance with the latest construction standards and occupied by SFS in 2019, was not affected by power supply failures during the year under review. Potential improvements for increasing efficiency and reducing energy consumption as a result are identified on an ongoing basis and implemented in order to minimize the risks of rationing to the greatest possible extent.

6. Reporting practice

GRI 102-45: Entities included in the consolidated financial statements

The comprehensive scope of consolidation of the consolidated financial statements (see also Financial Report 2021, pp. 92-94 →) has not been applied to all sustainability indicators. A different degree of coverage is disclosed for the individual indicators in each case.

At SFS, a distinction is made between the group of consolidated companies used to collect key sustainability indicators and the group of consolidated companies used to determine the corresponding ISO certifications of the locations. In order to reconcile costs, performance and income, certification is performed for all material production sites with more than 50 employees, in which SFS holds a stake of ≥50%. "Non-production sites" such as the distribution and logistics centers are also included in the compilation of key sustainability figures (CO₂ emissions, etc.). The goal is to include all material sites by 2025.

GRI 102-46 Defining report content and topic Boundaries

SFS has been following the guidelines of the Global Reporting Initiative (GRI) since 2016 and has complied with the GRI Standards ("Core" option) in its sustainability reporting since 2019. This all began with a comprehensive materiality assessment based on the procedure described in the GRI Standards and the topics addressed in the GRI Standards. Material sustainability topics and related measures were presented in a compact form in the Sustainability Report from 2016 to 2018, which was integrated into the Annual Report as one separate chapter.

The principles of the UN Global Compact, which SFS has made a commitment to uphold since 2010, are also material. Progress is presented annually in the current sustainability report (see also UN Global Compact →). As a member of the UN Global Compact, SFS is committed to the Sustainable Development Goals (SDGs) and is currently prioritizing six goals: SDG 3 – Good health and well-being, SDG 4 – Quality education, SDG 8 – Decent work and economic growth, SDG 9 – Industry, innovation and infrastructure, SDG 12 – Responsible consumption and production, and SDG 13 – Climate action. This prioritization reflects the five material topics

as determined in the materiality assessment conducted in 2021: economic performance, occupational health and safety, education and training, emission reduction and socioeconomic compliance. In doing so, SFS not only supports adherence to the principles of the UN Global Compact, but also makes a contribution toward ensuring the best-possible implementation of the SDGs by 2030.

In 2016, an initial materiality assessment was prepared and approved by the Group Executive Board during workshops with other internal and external stakeholder groups. The 2016 materiality matrix was then updated in accordance with the standards specified by the GRI during the switch to the GRI Standards ("Core" option) in 2019 and with the decision to publish the sustainability report separately from the annual report in the future. This has resulted in a combination of some of the material topics, the removal of others and yet other topics have shifted or been given higher/lower priority. Together with the material topics determined in the materiality matrix, the identified SDGs provide the primary focus for the sustainability strategy and as well as for the short- to medium-term corporate strategy of SFS as a result. Although all other topics listed in the matrix are considered important, they were not pursued in a more focused manner for reasons of priority. In this context, SFS aims to perform the materiality assessment every two years and to update the matrix accordingly.

GRI 102-47: List of material topics

- GRI 201: Economic performance
- GRI 305: Emissions
- GRI 403: Occupational health and safety
- GRI 404: Training and education
- GRI 412: Human rights assessment
- GRI 419: Socioeconomic compliance

GRI 102-48: Restatements of information

Compared to the previous report, the following information from previous reports has been restated:

- Throughout the entire report, the number of employees is now shown in terms of full-time equivalents (FTEs)
- For GRI 305 → various figures from previous years were adjusted due to a change in the scope of consolidation
- For GRI 403-9 → the number of hours worked in 2020 was corrected retrospectively due to an error

The figures in question also include a note referencing the adjustments.

GRI 102-49: Changes in reporting

As part of its materiality assessment, SFS conducted another round of extensive interviews with experts in 2021 as well as a corresponding analysis with the identified stakeholder groups. The expert interviews were designed based on the overview of 33 sustainability topics defined by GRI. A final consolidation of the results from the dialogs revealed that stakeholders continue to view the five material topics to date as material. The new topic of "GRI 412: Human rights assessment" was also added. Through it, SFS addresses the following six material topics in its current sustainability report:

- GRI 201: Economic performance
- GRI 305: Emissions
- GRI 403: Occupational health and safety
- GRI 404: Training and education
- GRI 412: Human rights assessment
- GRI 419: Socioeconomic compliance

GRI 102-50: Reporting period

The reporting period is the calendar year in each case.

GRI 102-51: Date of most recent report

The most recent sustainability report in accordance with the GRI standards ("Core" option) was published on May 31, 2021.

GRI 102-52: Reporting cycle

SFS will report annually on the topic of sustainability.

GRI 102-53: Contact point for questions regarding the report

If you have any questions about sustainability, please contact:

Claude Stadler
Head of Corporate Services, Member of the Group Executive Board

Lukas Graf
Head of Corporate and Marketing Communications

Yvonne Geiling
Lead Sustainability, Corporate Communications

SFS Group AG, Corporate Services
Rosenbergsaustasse 8, CH-9435 Heerbrugg
T +41 71 72 75151
sustainability@sfs.com

GRI 102-54: Claims of reporting in accordance with the GRI Standards

This report has been prepared in accordance with the GRI Standards, "Core" option.

GRI 102-55: GRI Content Index

GRI-Inhaltsindex [→](#)

GRI 102-56: External assurance

No external assurance was used for the sustainability report.

Material topics

Economic performance

In a dynamic market environment characterized by high demand, supply chain bottlenecks and the ongoing COVID-19 pandemic, SFS was able to significantly increase net value added by 20.2% compared to 2020. The pronounced growth in the Fastening Systems and Distribution & Logistics segments resulted in product mix shifts. In some cases, this led to a change in the share of stakeholder groups. The long-term goals of a continuous increase in value added and a balanced distribution to the benefit of stakeholders remain in place, even in the current challenging conditions.

GRI 103: Management Approach 2016

GRI 103-1 Explanation of the material topic and its boundary

SFS's daily mindset and actions are centered around economic performance and therefore on the creation of sustainable added value for all stakeholder groups. The value added is expressed in terms of its benefit to the various stakeholder groups, namely customers, suppliers, employees, investors and the government and the form it takes, whether as wages, dividends or tax payments. SFS avoids aggressive tax practices and structures and pays taxes based on value added. Since 2017, the SFS Group has reported its tax expenses per country to the Swiss Federal Tax Administration as part of its country-by-country reporting. Information on the development of material figures is provided in the financial report of the Annual Report 2021 ("Information for shareholders," p. 111 ff. →). As a result of the acquisition of Hoffmann SE in May 2022, SFS expects the effective tax rate to increase slightly compared to the reporting year (2021: PY 17.8%).

GRI 103-2 The management approach and its components

Since SFS values sustainable and collaborative partnerships, having a balanced distribution of value added that benefits stakeholders is of great importance to the company.

In a dynamic market environment characterized by high demand, supply chain bottlenecks and the ongoing COVID-19 pandemic, SFS was able to take advantage of the opportunities that arose in all segments and generate strong results. These had a positive impact on the development of net value added in the period under review and resulted in growth of 20.2% over the previous year; this benefited all stakeholder groups. The shares going to individual stakeholder groups developed differently in the period under review:

- In absolute terms, the share of value added going to employees increased by CHF 60.2 million to CHF 555.3 million compared to the same period of the previous year. The result represents a significant increase in the absolute value added paid per employee and was achieved thanks to wage increases, improved utilization of production capacities, lower solidarity contributions from employees and bonus-based participation in results. Due to the pronounced growth in the Fastening Systems and Distribution & Logistics segments, the share of value added for employees as a whole declined by –4.6 percentage points in the period under review. This development is due to the business models of the two segments, which have – due to the high proportion of trading activities – a lower personnel intensity than the Engineered Components segment.
- Due to the good earnings situation, the healthy balance sheet structure even after the financing of the transaction with Hoffmann and the outlook for further business development, the Board of Directors proposed to the Annual General Meeting 2022 that a dividend of CHF 2.20 per share be distributed. As a result, the share of value added going to investors and shareholders was

significantly higher than the 2019–2020 period. It should be noted that the dividend was reduced during the aforementioned period as a sign of solidarity with employees during the pandemic. The payout ratio amounts to 33.3% and is slightly below the target range of 35–50% of Group profit in accordance with the applicable financial policy of the SFS Group.

- Due to a slightly higher effective tax rate of 17.8% compared to the previous year, the government's share of value added rose to 6.7% (PY: 5.0%).
- The company's absolute value added amounted to CHF 165.5 million, an increase of 41.1% over the previous year. Due to the trend in the share of value added going to employees, the company's share of value added rose to 19.2% in the period under review (PY: 16.3%).

The inclusion of Hoffmann will result in a change in material financial figures as well as the outlook of the SFS Group for the current fiscal year. An update of the expectations was communicated upon completion of the transaction. Despite persistently challenging conditions, SFS expects the company to remain on its positive trajectory and to continue increasing value added in the coming years thanks to its healthy, attractive project pipeline and good positioning. The stakeholder groups, share of value added should remain largely stable.

GRI 103-3 Evaluation of the management approach

Ensuring the long-term and above-average economic development of SFS is in the interest of all stakeholder groups. Compliance with the Principles of Corporate Governance creates the necessary transparency and a balanced relationship between management and control. The Board of Directors is responsible for strategic control, while the Group Executive Board is responsible for operational management. SFS publishes a business report every six months. The consolidated financial statements for the respective financial year are verified by external auditors in accordance with Swiss GAAP FER.

GRI 201: Economic Performance 2016

GRI 201-1 Direct economic value generated and distributed

SFS creates lasting value for its stakeholders, which include customers, suppliers, shareholders, employees and the government. While part of the economic value flows directly to the stakeholder groups, another part remains in the company in order to be able to further develop innovations and technologies or to make acquisitions and investments.

The following table provides an overview of value added over the past five years, whereby the stakeholder groups are measured as a percentage of net value added:

Development of gross value added in CHF million	2021	2020	2019	2018	2017
Total income	1,923.5	1,724.5	1,814.7	1,756.7	1,657.9
Advance payments to suppliers	955.8	906.6	915.3	898.5	839.0
Gross value added	967.7	817.9	899.4	858.2	818.9

Development of net value added in CHF million	2021	2020	2019	2018	2017
Gross value added as a % of net sales	967.7 51.0%	817.9 47.9%	899.4 50.5%	858.2 49.4%	818.9 50.1%
Depreciation/amortization as a % of net sales	-105.4 -5.6%	-100.2 -5.9%	-95.4 -5.4%	-89.7 -5.2%	-125.8 -7.7%
Net value added as a % of net sales	862.3 45.4%	717.7 42.0%	804.0 45.1%	768.5 44.2%	693.1 42.4%

Development and distribution of value added as a % of net value added/in CHF million	2021	2020	2019	2018	2017
Employees	64.4%	69.0%	68.5%	67.6%	69.3%
Personnel expenses	555.3	495.1	550.4	519.3	480.6
Government	6.7%	5.0%	5.3%	6.6%	7.0%
Current tax expense excl. deferred taxes*	52.7	31.3	37.7	46.4	44.2
Public levies	4.8	4.6	4.6	4.6	4.3
Investors	9.7%	9.7%	9.0%	10.3%	11.0%
Dividends to shareholders	82.5	67.5	67.5	75.0	71.3
Interest expense	1.5	1.9	4.8	4.3	4.9
Company	19.2%	16.3%	17.3%	15.5%	12.7%
Retained profits	165.5	117.3	139.0	118.9	87.8

*In accordance with GRI 201, deferred taxes are not factored into payments to governments.

Further indicators of value creation and distribution in accordance with the GRI requirements can also be found in the Financial Report of Annual Report 2021→.

Material topics

Emissions

Reducing direct and indirect emissions along the entire value chain is the key measure for achieving the Paris climate goals, which stipulate limiting global warming to below 2° or 1.5° Celsius. SFS aims to reduce its CO₂ emissions (Scope 1 & 2) by ≥90% by 2030. By 2040, indirect emissions for the entire value chain (Scope 3) are also to be reduced to the same extent. CO₂ emissions for Scope 1 and 2 were reduced by –4.5% in the year under review. Using a like-to-like approach, the improvement is as high as a reduction of –11.9%. SFS will continue to press ahead with its CO₂ emissions reduction agenda in the year to come by expanding ongoing initiatives such as the expansion of photovoltaic plants and the electrification of the vehicle fleet.

GRI 103: Management Approach 2016

GRI 103-1 Explanation of the material topic and its boundary

A sustainable mindset and approach are part of SFS's DNA and are also an important driver of innovation. As value creators, the employees use their expertise and embrace the "Inventing success together" corporate principle to develop more sustainable products and solutions that reduce direct and indirect emissions along the entire value chain, thereby contributing to the achievement of the Paris climate goals and offering customers corresponding added value.

Cold forming, one of SFS's core technologies, achieves significant energy and material savings compared to alternative manufacturing processes (such as milling or turning). No material is removed during the cold forming process, rather the blank is brought into its final form during two to six shaping stages with virtually no material loss. The material savings are estimated at around 67% across the entire range of parts manufactured at SFS. Based on the Group's annual consumption of raw materials, the emissions generated during steel production and the cutting performance no longer required, around 300,000 ton of CO₂ emissions are prevented by using the cold forming process. This roughly corresponds to the annual CO₂ emissions of approx. 50,000 single-family homes using a conventional oil or gas heater.

Since even the use of efficient technologies can have negative effects on the environment, society and climate, SFS constantly strives to improve them and continuously reduce its own emissions.

Environmental impact modeling is conducted together with Sinum → and based on the principles of the company ecobalance, the greenhouse gas inventory according to the GHG Protocol (Corporate Accounting and Reporting Standard) and the methodology prescribed by the principles of the ISO 14040 standard. The holistic approach takes into account three different areas, referred to as scopes:

Scope 1: Emissions generated by direct sources of emissions within the company. At SFS, direct emissions are primarily caused by heat treatment and heating systems, the company's own vehicle fleet and the use of process materials that result in direct emissions (refrigerants, etc.).

Scope 2: Emissions that arise during the production of externally sourced energy. At SFS, these are mainly generated through energy consumed (electricity) in connection with production at the individual sites of operations.

Scope 3: Emissions caused by the company's activities but that are not under the company's direct control (emissions caused by suppliers, service providers and waste disposal companies, etc.). Materials such as steel, non-ferrous metals, plastics and packaging materials are purchased from SFS. Other material sources of emissions include the transport of materials and products as well as employees, business-related and commuter traffic.

A distinction is made between “upstream and downstream categories” in line with the upstream and downstream business processes in a value chain.

Upstream business processes (“Upstream”)

Scope 2:

- Purchased electricity, steam, heating and cooling for own use

Scope 3:

- Operational waste
- Purchased goods and services
- Rented assets for upstream business processes
- Business trips
- Capital goods
- Fuels for energy generation
- Employees, commuter traffic
- Transport and distribution

Reporting company

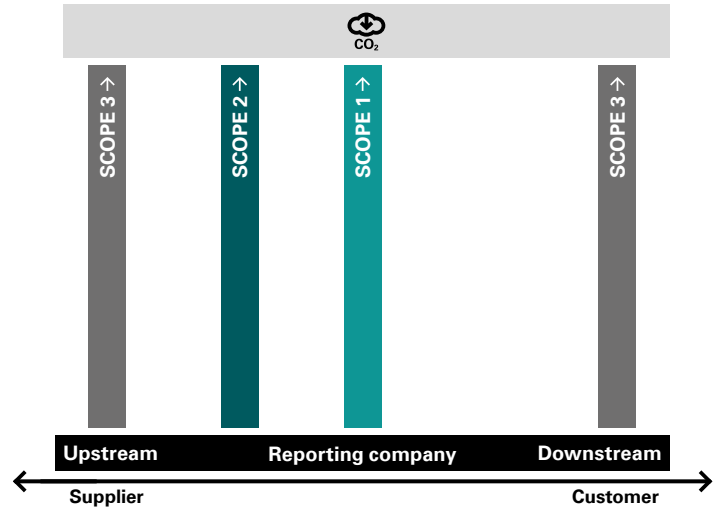
Scope 1:

- Operational facilities
- Company vehicles
- Production processes/use of process materials

“Downstream” business processes

Scope 3:

- Disposal of sold products
- Rented assets for downstream business processes
- Investments
- Use of products sold
- Transport and distribution
- Processing of products sold



GRI 103-2 The management approach and its components

As a leading technology company, SFS not only strives to make its own processes as energy-efficient, environmentally friendly and resource-conserving as possible, but also to offer solutions that offer its customers long-term benefits in terms of application. SFS's environmental management takes the entire supply chain into account, which also helps it contribute to its customers, achievement of their own sustainability goals.

The overarching principles of environmental management are enshrined in the "Policy on Quality, Environment, Occupational Health and Safety" → and in the sustainability guidelines →. Among other things, SFS undertakes to manufacture and/or offer all products and services in compliance with statutory and official requirements regarding environmental protection, safety and health.

Certification of the production sites in accordance with ISO 14001 is part of the management approach and the comprehensive environmental management system and is aimed at continuously reducing the company's environmental impact.

If necessary, complaints relating to emissions can also be submitted anonymously via the existing reporting channels. Both employees and external parties can submit complaints to the Compliance Officer using a form provided on the website →. No reports relating to emissions were received via this complaint channel in the year under review.

Reduction of emissions by more than 90% by 2030

SFS pursues the goal of reducing its CO₂ emissions (Scope 1 & 2) by ≥90% by 2030. This reduction target is based on 2020. Emissions savings are calculated based on the tons of CO₂ equivalent per franc of value added.

By 2040, we also want to reduce indirect emissions across the entire value chain (Scope 3) to the same extent. The reference year is defined as soon as the data situation and interpretation are certain. SFS currently expects this to be the case for 2023.

Measures to reduce emissions

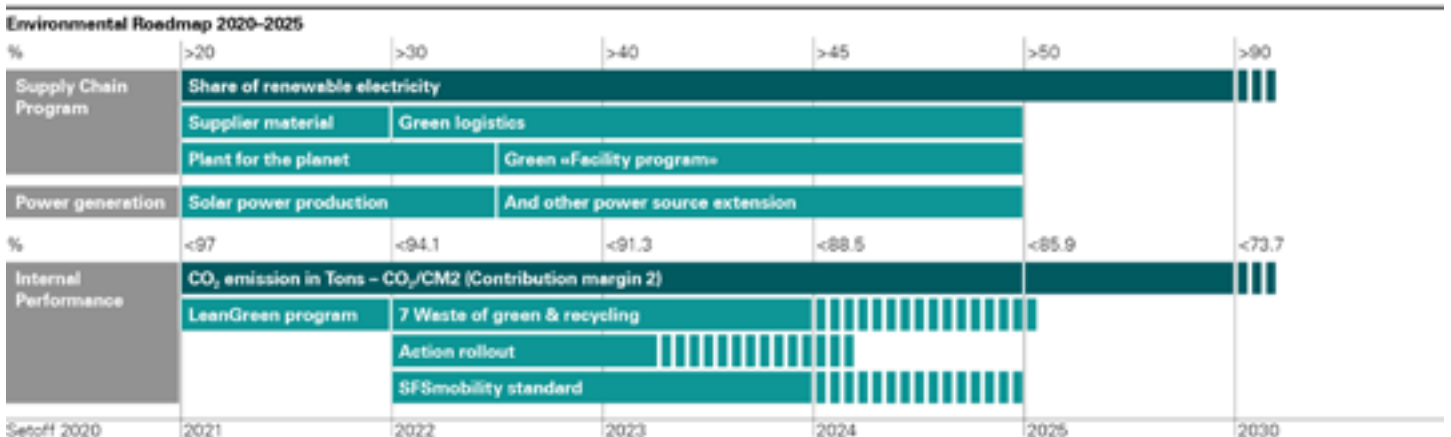
The following fields of action have been identified as ways of reducing CO₂ emissions:

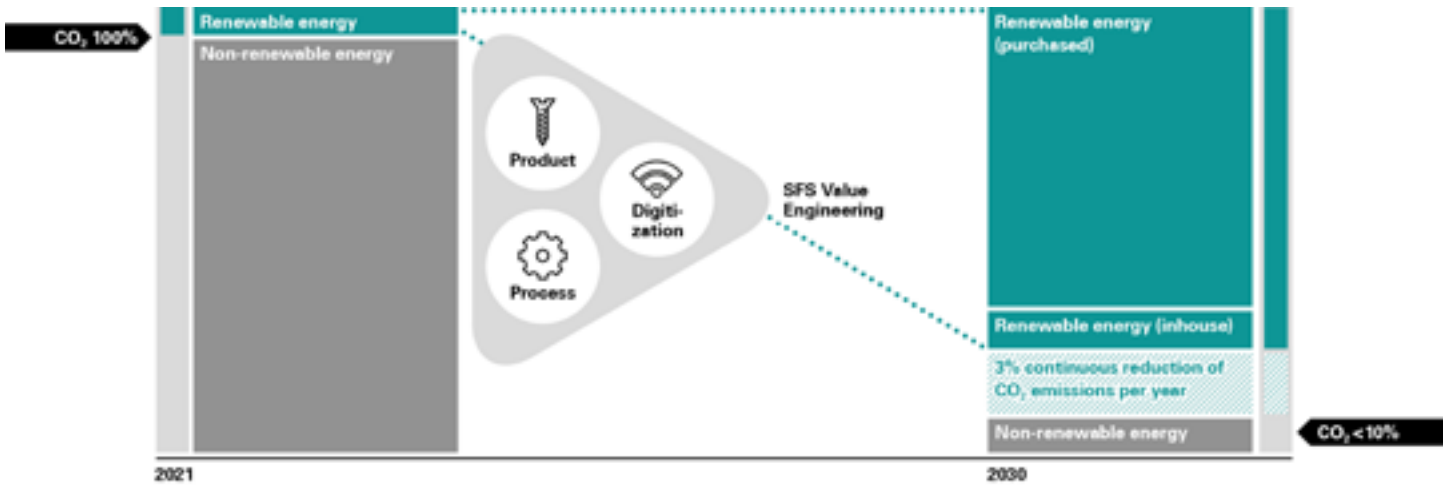
- Procurement of renewable energy
- Expansion of own renewable energy production (e.g., installation of photovoltaic systems)
- Continuous reduction of own CO₂ emissions (Scope 1 & 2) through process optimization
- Active sustainability management in the value chain (also taking suppliers, obligations into account)
- Creating additional transparency by expanding data collection

The Group Executive Board also adopted an environmental roadmap in December 2020 in addition to the reduction targets.

This roadmap is made up of four (main) programs:

- 1) Optimization of the company's performance
- 2) Purchase of renewable energy (mainly electricity at present)
- 3) Generation of renewable energy
- 4) Optimization of the entire value chain





Target achievement for 2) and 3) is measured using the “Percentage of renewable energy sources” indicator. SFS’s goal is to achieve at least 50% by 2025 and more than 90% by 2030. Efforts to optimize the company’s performance 1) are aimed at reducing CO₂ emissions (Scope 1 & 2) by at least 3% per year. Emissions savings are calculated based on the tons of CO₂ equivalent per franc of value added. The starting point for each of these targets is the 2020 reporting year.

Implementation of the roadmap on track

Each program begins with an evaluation of the available potential in order to systematically document any initiatives already implemented in the individual facilities and to generate additional points of leverage. Some examples from the plants include optimization of compressed air and vacuum systems, replacement of the lighting systems (LED), optimization of the cooling, heating and ventilation systems, material recycling and wastewater treatment. SFS was able to complete the potential check in 2021. This has resulted in many investment projects, which will be implemented successively in the year under review and in subsequent years. SFS will make targeted investments, particularly in the further expansion of photovoltaic systems. At the end of the reporting year, the Electronics division alone invested in photovoltaic systems with an installed capacity of more than 5 MWp. Investments were also made in heat pumps to use waste heat and in the first energy storage systems.

To improve its own performance, SFS follows the “Lean & Green Approach”, which combines lean management approaches with environmental and sustainability-related aspects. Here, a material flow analysis is performed to look for further potential within the processes, while simultaneously incorporating the use of lean methods. This approach focuses on recycling opportunities and seven “possible sources of waste”: energy, water, materials, waste, transport, emissions and threats to biodiversity.

Active supplier management: Reducing emissions in the supply chain

In the year under review, SFS evaluated suitable software for managing sustainability in the supply chain. This covers all three pillars of sustainability and is intended to meet current and future regulatory requirements such as the EU’s Supply Chain Act. Supplier evaluations performed with the help of the new software as well as compliance with the SFS sustainability guidelines will serve as a basis for deciding whether to collaborate with a supplier in the future.

Another component is the development of a training course on the topic of sustainability. Employees in Switzerland are currently gaining an in-depth insight into global developments and getting to know the points of leverage where they can help SFS achieve its ambitious goals. In the future, this training will also be made available to employees and suppliers internationally.

Achieving goals through shared responsibility

In order to lend greater weight to environmental and social aspects within the framework of corporate governance, specific ESG targets have been included in the target agreement for the entire Group Executive Board since 2021 and form part of the individual targets.

All divisions are responsible for reducing emissions in line with the defined targets by 2030, 2035 or 2040 and therefore for achieving the corporate targets. By drawing up their own roadmap, they have defined measures and projects that take the specific characteristics of the divisions, businesses into account. The performance assessment is carried out using the management-by-objectives approach. The EHS (Environment Health Safety) peer group helps the divisions plan and implement measures. The Group EHS

Manager works together with the divisions, or locations, EHS managers to define the general approach. Progress is monitored, corrective measures are taken if necessary and best practices are shared at regular peer group meetings.

GRI 103-3 Evaluation of the management approach

The emissions management approaches and measures described in GRI 103-2 are presented annually to the Group Executive Board by the Group EHS Manager and the achievement of roadmap targets and initiatives is assessed and adjusted in this context. That includes reviewing environmental performance: ISO 14001-certified locations, for example, report on their progress in reducing CO₂ emissions.

Consolidation approaches harmonized

The consolidation approach was brought in line with the principles of financial controlling, which are also applied when preparing the annual report. That also paved the way for integrated reporting in the future. The resulting differences are disclosed in each report.

Those primarily relate to an adjustment in how the 50% stake in the joint venture “Sunil SFS” in Tianjin is taken into account. Only 50% of the CO₂ values are now factored in, which is commensurate with the financial stake in the company. The CO₂ equivalents shown in the following tables have been adjusted for previous years, as well.

Data collection process improved

SFS has made major progress in collecting Scope-3-specific data. A great deal of relevant data was collected for the first time (transport, commercial products, services, etc.). Improvements were made not only to the quality of the data, but also underlying data for consumption figures from the Group’s own vehicle fleet and process materials. The business model for recording and calculating CO₂ emissions was created using Sinum,s expert system and the ecoinvent database, version 3.8. Changes made included adjustments to the modeling (such as to the granularity of waste disposal) as well as an expanded business model and the addition of numerous new measurement points (for product transport and commuter traffic, for example). The model,s main objectives are to expand the scope of data and improve data quality in order to establish an information system that serves as the basis for internal and external sustainability-related communication. It also creates important prerequisites for the establishment of a combined or integrated reporting system. The activities of the SFS Group in Switzerland (12 locations) and the most important international locations (currently 26 locations) were examined. This report provides an LCA-based (lifecycle assessment) overview of the material environmental aspects at both divisional and Group level for 2021 as well as a comparison with previous years. Data was collected 38 locations during the year under review (2020: 34 locations) with 9,455 employees in FTE (2020: 8,956). This corresponds to around 90% (2020: 84%) of SFS’s entire workforce. The goal is to include all relevant locations by 2025, thus achieving a degree of coverage of more than 95%.

Implementation of ISO 14001 certification

At present, 21 production sites (PY: 20) currently have an ISO 14001-certified environmental management system. The aim is to expand the environmental management system to all material production sites by 2025 and to certify them in accordance with ISO 14001. The following diagram shows the current status with regard to planning and actual certification by segment:

Segment	Engineered Components	Fastening Systems
SFS Scope*	24	10
Certified	19	2
Being planned	5	8
100% achievement planned	2023	2024

*SFS scope: Material production sites where SFS has a stake of ≥50% and employs more than 50 people. Sites with emissions that have a material impact on the total emissions of the SFS Group are material. As a result, no certification is planned for the Distribution & Logistics segment and smaller individual production sites. (see also 102–45).

GRI 305: Emissions 2016

GRI 305-1 Direct (Scope 1) GHG emissions

Data collection in Scope 1 has achieved a high degree of coverage. There are still gaps in the collection of data regarding operating supplies and information on fuel consumption for the company’s own vehicle fleet. The plan is to collect the missing information by 2023 and complete the database. This objective only applies to organizations that were already part of the SFS Group in the year under review, however. There were no biogenic CO₂ emissions in the reporting period.

The table below illustrates the significant increase in the amount of data collected regarding sources of emissions (especially for process gases, fuels and process materials), emissions increasing by more than 46% compared to the previous year. In a “li-

ke-to-like” comparison, which only considers the figures that had already been collected in the same period of the previous year, emissions increased by merely 4.3% with organic growth of 16.8%. The savings were achieved through many small projects relating to consumption attributable to heating and to process gases. For example, heat exchangers are only run in summer and replaced by thermal heat pumps in winter. The waste heat generated by the thermal heat pump is stored in buffers and used to heat the buildings. At the location in Korneuburg (Austria), for example, gas consumption for heating was reduced by approximately 80%. The roll-out is currently underway at the plant in India, with initial savings of 88% reported.

Scope 1	2021	2020	2019	Share	Change to prior year
Tons of CO ₂ eq (Ecoinvent calculation)	V3.8	V3.71	V3.71	-	
Scope 1 (in tons of CO ₂ eq)	30,864	21,077	17,258	-	+46.4%
Scope 1 (in tons of CO ₂ eq)* “Like-to-like”	20,593	19,742	16,940	-	+4.3%
Scope 1 (in tons of Co ₂ eq)*	29,680	19,742	16,940	-	+50.0%
Fuels for passenger cars	3,629	1,562	0	12.2%	+132.0%
Heating oil/gas	10,005	10,702	9,335	33.7%	-7.0%
Process gases	14,588	7,450	7,605	49.2%	+96.0%
Operating materials	1,458	28	0	4.9%	+5,107.0%

* The figures in the table show the recalculation of absolute emissions to CO₂ equivalents in Scope 1 attributable to changes in the group of consolidated companies as well as the individual sources of emissions since 2019.

Source of emission factors: Ecoinvent v3.71; 3.8 (from 2021 onward)/values used for global warming potential (GWP) or a reference to the GWP source.

Greenhouse gas emissions (as CO₂eq). Climate Change 2013, Fifth Assessment Report (AR5) of the United Nations Intergovernmental Panel on Climate Change (IPCC 2013)

Standard according to the GHG Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) was used as part of Sinum,s ECOPRO efficiency profile (www.sinum.com). The methodology is based on the principles of ISO 14040. The aim is to monitor the company ecobalance in order gain a global overview of the impacts and to provide information and underlying data on an annual basis that can be used for decision-making and communication. Data collection is standardized and ecoinvent data is used. The methods used are Ecoscarcity and CO₂ equivalence factors from IPCC 2013.

Computing programs used: REGIS – EcoPerformance Systems

GRI 305-2 Energy indirect GHG emissions (Scope 2)

The trend in Scope 2 emissions shows the positive effects of measures implemented to reduce CO₂ emissions. Overall, SFS recorded an increase in absolute CO₂ emissions of just 2.5%, which accompanied growth in value added of 16.8%. The purchase of renewable electricity (71,511 MWh) and the expansion of in-house electricity production (5,129 MWh) contributed significantly to this. The share of renewable electricity was increased from 6% to a total of 36%, bringing the proportion of renewable energy to 23% (PY: 4%). Nearly 100% of Scope 2 energy is obtained in the form of electricity, with district heating playing a minor role in the company.

Scope 2	2021	2020	2019	Share	Change to prior year
Tons of CO ₂ eq (Ecoinvent calculation)	V3.8	V3.71	V3.71	–	–
Scope 2 (in tons of CO ₂ eq)	93,459	91,364	93,224	–	+2.3%
Scope 2 (in tons of CO ₂ eq)*	87,201	85,080	87,963	–	** +2.5%
Electricity	87,195	–	–	99.99%	***
District heating	6	–	–	0.01%	

*The figures in the table show the recalculation of absolute emissions to CO₂ equivalents in Scope 2 attributable to changes in the group of consolidated companies as well as the individual sources of emissions since 2019.

** Before recalculation

*** Initial inclusion of the breakdown

Source of emission factors: Ecoinvent v3.71; 3.8 (from 2021 onward)/values used for global warming potential (GWP) or a reference to the GWP source.

Greenhouse gas emissions (as CO₂eq). Climate Change 2013, Fifth Assessment Report (AR5) of the United Nations Intergovernmental Panel on Climate Change (IPCC 2013)

Standard according to the GHG Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) was used as part of Sinum,s ECOPRO efficiency profile (www.sinum.com). The methodology is based on the principles of ISO 14040. The aim is to monitor the company ecobalance in order gain a global overview of the impacts and to provide information and underlying data on an annual basis that can be used for decision-making and communication. Data collection is standardized and ecoinvent data is used. The methods used are Ecoscarcity and CO₂ equivalence factors from IPCC 2013.

Computing programs used: REGIS – EcoPerformance Systems

GRI 305-3 Other indirect (Scope 3) GHG emissions

SFS is publishing data on Scope 3 emissions for the first time. As expected, efforts to optimize data quality and completeness have more than doubled the volume of data already collected internally. Here, too, the company aims to further reduce any existing gaps by 2023. This goal only applies to organizations that were already part of the SFS Group in the current reporting year, however. In terms of Scope 3 emissions (in CO₂eq), the material sources are currently the purchase of goods and services (e.g., raw materials, external processing), which come in at around 81%, followed by commuter traffic at around 9% and the purchase of fuel and energy-related services (not included in Scope 1 or 2) at around 5%. Other relevant areas are waste disposal (2.31%) as well as upstream and downstream transport (2.4%).

Scope 3	2021	2020	2019	Share	Change to prior year
Tons of CO ₂ eq (Ecoinvent calculation)	V3.8	V3.71	V3.71	–	–
Scope 3 (in tons of CO ₂ eq)*	411,417	192,071	49,588	–	+112% (completion compared to previous year)
Purchased goods and services	331,965	–	–	80.69%	Initial inclusion of the sub-division
Capital goods	1,098			0.27%	–
Fuel and energy-related activities (not included in Scope 1 or 2)	21,224			5.16%	
Upstream transport and sales	3,174			0.77%	
Waste from the plant	9,516			2.31%	
Business trips	100			0.02%	
Commuter traffic	37,524			9.12%	
Downstream transport and sales	6,646			1.62%	
Other (upstream)	171			0.04%	

*The figures in the table show the recalculation of absolute emissions to CO₂ equivalents in Scope 3 attributable to changes in the group of consolidated companies as well as the individual sources of emissions since 2019.

Source of emission factors: Ecoinvent v3.71; 3.8 (from 2021 onward)/values used for global warming potential (GWP) or a reference to the GWP source.

Greenhouse gas emissions (as CO₂eq). Climate Change 2013, Fifth Assessment Report (AR5) of the United Nations Intergovernmental Panel on Climate Change (IPCC 2013)

Standard according to the GHG Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) was used as part of Sinum,s ECOPRO efficiency profile (www.sinum.com). The methodology is based on the principles of ISO 14040. The aim is to monitor the company ecobalance in order gain a global overview of the impacts and to provide information and underlying data on an annual basis that can be used for decision-making and communication. Data collection is standardized and ecoinvent data is used. The methods used are Ecoscarcity and CO₂ equivalence factors from IPCC 2013.

Computing programs used: REGIS – EcoPerformance Systems

GRI 305-4 GHG emissions intensity

SFS made some initial progress with a reduction of –4.5% on its way to reducing CO₂ emissions by at least 90% by 2030 (2020 reference). Excluding the emissions from Scope 1, which the plants reported for the first time, the result would actually be –11.9%. Energy savings at the locations and purchases (34%) of renewable Scope 2 energy made a material contribution to the reduction. The installation of photovoltaic systems increased the proportion of self-generated renewable electricity from 1.4% (2,560 MWh) to 2.5% (5,129 MWh) compared to the previous year.

Ton CO ₂ eq/million value added	2021	2020	2019	Share	Change to prior year
Tons					
Total Scope 1+2*	116,881	104,822	104,903	–	–
t CO₂/CHF million					
KPI Scope 1+2*	105.6	110.6	99.3	–	–4.5%

*The values in the table show the absolute emission values expressed as CO₂ equivalents. The year-over-year change in the figures from last year,s report is due to changes made to the group of consolidated companies.

Source of emission factors: Ecoinvent v3.71; 3.8 (from 2021 onward)/values used for global warming potential (GWP) or a reference to the GWP source.

Greenhouse gas emissions (as CO₂eq). Climate Change 2013, Fifth Assessment Report (AR5) of the United Nations Intergovernmental Panel on Climate Change (IPCC 2013)

Standard according to the GHG Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) was used as part of Sinum,s ECOPRO efficiency profile (www.sinum.com). The methodology is based on the principles of ISO 14040. The aim is to monitor the company ecobalance in order gain a global overview of the impacts and to provide information and underlying data on an annual basis that can be used for decision-making and communication. Data collection is standardized and ecoinvent data is used. The methods used are Ecoscarcity and CO₂ equivalence factors from IPCC 2013.

Computing programs used: REGIS – EcoPerformance Systems

Occupational health and safety

The number of work-related accidents was reduced again in the current reporting year. This brings SFS one step closer to its target of halving the number of occupational accidents by 2025 compared to the 2019 reference year. In order to take account of the dynamic growth of the company, target achievement is now also measured using the relative key figure “accidents per million hours worked”, according to which occupational accidents were reduced by –12.8%. The corresponding data were collected for the first time in the reporting year and form the basis for the relative goal of halving the number of accidents by 2025.

GRI 103: Management Approach 2016

GRI 103-1 Explanation of the material topic and its boundary

The company’s employees are crucial to the success of the SFS Group, which makes creating a healthy and safe working environment for all employees a key concern at SFS. This holds particularly true at all production sites, where the processes and workflows – in part due to the high material throughputs – pose health and safety risks for employees and suitable measures must be taken to reduce those risks. Accordingly, these locations and the occupational group of “production employees” are pivotal for evaluations and improvements in the area of occupational health and safety.

In 2020, SFS had set itself the target of reducing occupational accidents by 50% by 2025 compared to the 2019 reference year, with its sights set on gradually moving closer to its long-term goal of zero occupational accidents. Basing the target on 2019 made it challenging, however, because the company’s ongoing growth constantly increases the employee base. As a result, occupational accidents are now also measured using the key ratio of “accidents per 1 million hours worked”. The ambitious goal of halving this figure by 2025 also applies to this ratio. 2020 is used as the reference year since the corresponding figures have not yet been collected for 2019. In 2020, the corresponding accident rate was 4.7 accidents per million hours worked. Accordingly, the target for 2025 is 2.35 accidents per million hours worked.

When setting targets and collecting data, all company locations with more than five employees in which SFS has a stake of more than 50% should be taken into account. One specific goal for data collection is to cover more than 95% of all employees by 2025. The scope covered 9,455 employees at the end of the reporting period (in FTE, 2020: 8,956). This corresponds to around 90% (2020: 84%) of the entire workforce, the majority of whom work in a production environment.

When collecting data for the current report, a distinction was made between permanent employees and temporary employees for the first time (see GRI 403-9). The latter are employees whose work is controlled by SFS but who have an employment contract with a third party. If the report refers to employees, no distinction is made between these groups. Otherwise, the terms “permanent” and “temporary” are used. Information pertaining to the reporting period now also includes data on work-related absences with serious consequences and a recovery period that lasted more than six months.

Change in workforce*	2021	2020	2019	Share 2021	Differences 2021/2020
Total Group	9,455	8,956	8,978	–	5.6%
Engineered Components	7,288	6,818	7,512	77%	6.9%
Fastening Systems	1,547	1,545	1,557	16.4%	0.1%
Distribution & Logistics	621	594	595	6.6%	4.7%

*Number of full-time equivalent (FTE) employees at the reporting locations where SFS owns $\geq 50\%$ of the company and employs more than five people.

GRI 103-2 The management approach and its components

A safe working environment, the well-being and health of SFS employees contribute significantly to the success of the SFS Group, which is why occupational health and safety forms an integral part of the corporate culture. For SFS, it goes without saying that the Group complies with existing laws and consistently pursues the Group-wide targets for improving and promoting occupational health and safety. By embracing the values of “partnership,” “commitment”, “community,” “success” and “change,” which are taken from the corporate principle and form the basis for the day-to-day activities, SFS strives to become a leader in the area of occupational health and safety.

The management approach toward occupational health and safety is aimed at reducing or completely preventing negative consequences by taking these steps:

- Gradually establish the ISO 45001 management system at material production sites, or, in other words, at all locations where SFS owns a stake of $\geq 50\%$ and employs more than 50 people.
- SFS protects the lives and health of all employees through the provision of safe and healthy working conditions.
- The company improves the corresponding safety measures by identifying and assessing hazards, burdens and risks on a regular basis.
- Preventive measures and programs such as the introduction of the “10 SFS Group Safety Rules” and corresponding training help prevent accidents.
- Exchange with all relevant stakeholders in order to further improve “health and safety at work”.
- SFS encourages employees to take personal responsibility for their own health: Preventive hazard identification and risk assessments at employees, own workplaces make it possible for the working environment to be adapted accordingly and prevent potential accidents.
- All employees are required to report situations and noticeable problems immediately that endanger employees, occupational health and safety. Various communication channels and platforms are made available to them both for that purpose and for suggesting improvements, including the CIP (Continuous Improvement Process) ideas box, team meetings, shop floor meetings and employee meetings. The new mySFS app is another communication channel that allows employees to contact their supervisor or head of department directly and express their concerns. The compliance system integrated by SFS is accessible to all employees; reports may also be submitted anonymously. Employees who report violations will not be penalized as a result.
- In this context, employees also have the instructed to and required to interrupt their work in the event of a potential risk and/or danger and only resume work again once the situation permits (e.g., hazard/deficiency has been remedied or eliminated). This approach is regularly communicated in training on the “10 SFS Group Safety Rules”.

While the degree of ISO 45001 certification coverage currently varies, it is to cover all material production sites* by 2025. A roadmap has been defined for achieving this goal. Currently, 15 of the 34 locations (PY: 13) are ISO 45001 certified.

Division	Engineered Components	Fastening Systems
SFS Scope*	24	10
Certified	19	2
Being planned	5	8
100% achievement planned	2023	2024

* SFS scope: Material production sites where SFS has a stake of $\geq 50\%$ and employs more than 50 people. That means sites with a significant impact on SFS’s overall results in terms of accidents are material and no certification is planned for smaller production sites (see also GRI 102–45). As a non-production unit, the D&L division is certified in accordance with the FCOS (Swiss Federal Coordination Commission for Occupational Safety) .

Target achievement and review will initially take place on a decentralized basis for each individual location. This is the responsibility of both the site manager, who is responsible for local working conditions, as well as the EHS manager, who is responsible for the environment as well as health and safety at work.

The EHS managers at the site, division and SFS Group levels are in regular contact with each other and record their data on a central collaboration platform. They plan and implement any (corrective) measures and ensure the best possible level of target achievement

for the SFS Group, which also ensures employee protection. Discussions regarding progress and deviations take place at regular steering meetings with the Executive Board and at meetings of the Group Executive Board. Further improvements were made to systematic data collection during the year under review. The relevant safety indicators are now collected on a quarterly basis instead of once a year.

GRI 103-3 Evaluation of the management approach

As in the previous year, the number of accidents and lost days was reduced again in 2021. There was a positive trend observed in the defined metrics, particularly at the locations certified in accordance with ISO 45001, which is why we are pushing ahead with efforts to expand this continuously to cover additional locations. Priority will be given to locations with relatively high accident rates. The current management approach should be considered effective and suitable.

The risk assessments are prepared by experts who may call in an external consultant if necessary. The resulting documents are regularly revised when new work equipment, machines or work materials are introduced, when work procedures are changed that could give rise to new hazards or when new insights are gained as a result of an accident or near miss.

Incidents and hazardous situations are reported for all sites in accordance with the local procedures provided for in the respective management system. The Group-wide reporting procedure is based on the NACA Index (National Advisory Committee for Aeronautics). The general objective is to improve the reporting culture throughout the SFS Group, including reporting by external companies. The effectiveness of the reporting procedure could not be confirmed in one of the events that occurred during the period under review. A system check is planned for this year.

All incidents, including near misses, are investigated. The aim is to identify the underlying causes and take appropriate corrective measures to prevent a similar incident from occurring again. For SFS, it is important that accident investigations are focused on identifying failures in the safety process rather than assigning blame.

As in 2020, the 2021 reporting year was dominated by the COVID-19 pandemic. Protecting the health of all employees was a top priority in this context. All necessary protective measures were implemented swiftly and work at all sites was carried out in accordance with the applicable emergency plans and regulations issued by the local authorities. In addition to the usual hygiene rules, additional measures were introduced where necessary, including the strict separation of teams, the use of remote working and the mandatory use of face masks. Physical events were canceled or replaced by online conferences. Implementing these measures systematically made it possible to offer employees a high level of occupational health and safety and to safeguard business continuity.

In Switzerland, employees were able to test themselves on a weekly basis as part of a study conducted by the Cantonal Hospital of St. Gallen and supported by the local government. Participation in the study also made it possible to perform antigen tests quickly in case of suspected cases or before events such as meetings or training.

GRI 403: Occupational health and safety 2018

GRI 403-1 Occupational health and safety management system

SFS works with a Group-wide business management system (BMS) that meets the requirements of the current standards according to ISO 9001, ISO 14001 and ISO 45001 and applies to all SFS locations and all employees. The local sites implement their local management systems based on the BMS as well as local regulatory and statutory requirements. Newly acquired companies are integrated into the BMS using the integration approach.

The BMS is managed by the Corporate Quality & EHS function and deployed by a network of EHS experts in regional and national organizations. Communication and exchanges follow a peer group approach.

Both the BMS and SFS's local management systems are audited by external parties as part of the ongoing ISO certifications. Internal audits and regular reviews of EHS performance facilitate the continuous improvement of the management system as well as its implementation.

GRI 403-2 Hazard identification, risk assessment, and incident investigation

SFS works under the principle that hazard detection forms the basis for safe work. All sites are obliged to assess hazards on a regular basis, to analyze risks within their sphere of influence and their work processes, and to define corrective and mitigation measures. One of the instruments used to carry out regular assessments is the daily shop floor meeting; these meetings have been introduced at all locations and offer a forum where safety is discussed as an important agenda item. Risk analyses are reviewed when new information becomes available, such as information regarding new legal requirements, changes to systems, equipment or raw materials as well as incidents, accidents and near misses.

In 2019, SFS introduced the “10 Safety Rules of the SFS Group” to raise awareness of risks to the health and safety of employees. Implementation of the “10 SFS Group Safety Rules” was completed by the end of 2021. The training is a mandatory course made available to all employees via e-learning. The safety rules apply at all sites and for all employees.

All employees are responsible for ensuring that all accidents, incidents and near misses are reported to their line managers immediately to guarantee that investigations and corrective measures can be carried out in good time. Violations against the security rules can also be reported to the Compliance Officer anonymously. Corresponding online forms are available both internally (via the employee app) and externally (via the company website). That means violations can be reported by all stakeholders.

All incidents, accidents and near misses are investigated. A formal analysis of the cause is carried out and the findings of that analysis are communicated throughout the company.

Each location has an active risk management system in place and is prepared for possible incidents. The site’s senior management appoints a crisis management team and maintains contingency plans where necessary.

Possible incidents include:

- Hazards and damage to people and the environment (accidents, fire, flooding, storms, earthquakes, epidemics/pandemics, etc.)
- Interruption of business (unavailability or absence of workers, energy, procured components, operating resources, etc.)
- Interference by unauthorized persons (unauthorized access, vandalism, sabotage, espionage, cyber attacks, etc.)
- Customer complaints (product liability and warranty claims, etc.)

The goal of risk management and contingency plans is to ensure that customer requirements can be satisfied smoothly and promptly, even during the potential incidents listed above.

GRI 403-3 Occupational health services

SFS ensures access to qualified occupational health services through country-specific approaches that meet local statutory requirements and offer the service in the national language. Employees are given information on the occupational health services available during their induction or briefing. The services are offered during normal working hours. Employees, right to data protection and privacy is respected and complied with. Employees, use of or participation in such services and programs or the health data collected as a result are not used as a decision-making criterion for employee development (termination, promotion, etc.).

GRI 403-4 Worker participation, consultation and communication on occupational health and safety

Occupational health and safety-related topics introduced by employees are discussed at site level in the Accident and Safety Commission meetings. These meetings are held at regular intervals, either monthly or quarterly, depending on the location.

In addition, regular discussions on the topic of occupational health and safety take place on many other channels/platforms. These include team meetings, shop floor meetings, quarterly reports, information screens, the employee magazine, the employee app, one-on-one meetings and employee surveys.

GRI 403-5 Worker training on occupational health and safety

All new employees are welcomed to an induction day (e.g., SFS Welcome Day) where they are informed about health and safety via the systems available (on-site training, online training, e-learning platform) as well as their rights and obligations. The training sessions are held at regular intervals by qualified safety officers or specialists. Basic training includes the correct use of personal protective equipment, the “10 SFS Group Safety Rules” (in detail) as well as specialist instructions on lifting platforms, forklift trucks, hazardous substances and other similar topics. The content of the “10 Safety Rules of the SFS Group” will now also be communicated to employees on a regular basis via e-learning courses.

The courses will be held in small groups to ensure that each employee is able to contribute appropriately. The aim of the courses is to ensure that participants understand the content of the courses as well as the correct use of special tools, both in theory and on site, and that they can implement this information in practical examples.

The wide range of courses offered during working hours is individually adapted to the content and the target persons, documented and made available to all employees.

GRI 403-6 Promotion of worker health

SFS promotes employee health through a wide range of campaigns and initiatives. In Switzerland, these include:

- Flexible safety plans during the COVID-19 pandemic
- Promotion of the use of bicycles
- Introduction of an incentive system (EcoPoints) to boost commuting to work by e-bike, on foot or by public transport
- Adapted cycling routes and increased safety for cyclists on company premises
- Various athletic activities

GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

SFS attaches great importance to a maximum level of protection, occupational health and safety among its own employees as well as all other stakeholder groups that visit the factory premises. All guests and business partners who visit the production facilities during their stay at SFS will be provided with appropriate protective equipment (face mask, safety goggles, safety shoes, etc.). Contractors who carry out work on the factory premises also receive a safety briefing and are obligated to comply with these rules. In the quality assurance agreement, suppliers promise to ensure occupational safety and working conditions that promote good health in their companies and supply chains. This is systematically verified as part of supplier audits.

On the customer side, SFS uses operating and installation instructions, safety data sheets and, in some cases, user training courses to ensure that the commissioning, installation and use of the products meet the latest requirements with respect to ergonomics and safety.

GRI 403-9 Work-related injuries

During the current year under review, the number of occupational accidents involving one or more lost workdays fell by –12.8% compared to 2020 and the number of lost workdays declined by 17%, from 1,904 to 1,580 days. The accident rate has dropped from 4.7 to 4.1 accidents per million hours worked. 9.5 occupational accidents were recorded per 1,000 employees during the year under review (PY: 10.9). All injuries were investigated and appropriate improvement measures were taken to prevent similar incidents in future.

One objective during the year under review was to continue efforts to include the remaining metrics specified by the GRI standards. In addition to the metric of accidents per million hours worked, additional data was collected on work-related injuries with serious consequences. All metrics now also differentiate between “permanent” and “temporary” employees.

Work-related injuries	Unit	2021	2020	2019	Difference PY
Employees documented¹⁾	FTE	9,455	8,956	8,978	5.6%
Total number of hours worked	hours	20,230,895	* 18,183,174	–	11.3%
Permanent employees		17,494,478	–		new key figure
Temporary employees		2,736,417			new key figure
Occupational accidents >= 1 day²⁾	#	82	85	98	–3.5%
Permanent employees		80	–	–	new key figure
Temporary employees		2			new key figure
Accident rate	#/Mio. hours.	4.1	4.7	–	–12.8%
Permanent employees		4.6	–		new key figure
Temporary employees		0.7			new key figure
Occupational accidents > 3 days	#	63	57	–	10.5%
Permanent employees		62	0		new key figure
Temporary employees		1	0		new key figure
Accident rate	#/Mio. hours	3.1	3.1	–	–0.7%
Permanent employees		3.5	0		new key figure
Temporary employees		0.4	0		new key figure
Work-related injuries with serious consequences³⁾	#	2	–	–	new key figure
Permanent employees		1			new key figure
Temporary employees		1			new key figure
Rate with serious consequences	#/Mio. hours	0.1	–	–	new key figure
Permanent employees		0.1			new key figure
Temporary employees		0.4			new key figure
Work-related injuries resulting in fatalities	#	0	0	0	0%
Permanent employees		0		–	new key figure
Temporary employees		0			new key figure
Rate of deaths	#/Mio. hours.	0	0	–	0%
Permanent employees		0	–		new key figure
Temporary employees		0			new key figure
Total number of days lost	# days	1580	1904	1749	–17.0%
Days lost per 1,000 employees	Days/1,000 FTEs	167	213	195	–21.4%
Occupational accidents per 1,000 employees	#/1,000 FTEs	8.7	9.5	10.9	–8.7%

The number # refers to the absolute number of incidents in each case.

¹⁾ Number of employees in the entities currently reporting

²⁾ Occupational accidents are based on the number of work-related injuries resulting in an absence of at least one working day.

³⁾ Work-related injuries with serious consequences resulting in a recovery period of at least 6 months (not including fatalities).

* 1,763,174 hours of work were indicated in the previous year. The correct figure is 18,183,174 for 2020.

Cuts, at 31%, are still the most common type of work-related injury (PY: 31%). Tripping-related accidents were reduced from 28% to 13% and accidents involving the means of work and equipment were also down from 19% to 16%.

In order to reduce the number of cuts, more attention is being paid to the use of PPE (personal protective equipment) and changes have been made to the PPE provided at locations that are particularly hard-hit. Tripping-related accidents are being reduced through the use of additional visual cues as well as workstation optimizations aided by 5S methodology. The risk matrix is used to regularly assess the means of work and equipment so to subsequently minimize potential hazards.

Material topics

Training and education

SFS's long-term goal is for 5–7% of permanent employees worldwide to participate in training programs. SFS was able to reaffirm its stated target of 5.1% in 2021 (2020: 5.0%). The revision of the employee development process (SEDP) and the basic idea for the Advanced Leadership Development Program represent vital advances made in the area of employee development. Figures related to performance reviews remained stable. Progress was also documented by the feedback received through the employee survey that awarded second place to SFS in Switzerland, putting it once again among the top-ranked locations.

GRI 103: Management Approach 2016

GRI 103-1 Explanation of the material topic and its boundary

SFS is heavily involved in training and further education. The enormous importance that corporate management attaches to this topic is clearly reflected in the fact that the topic is firmly incorporated into the SFS Group strategy. In this strategy, SFS promises to work toward a long-term partnership with its employees based on strong emotional ties and mutual trust. They assume responsibility, nurture the culture and values of SFS and strive for continuous improvement. Since innovation is a key element toward ensuring SFS's long-term success, the SFS Corporate Principles stipulate that these goals are to be achieved, among other things, by providing employees with an above-average amount of training. Accordingly, SFS promises to foster its employees and to build and develop their skills. To maintain and further expand SFS's expertise in its core technologies, the Group also attaches great importance to the dual education system, which can be used to provide targeted, in-house training to young talent.

The collection of HR-related data was aligned with the financial reporting structure – as was also done in the other sustainability-related areas. This has also helped expand the reach. As can be seen in Table 102-8, data collection now shares the same scope as financial reporting. This expansion of data collection activities, coupled with a switch to FTE values instead of headcounts, makes it difficult to compare the data with that of last year's report. That does not apply to data collected for the dual education system metric, which was still done in line with the previous data collection method.

The approaches used by SFS to promote training and further education are determined locally at the sites and within the international subsidiaries. In Switzerland, for example, there are regulations that define the content of the promotional measures, the financial support and time provided as well as repayment obligations.

GRI 103-2 The management approach and its components

SFS implements suitable further training measures to achieve its goal of providing employees at all levels with targeted support that is commensurate with their potential. That will further expand the pool of talented individuals that can be tapped to fill key positions or find replacements internally when the need arises. This approach enables the company to perform long-term succession planning that lends stability and allows the culture to be nurtured and further developed.

With the same goal in mind, the SFS Group uses dual basic training programs to promote young professionals from within its own ranks. SFS offers attractive dual education opportunities in various countries and promotes cooperation with schools and parents in order to offer young professionals a valuable and hands-on alternative to studying.

To that end, the following KPIs for education and training are defined in the corporate strategy and reviewed on an annual basis:

Dual education system

SFS's long-term goal is for 5–7% of permanent employees worldwide to participate in training programs.

SFS was able to reaffirm its stated target of 5.1% in 2021 (2020: 5.0%). The report relates to approximately 90% of the entire workforce. Unfortunately, these education programs could not be expanded due to the pandemic. Efforts are underway at various locations, however, to further develop the offerings and boost their appeal. The Group-wide exchange on dual education activities, including the implementation of international exchange programs, took place through the HR peer group.

The respective division manager is responsible for implementation; working together with the corresponding site manager and in cooperation with the HR team, they devise programs that fit into the local environment and comply with the regulations of the country-specific educational landscape.

Corporate HR is responsible for reviewing target achievement, informing the Group Executive Board of the degree of target achievement and drawing up proposals for measures.

Filling key positions (members of divisional management and site managers)

SFS aims to fill more than 70% of management positions with internal candidates. This is done in a conscious attempt to both create employee development opportunities and enable the organization to benefit from a high level of continuity. 100% of the key positions (members of divisional management and site managers) were filled by internal candidates during the period under review (PY: 92%).

Divisional management is responsible for filling these key positions together with the HR team. Potential candidates are identified and the talents are promoted through the Group-wide Structured Employee Development Program (SEDP). The SEDP was underwent a major overhaul in the period under review, during which the assessment method was refined and transparency in terms of the succession planning and talent pool was improved across the entire organization. Further improvements, especially related to digital support for the process, are planned for the next reporting periods. The process is initiated and coordinated by HR once a year.

Corporate HR is also responsible for reviewing target achievement and informing the Executive Board of the degree of target achievement.

Generally speaking, the range of training and development opportunities is adapted to the needs of the Group and the division on an ongoing basis. That also applies to the possibilities opened up by more intense use of digital training methods (e-learning courses, webinars, etc.). This trend was accelerated even further last year and has gained importance due to pandemic-related restrictions. The specific training requirements are determined using the Group-wide MbO process (Management by Objectives), whereby the manager works together with the employee to agree which training measures are to be implemented.

Leadership@SFS was launched in 2020 with the aim of promoting leadership skills across the various leadership levels. The initiative comprises three levels of leadership training:

- Junior Leadership Development Program: Team and project managers form the target group. The training is carried out in the respective countries and in accordance with local requirements.
- Advanced Leadership Development Program: The target group is made up of teams and project managers who have already gained several years of management experience and whose managerial responsibility has grown. The training takes place at the regional level (Asia, Europe, America) and is intended as a way of promoting the creation of an international peer network and international exchange.
- International Leadership Development Program: This program is aimed at managers with several years of management experience and a great deal of responsibility. The training is international and consists of three modules, each in a different region (Asia, Europe, America).

The greatest need for action was identified in the area of the Advanced Leadership Development Program, which is why activities in 2022 will focus on implementation at this level.

For this regular employee performance review, SFS has set up a globally valid MbO process (Management by Objectives) with the following objectives:

- Implementation of overarching objectives (corporate targets)
- Review of the employee,s performance and conduct
- Employee,s degree of identification with the objectives
- Employee motivation
- Identification of training needs and verification of the training program,s effectiveness

To attach greater weight to environmental and social aspects within the corporate governance framework, specific ESG targets will be incorporated into the individual target agreements for the entire Group Executive Board from 2021 onwards. Depending on the specific area of responsibility, these targets will also be factored into the targets in the leadership cascade. Among other things, these include the use of renewable energies, CO₂ reductions and topics related to occupational safety, equal treatment and training and development. Targets in the area of cyber security are also partly incorporated into the MbO objectives.

GRI 103-3 Evaluation of the management approach

The management approach is monitored both internally by the respective divisional management, the HR team, the Group Executive Board and externally as part of audits.

The results are then communicated internally via the division heads and at Group Executive Board level.

The regular employee surveys, which are typically conducted every two years, also deliver important information for assessing the management approach. An employee survey was also carried out in the period under review using the same system as in previous years. With the exception of the Electronics division, which will conduct its survey in 2022, all divisions took part in the initiative. Of the approximately 6,700 employees surveyed, almost 80% took part in the survey. As in previous surveys, the feedback was very positive. In Switzerland, SFS came in second in the Large Companies category, once again scoring among the top three companies for the fourth time in a row. Not only the above-average response rate but also the frequent use of the comment function at the end of the survey were testimony to the fact that the Group embraces a culture of feedback and has highly engaged employees. The more than 1,200 suggestions help boost SFS's attractiveness as an employer even further.

The questions also covered training and further education as well as the prospects for internal development. Employees rated both topics more positively than in the previous survey. The figures were also higher than the results of comparable companies.

GRI 404: Training and continuing education 2016

GRI 404-3 Percentage of employees receiving regular performance and career development reviews

Data collection this year used the same scope as for the financial reporting (see above). Due to the expanded scope, which involved more temporary workers, in particular, as well as the switch to FTE-based values instead of the previously applied headcount numbers, the comparability of the data is very limited. In the interests of better comparability, the figures for the previous year (in brackets) were also calculated using the new collection method, which is why they differ from the figures published in Sustainability Report 2020. Taking these aspects into account, the percentage of colleagues who received regular performance and career development reviews has remained stable. Approaches to further increase this rate will be discussed with the HR team in 2022.

Share of employees with a performance review in reporting year	Female	Male	Total
Share of employees with a performance review (Previous year's value)	64% (61%)	63% (63%)	63% (63%)
Employees with a performance review in FTE (Previous year's value)	1,879.5 (1,849.5)	4,771.7 (4,854.3)	6,651.2 (6,703.8)

Material topics

Human rights

Human rights are very important to SFS. Compliance with human rights, also in the context of its business activities, is indispensable for the company and is non-negotiable. This basic attitude is also expected from all business partners.

GRI 103: Management Approach 2016

GRI 103-1 Explanation of the material topic and its boundary

SFS takes human rights very seriously. Respecting human rights, including within the context of its business activities, is indispensable for the company and non-negotiable. This basic attitude is also expected of all business partners. By fulfilling its duty of care with regard to human rights, SFS protects its employees, creates attractive jobs, lives up to its social responsibility and remains competitive in the long term.

As a signatory of the UN Global Compact, SFS is committed to the United Nations, Declaration of Human Rights. Among other things, the principles of the UN Global Compact relate to the protection of international human rights and the abolition of forced and child labor. SFS wants to reduce the risk of human rights violations to the greatest extent possible, both at its own locations and within its entire supply chain. The company is therefore increasingly incorporating human rights into its business processes.

GRI 103-2 The management approach and its components

SFS's Corporate Principles and Code of Conduct enshrine the principle of respect for human rights and form an integral part of the conditions of employment that every employee is introduced to during the onboarding process. As these two basic documents are communicated to all new employees via both training and e-learning, an adequate focus is placed on the topic of human rights from the very start, thereby also raising awareness of the issues among the staff.

The Code of Conduct also forms an integral part of advanced training for new employees when individual aspects or topics are examined in detail.

Requirements placed on business partners

SFS also requires its suppliers to strictly adhere to and uphold human rights. This is a prerequisite for entering into a business relationship with SFS. In the General Terms and Conditions of Purchase, every supplier of SFS promises to comply with the respective statutory regulations on dealing with employees, environmental protection and occupational health and safety, and to work to reduce the adverse effects of their activities on people and the environment. Furthermore, suppliers must, upon request, demonstrate to SFS that they have implemented a code of conduct that embodies the principles of the UN Global Compact, which essentially concern the protection of international human rights, the abolition of forced and child labor, the elimination of discrimination in recruitment and employment, environmental responsibility and the prevention of corruption.

Reporting channels

Violations or suspected violations of human rights can be reported to the Compliance Officer, also anonymously, both by SFS employees and by external stakeholders using a form on the website [→](#). Complaints received are investigated systematically and appropriate countermeasures are taken if necessary. During the year under review, the Group Compliance Officer received no reports via this complaints channel regarding violations or suspected violations of human rights that would have required corrective steps.

GRI 103-3 Evaluation of the management approach

The inclusion of compliance topics in the internal audits of the SFS Group in 2022 has laid the basis for conducting targeted audits for human rights violations. Once the first compliance audits have been carried out, an evaluation should be conducted to specify precisely which additional audits on the topic should be included in a future audit plan.

The sustainability guidelines, which will also be published in 2022 and require a commitment on the part of SFS's suppliers, further specify suppliers, obligation to uphold human rights.

GRI 412-2 Employee training on human rights policies or procedures

A mandatory e-learning course on the topics covered by the Code of Conduct must be conducted for each new employee. Like the e-learning course, the Code of Conduct has been translated into 10 languages. In Switzerland, the Code of Conduct is also part of the in-depth training completed by new employees around 100 days after they are hired.

In 2022, the e-learning course on the Code of Conduct will be amended and rolled out for all SFS Group employees – including current employees. The available reporting channels will be emphasized to renew employees, awareness of the different ways they can report violations of the Code of Conduct.

Material topics

Socioeconomic compliance

In the year under review, the SFS Group was not affected by any sanctions in the area of socioeconomic compliance. This is also the clear goal for 2022.

GRI 103: Management Approach 2016

GRI 103-1 Explanation of the material topic and its boundary

The SFS Code of Conduct describes the basic principles of being an exemplary, reliable and fair business partner and employer. The SFS Corporate Principles, another core compliance element, describe the cornerstones of the Group's corporate culture: partnership, commitment, community, success, change. Both documents were translated into more than ten languages and their contents were communicated and made available to employees throughout the SFS Group. They form the basis of the values embraced in SFS's culture.

GRI 103-2 The management approach and its components

To ensure compliance with the requirements of the Code of Conduct, SFS has established an effective compliance system that focuses on the following seven topics:

- Anti-corruption
- Antitrust law
- Insider trading
- Data protection
- Foreign trade compliance
- Information security
- Personal integrity violations

In practice, the system comprises various elements such as guidelines, regular training, induction of new employees, e-learning campaigns, newsletters, integration into internal audits, annual reporting on the Code of Conduct and a central reporting office for employees and external partners.

By integrating compliance obligations and the requirements of the UN Global Compact into the General Terms and Conditions of Purchase, the SFS Standards are applied to suppliers as well; corresponding provisions are also incorporated into contracts with sales partners.

The central Tax, Legal & Compliance unit is responsible for implementing compliance-related topics.

Compliance with the requirements of the Code of Conduct for employees is monitored as part of annual reporting on the Code of Conduct for employees. All companies report relevant incidents to the Group Compliance Officer. In addition, specific compliance-relevant topics are examined sporadically within the scope of internal audits. The results of the survey and audits form the basis for the annual compliance report submitted to the Board of Directors of SFS Group AG.

GRI 103-3 Evaluation of the management approach

The effectiveness of the management approach can be seen in the absence of sanctions due to non-compliance (see GRI 419-1) and the growing awareness of compliance-related topics seen within the SFS Group.

GRI 419: Socioeconomic compliance 2016

GRI 419-1 Sanctions due to non-compliance

In the year under review, the SFS Group was not affected by any sanctions in the area of socioeconomic compliance. This is also the clear goal for 2022.

Communication on Progress

SFS remains active in other areas as well. It is a signatory to the UN Global Compact and has upheld these principles and contributed to the realization of the Sustainable Development Goals (SDGs) since 2010. SFS is currently prioritizing six goals: SDG 3 – Good health and well-being, SDG 4 – Quality education, SDG 8 – Decent work and economic growth, SDG 9 – Industry, innovation and infrastructure, SDG 12 – Responsible consumption and production, and SDG 13 – Climate action. This prioritization reflects the material topics as determined in the materiality assessment conducted in 2021: economic performance, occupational health and safety, education and training, emission reduction and socioeconomic compliance. The issue of human rights is a new addition. SFS reports annually on the goals, measures and progress of the individual topics within the framework of the Communication on Progress report (UN Global Compact) and the GRI report (“Core” option). In the current year under review, the focus was on initiating further measures in order to move ever closer to meeting the ambitious, long-term targets up to 2030 and 2040, respectively, with the overarching goal of being able to make an important contribution to the global SDGs.

The progress during the year under review is described below:



Human rights

Existing initiatives continued

The SFS Corporate Principles and the SFS Code of Conduct are key documents that shape SFS’s sustainability policies and ensure that all its business dealings respect and protect human rights. The Corporate Principles set out the common values, while the Code of Conduct defines the basic rules by which SFS conducts business activities. Both documents remain binding. The Code of Conduct is based on robust and effective compliance processes. The contents of the Corporate Principles and Code of Conduct are imparted to all new employees and apprentices through formal instruction or e-learning units when they join the company. Awareness of these themes is part of the basic skillset every SFS employee must have, and this awareness should guide and shape them from the start (see GRI 102-16 →). SFS strives to introduce the Code of Conduct as quickly as possible to all new employees who join SFS Group. The Code of Conduct is therefore an integral element

of the integration process. SFS also demands unconditional respect for basic human rights from its suppliers. When screening potential business partners, this requirement is a mandatory criterion, as it is an integral part of SFS’s general purchasing conditions (see GRI 102-9 →) and no business is conducted with a supplier that does not sign and comply with them.

The Supplier Quality Agreement was updated in 2021. Compliance and sustainability issues are an integral part of this standard contract, and this update is intended to ensure compliance with the relevant standards throughout the supply chain. In order to strengthen awareness of the principles of the Code of Conduct among new employees, the topic is repeated in in-depth onboarding training courses in Switzerland, which take place around 100 days after the start of their employment, and specific topics are examined in more detail.

The topic of human rights → is now also dealt with as a key topic in the GRI section of the report.

Priorities for 2022

A repeat of the e-learning course on the Code of Conduct is planned for all employees of the SFS Group in 2022. Following the entry into force of the EU Whistleblower Directive on 1 January 2022, the topic of compliance notifications will also be given a prominent place in the e-learning course. Workshops with the local compliance officers, which will also be held in 2022, are intended to raise awareness of compliance, particularly at the sites outside Switzerland/away from the headquarters.



Labor standards

Promoting conflict-free collaboration

SFS strongly condemns forced labor and child labor of any kind whatsoever, and upholds the right to freedom of association and collective bargaining throughout the organization. As these principles are an integral part of the Group’s general conditions of purchase, compliance with which is mandatory in order to qualify as a supplier, SFS suppliers are similarly required to uphold these values (see GRI 102-9 →).

The diversity of SFS's workforce is a natural outcome of the company's international presence and size and this diversity is regarded as positive and enriching. Recurring multi-week internships completed by SFS apprentices at different sites and international management training programs that promote intercultural collaboration are examples of how SFS champions diversity.

In the year under review, the topic of breaches of integrity was once again addressed in order to keep the level of awareness in this area high. All employees of the SFS Group completed the second edition of the e-learning course entitled "Infringement of personal integrity". The e-learning program was offered in all languages in which the Code of Conduct is available and was completed by 90% of employees by the end of the year. One exception to this is the US sites, which use their own training material owing to country-specific circumstances.

Priorities for 2022

Infringement of personal integrity is an important topic in the SFS Code of Conduct. The e-learning course on the Code of Conduct, which will be relaunched in 2022, will help to raise awareness even further.



Environmental protection

Focus on emissions

Sustainability as a strategic priority has further gained in significance. This underscores what will be important in the future: sustainable business and action for a stable and prosperous society that can exist in harmony with the environment now and in the future. In addition to economic and social objectives, the protection of the environment is also of particular importance. Processes are therefore designed to be energy-efficient, environmentally friendly and resource-conserving so that the environmental impact and, in particular, GHG emissions are reduced to the lowest possible level. The goal is to cut Scope 1 and 2 emissions by more than 90% by 2030 in comparison with 2020. In Scope 3, the target is a 90% reduction by 2040 (both in terms of emissions in tonnes of CO₂e per Swiss franc of value added; the base year for the Scope 3 target has yet to be determined).

The strategy focuses on optimizing resource consumption and using renewable energy in order to reduce Scope 1 and 2 emissions. The share of renewable energy will initially represent the greatest point of leverage as a result of the procurement of renewable electricity and the in-house generation of renewable electricity. Around 70% of Scope 3 emissions, i.e. across the entire value chain, stem from the purchase of products from suppliers. Cooperation with suppliers will play a major role here.

First steps have been taken

In 2021, Scope 1 and 2 emissions were reduced by -4.5% in absolute terms year on year (total emissions of CO₂e in terms

of Swiss francs of value added). The purchase of renewable electricity increased from 6% to 36%. Investments in photovoltaic installations at the sites in Switzerland, Sweden, Malaysia, China and India also made a positive contribution. As a result, the share of electricity produced in-house rose to 2.5%, up from 1.4% in the previous year. The overall result did not improve as the data collection process was being completed at the same time (Scope 1). In Scope 3, the focus continued to be on completing the data collection process, meaning that it will be possible to show the reference year by 2023 at the latest.

Initiatives to protect the environment

In addition to purchasing renewable electricity and investing in photovoltaic installations at various locations, many small and medium-sized projects are underway. These include:

- replacing heating systems with heat pumps – in India, the water for the washing facilities is heated efficiently in this way.
- treating water with reverse osmosis systems – this has already reduced water consumption by more than 4% in China and Malaysia.
- projects for detecting compressed air losses – a global project that, for example, will save more than 20 MWh at the site in Heerbrugg, Switzerland, in the future.
- replacing conventional lighting with efficient LED lighting systems – in Hungary, this has saved more than 70% of the electricity consumption for lighting. This corresponds to around 43t CO₂e per year.
- oil preparation by centrifuges – trials are currently underway at the site in Heerbrugg, Switzerland.
- replacing specially used parchment paper with reusable plastic mats in the drying process – at the US site in Wyomissing this led to around 18 m³ of waste being avoided.
- Initiatives have also been launched to reduce emissions from the vehicle fleet. This will steadily increase the share of electric vehicles and reduce the average WLTP (Worldwide Harmonised Light-Duty Vehicles Test Procedure) consumption in the fleet.

Operational life cycle assessment drawn up

SFS aims to reduce not only emissions but also environmental impact in a holistic manner and has therefore drawn up an operational life cycle assessment for the entire Group using the ecological scarcity assessment method. This compares and weights various environmental impacts and their effects on human health, the climate or ecosystems and is measured in so-called environmental impact points (EIP). In the reporting year, SFS succeeded in reducing the environmental impact of electricity, heating energy and water throughout the Group. In addition, the "disposal and waste" area in particular developed positively (-53%). This is primarily due to the increased recycling rate. The increase in the categories "Auxiliary materials and supplies" (2,858%), "Fuels" (99%) and "Process fuels" (98%) is justified by the extensive expansion of data recording.

Priorities for 2022

In 2022, the priority will remain optimizing the resources used and further expanding the use of alternative energy sources, e.g. through photovoltaic systems. Renewable electricity is deli-

berately procured at the sites with the greatest potential in terms of their environmental impact.



Corruption prevention

No cases of corruption during the year under review

The anti-corruption policy in force at SFS since 2016 and imparted to staff in high-risk positions via mandatory e-learning courses was again communicated to all new employees in management positions and in the sales, procurement and finance units during the year under review.

There was one suspected case in 2021. The case was escalated in accordance with the usual guidelines and in-depth investigations were initiated with an external partner. At the time of this report, the detailed result of these investigations is still pending. No other cases of corruption or suspected cases were reported within the SFS Group. Numerous requests from staff seeking guidance on specific, potentially critical situations are an indication that awareness of corruption, including blackmail, has continued to grow. The internal Code of Conduct is also increasingly referred to in dealings with business partners; for example, refusal of certain invitations to certain events. SFS also expects third-party business partners, and their sales agents in particular, to take a zero-tolerance approach to all forms of corruption. A standard clause to this effect is included in cooperation agreements with sales agents. SFS's general purchasing conditions also require suppliers to take action against corruption and bribery (see also GRI 102-9 →).

Corruption is a topic that is highlighted time and again in SFS's day-to-day work. This may be in specific cases when assistance is requested with regard to accepting gifts or invitations or in internal communications such as the compliance newsletter, which is published four times a year. This repeatedly calls for caution and reports on specific cases of corruption in order to make employees aware of the issue.

Priorities for 2022

A great deal of attention will continue to be paid to the topic of anti-corruption in 2022. As in previous years, critical questions about gifts, invitations and events will be addressed in the newsletter and by other means, especially before public holidays. This should constantly raise awareness of the issue among employees and other stakeholders, as well as enabling them to contribute to the implementation of fair competitive conditions. From 2022, explicit compliance checks will be integrated into the internal audits of the SFS Group. This will increase the visibility of the topic of anti-corruption in particular, but also that of other compliance issues.

Communication on Progress UN Global Compact (COP) 2021: Statement of continued support by the Chief Executive Officer (CEO)

To our stakeholder

Within more than 90 years SFS has evolved from a family-owned Swiss company into an international group. However, the strong roots are still in the St. Gall Rhine valley and the SFS values are transferred to all sites within the group by an appropriate management model. Sustainability in its actions has been the core driver of SFS since its foundation. For SFS sustainability means partnership with:

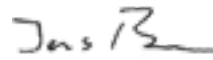
- Customer
- Employees
- Community/ local authorities
- Supplier

Therefore the Ten Principles of the UN Global Compact have been implicitly part of the SFS business model since its first days and have a tradition of decades.

I am pleased to confirm that SFS reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions and achievements to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,



Jens Breu
CEO



Sustainability Website

