SFS Group AG
Annual Report

Inventing success together

23

Content

Annual Report

Management Review

Segment Report

SFS

SFS in brief

Value engineering specialist

SFS is a worldwide leading supplier of precision components and assemblies, mechanical fastening systems, quality tools and procurement solutions. Positioned as value engineering specialist, SFS creates added value for its customers with tailored solutions for mission-critical end applications. SFS Group AG operates in the three segments Engineered Components, Fastening Systems and Distribution & Logistics, which represent the company's different business models.

The history of SFS began in 1928 with a hardware store in Altstätten (Switzerland). The cornerstone was laid for the development of industrial activities in 1960 when the company set up its own screw manufacturing plant in Heerbrugg (Switzerland).

Engineered Components segment

In the Engineered Components (EC) segment, SFS partners with customers to develop and manufacture customer-specific precision components, assemblies and fastening solutions. EC comprises four divisions – Automotive, Electronics, Industrial and Medical – and distributes its products and services under the brands SFS, UNISTEEL and Tegra Medical.

Fastening Systems segment

The Fastening Systems (FS) segment consists of the Construction and Riveting divisions. These divisions develop, manufacture and market application-specific mechanical fastening systems under the SFS, GESIPA®, TFC, HECO® and other quality brands.

Distribution & Logistics segment

In the Distribution & Logistics (D&L) segment, SFS is a leading distribution partner in Europe for direct and indirect materials in the areas of quality tools, fasteners and other C-parts as well as procurement solutions for customers in industrial and construction sectors. The segment is made up of the D&L Switzerland and D&L International divisions, and distributes its products under its own strong brands SFS, Hoffmann, GARANT and HOLEX, as well as other leading manufacturer brands.

Changes as of January 1, 2024

The Industrial and Medical divisions (EC segment) have been merged within the Medical & Industrial Specials division since January 1, 2024. The Riveting division (FS segment) was also integrated into the Automotive and Medical & Industrial Specials divisions (EC segment) at the start of 2024. As a result, the FS segment's reporting will relate solely to the Construction division from the Half-Year Report 2024 onward.

SFS Group
The SFS Group is a global player with 140 manufacturing sites and distribution companies in 35 countries in North America, Europe and Asia. It generated third-party sales of CHF 3,090.8 million in the 2023 financial year with a workforce of approximately 13,200 (FTEs).

At your side 24/7
SFS is a reliable companion throughout your day, from early in the morning to late at night, seven days a week. Mostly unnoticed, since our precision components, fastening systems and quality tools are embedded in the successful products and processes of our customers, where they often fulfill mission-critical functions.

Your first contact with SFS products happens early in the morning when using your coffee machine or your smartphone. Even when driving to work or on a plane for a business trip, you are also surrounded by numerous SFS products: integrated into your car's safety systems such as seat belts, airbags and brake systems, they help to save your life in the event of an accident. At work, hard disc drives function smoothly thanks to our high-precision miniature components. SFS products can be found in many electronic lifestyle products, such as adventure cameras, smart watches and AR/VR solutions. You can also find our products in use in high-quality buildings, stadiums and airports. Quality tools play a pivotal role in industrial manufacturing, with one example of this being CNC machining. In the field of healthcare, our precision components in the form of bone screws, dental implants and surgical instruments make an important contribution toward improving your quality of life.

Video: 24/7 by your side

Our value proposition: Creating sustainable added value for customers
SFS components embedded into a customer's product or used in the production process often account for less than 1% of the total product cost. But the costs at the customer end arising from procurement, logistics and handling operations can be several times the actual cost of these products. That is why we are not primarily focusing on reducing our direct product costs and differentiating ourselves on price, but on optimizing our customers' overall product-related costs.

This approach generates significantly more cost-saving potential and allows us to create sustainable added value for our customers. Our value engineering model focuses on product design, the definition of manufacturing processes and leveraging the power of digitalization. The result: tailored products and intelligent solutions that increase the competitiveness of our customers. Hence, the SFS solutions lead to greater differentiation and strengthen collaborative partnerships.

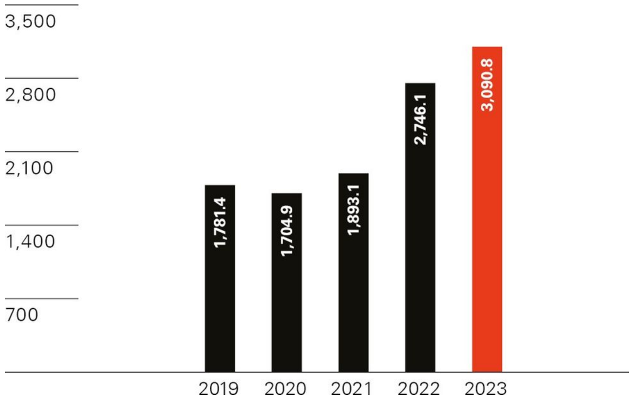
Worlwide presence

With 140 manufacturing, warehouse and sales locations worldwide, SFS is strategically well positioned in respect of customer proximity. As a result, SFS and its customers benefit from superior supply reliability thanks to regional and robust supply chains.

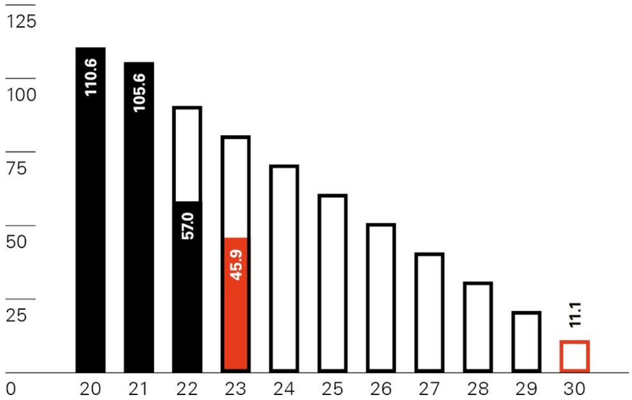
Key takeaways

Progress made

Strong growth, 2.1% of which organic
Third-party sales in CHF million



Reduction of Scope 1 and 2 emissions by –58.5%
CO_2 emissions in metric tons/million value-added francs



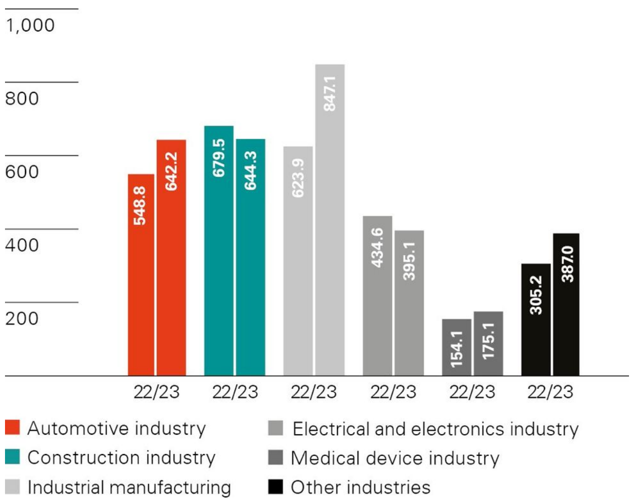
Profitability impacted by mix effects
EBIT in % of net sales

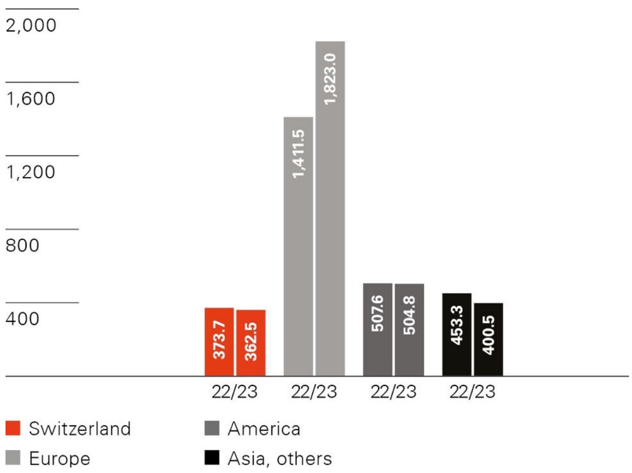
11.7

No improvement in accident rate
Number of accidents per million hours worked

4.0

First-time consolidation of Hoffmann for the full year
Sales by end market/region in CHF million





Financial overview

Stable development

Income statement in CHF million	**2023**	2022	2021	2020	2019
Third–party sales	3,090.8	2,746.1	1,893.1	1,704.9	1,781.4
Change to previous year in %	12.6	45.1	11.0	–4.3	2.5
thereof currency impact	–4.1	–1.9	–0.1	–4.1	–1.3
thereof change in scope	14.6	37.9	0.8	3.0	4.4
thereof organic growth	2.1	9.1	10.3	–3.2	–0.6
Net sales	3,073.0	2,738.7	1,897.3	1,707.1	1,782.1
EBITDA	486.0	448.1	407.1	327.6	331.7
As a % of net sales	15.8	16.4	21.5	19.2	18.6
Operating profit (EBIT)	358.6	330.3	301.7	227.4	236.3
As a % of net sales	11.7	12.1	15.9	13.3	13.3
Operating profit (EBIT) adjusted[1]	358.6	353.2	298.6	225.3	239.1
As a % of net sales	11.7	12.9	15.7	13.2	13.4
Net income	268.5	270.6	248.0	184.8	206.5
As a % of net sales	8.7	9.9	13.1	10.8	11.6
Balance sheet in CHF million					
Assets	2,546.8	2,574.2	1,839.1	1,684.1	1,638.6
Net cash (+)/debt (–)	–445.3	–477.7	279.1	144.3	68.7
Average Capital Employed[2]	1,758.9	1,557.6	1,143.6	1,134.0	1,134.9
Invested Capital[2]	3,339.5	3,290.9	2,194.0	2,149.5	2,153.2
Equity	1,375.7	1,303.6	1,450.4	1,278.2	1,237.2
As a % of assets	54.0	50.6	78.9	75.9	75.5
Cash flow statement in CHF million					
Cash flow from operating activities	313.4	287.9	324.5	296.4	277.6
Purchase of property, plant, equipment and intangible assets	–174.0	–171.0	–121.4	–104.1	–116.7
Acquisition (–)/Disposal (+) of subsidaries, net of cash	–10.3	–519.1	–7.6	–59.5	–95.4
Employees					
Full-time equivalents (FTE)	13,198	13,282	10,509	10,692	10,571
Financial key ratios (unaudited)					
ROCE in %[2] (Return on Capital Employed)	20.4	22.7	26.1	19.9	21.1
ROIC in %[2] (Return on Invested Capital)	8.9	8.9	11.2	8.6	9.2
Share key ratios					
Earnings per share in CHF	6.84	6.95	6.51	4.90	5.47
Payout per share in CHF[3]	2.50	2.50	2.20	1.80	1.80
Payout in CHF million	97.3	97.2	82.0	67.5	67.5
Payout ratio in %[4]	36.6	36.4	33.6	36.7	32.9

[1]Adjustments are explained in the Information on the publication section
[2]Calculation of the key figure is shown in the Information on the publication section
[3]Proposed payout at SFS Group's Annual General Meeting on April 24, 2024
[4]Calculation is based on the net income attributable to shareholders of SFS Group AG

Management Report

Well on track

The SFS Group achieved a stable development despite a difficult economic environment. It met its defined financial targets, recording sales of CHF 3,090.8 million and an EBIT margin of 11.7%. The high level of investment in the realization of growth projects is proving to be worthwhile and focused. SFS also made further important progress in the area of sustainability and is set to meet its targets for education and training, as well as reducing CO_2 emissions.

Thomas Oetterli, Chair of the Board of Directors

Jens Breu, CEO

Dear Shareholders

Geopolitical and macroeconomic developments had a major impact on our activities in 2023. Key leading economic indicators deteriorated considerably over the course of the year. Many customers reduced their inventories as a result of the normalization of supply chains after COVID-related disruptions, aggravating the situation further. Our course of business over the last 12 months reflect this through inconsistent results in the various end markets.

A strong result was achieved in the trading business with tools for customers in industrial manufacturing despite the slowdown in momentum in the second half of the year. In the construction industry, falling demand and high levels of inventory on the customer side led to a flattish development compared to the previous year. All year, the focus of our customers in the electrical and electronics industry – most of whom are domiciled in Asia – was on reducing the high levels of inventory. In some cases, they reduced the order volumes considerably. Fortunately, this had little effect on seasonal product ramp-ups in the second half of the year. Business in the automotive industry generated good growth. However, the continued appreciation of the Swiss franc put strong demands on our Swiss production sites and productivity-increasing measures were required in order to prevent further erosion of their profitability.

The SFS Group was still able to achieve a solid result thanks to its broad positioning across different end markets and regions. The considerable investment in the realization of growth projects proved to be effective and sustainable, while the continued integration and cooperation with the D&L International division was very positive.

In the financial year 2023, SFS generated robust organic growth of 2.1%. Third-party sales (sales) increased overall by 12.6% to CHF 3,090.8 million. Consolidation effects stemming from the inclusion of Hoffmann as of May 1, 2022, accounted for 14.6% sales growth. Strong currency effects negatively impacted the development by –4.1%. On a like-for-like basis, sales growth amounted to 0.8% year-over-year in the first half of the year and 3.2% in the second half.

Profitability significantly impacted
Consolidation and mix effects stemming from the inclusion of Hoffmann as of May 1, 2022, inconsistent utilization of production capacities in the Engineered Components segment, the occasionally higher cost base due to inflation, and the ongoing appreciation of the Swiss franc all had an impact on profitability. Operating profit (EBIT) came to CHF 358.6 million (PY CHF 330.3 million) and the resulting EBIT margin to 11.7% (PY 12.1%) in the period under review. At CHF 268.5 million (PY CHF 270.6 million), net income corresponds to 8.7% of net sales. The SFS Group achieved an operating free cash flow of CHF 139.4 million (PY CHF 116.9 million) in the financial year 2023.

Earnings per share (EPS) of CHF 6.84 (PY CHF 6.95) was burdened by tax effects. The equity ratio stood at 54.0% at the end of the year under review.

Growth-related expenditure on property, plant, equipment, hardware and software amounted to CHF 174.0 million (PY CHF 171.0 million) in the period under review. This was driven by the equipment of the new production facility in Heerbrugg (Switzerland), the expansion of the production platform in Nantong (China), the switch to S/4HANA (the new-generation ERP system) – which is progressing as planned – and a strong commitment to cybersecurity.

Expenditure on research and development amounted to CHF 60.8 million (PY CHF 53.1 million) and was charged in full to the income statement for the period.

SFS also made important progress in relation to the three areas of sustainability – environmental, social and governance (ESG) – in the year under review.

Environment: Direct emissions reduced further
Last year, SFS Group reduced its Scope 1 and 2 emissions by –7.6%, thereby moving one step closer to its target of reducing direct emissions by at least 90% relative to value creation by 2030. The Scope 3 emissions data basis was made more complete. In order to reinforce its emissions reduction targets, SFS committed itself to the "Science Based Targets initiative (SBTi)" and is thereby supporting the climate goals of the Paris Agreement. Owing to the overall energy situation, the energy mix in Switzerland was complemented with nuclear energy. As a result, the share of renewable electricity fell to 40.0% (PY 49.7%). With the installation of new photovoltaic systems in China and Switzerland, the share of self-generated renewable energy increased further in the year under review. Through systematic supplier assessments on environmental and social criteria, SFS is improving transparency in its supply chain.

Social: Accident rate unchanged
At 4.0, the number of accidents per million hours worked remained at the same level as in the previous year. However, there were variations between the individual segments. While the Engineered Components and Fastening Systems segments made good progress in reducing the accident rate, it went up in the D&L segment. With regard to "Training and Education", SFS firmly believes that they are extremely important and play a key role in the economy and society. At 5.1% in 2023 (PY 5.4%), the SFS Group was again on track to meet its long-term goal of 5–7% of permanent employees worldwide participating in dual-track education and training programs. Likewise, SFS continues to focus on "Diversity and Equal Opportunity". However, only some of the desired progress was made in improving the respective data basis in the year under review. We will be following a more targeted approach on this topic in the current year.

Governance: High standards maintained, social engagement expanded
The SFS Group met its compliance obligations in the year under review. We have no knowledge of any human rights violations within the company's sphere of influence that were committed. That also includes the topic of child labor. Two compliance audits were carried out; the results of both were positive and document the Code of Conduct's effective implementation. Once again, there were no confirmed cases of corruption in the year under review.

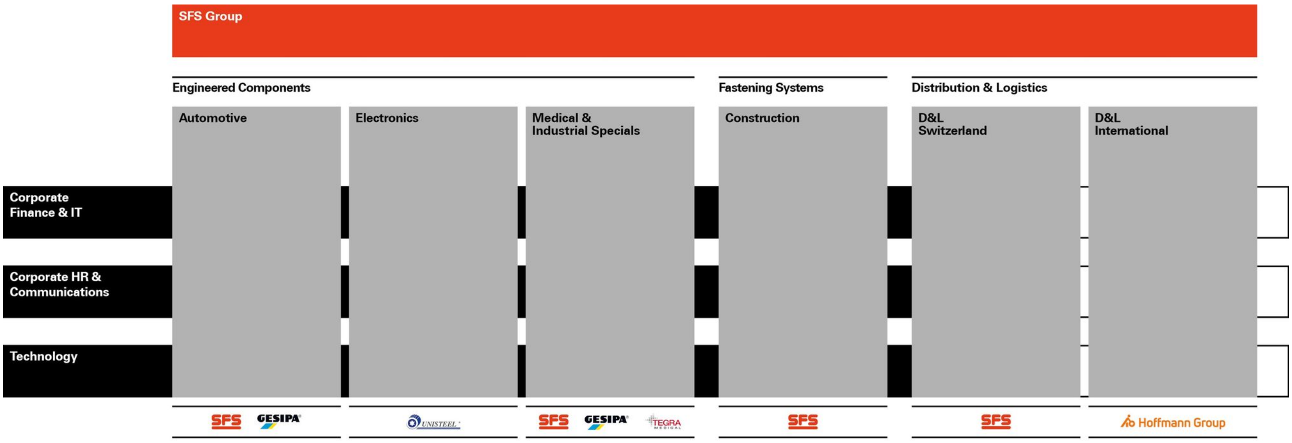
Engineered Components (EC)
The Engineered Components segment deftly used the seasonal ramp-up of components used in the area of Mobile Devices in the second half of 2023 to boost the results from the first half year. Demand in the segment's other end markets remained unchanged overall during the course of the year. Economic developments in Europe and the continued strengthening of the Swiss franc posed major challenges for the profitability of the Swiss locations; these challenges are being countered by extensive packages of measures. The segment generated sales of CHF 987.7 million (PY CHF 1,028.2 million). Operating profit (EBIT) came to CHF 104.2 million and resulted in an EBIT margin of 10.5% (PY 14.1%).

Fastening Systems (FS)
Fastening Systems achieved a reduced result in 2023 compared to the previous year. Over the course of the financial year, the segment was negatively impacted by a weakened market environment with occasionally high inventories across the entire value chain. In the USA, the Construction division expanded its market presence with three additional distribution locations. The segment generated sales of CHF 615.3 million (PY CHF CHF 644.9 million). Operating profit (EBIT) came to CHF 93.1 million, resulting in an EBIT margin of 14.9% (PY 17.7%).

Distribution & Logistics (D&L)
The Distribution & Logistics segment underwent an impressive development in the 2023 financial year. After a strong first half of the year, market demand deteriorated over the course of the year. This resulted in a decline in order intake, which was partially offset by the high order backlog. Both divisions continued a close exchange and benefited from the potential opened up by operational and strategic collaboration. The segment generated sales of CHF 1,487.8 million (PY CHF 1,073.0 million). Operating profit (EBIT) came to CHF 164.0 million, which was reflected in an EBIT margin of 11.1% (PY 7.4%).

Organizational development to strengthen the customer focus
To guarantee a strong customer focus and better leverage cross-selling potentials and both operational and application-oriented synergies, the Automotive and Industrial divisions were complemented with the respective end-market-specific business areas of the Riveting division. This change was implemented within the organization on January 1, 2024. Accordingly, the EC segment's reporting will present the results of the former Riveting division in the future. The growth and profitability targets of the EC and FS segments will remain unchanged.

To make better use of the potential offered between the Industrial and Medical divisions in terms of the technologies used, these two divisions were combined to form the Medical & Industrial Specials division as of January 1, 2024.



Structure of the SFS Group as of January 1, 2024

Stable headcount
As at December 31, 2023, the SFS Group had 13,198 employees (FTE) (PY 13,282). After a sharp rise in the previous year as a result of the transaction with Hoffmann, the number of employees remained stable.

Potential risks evaluated
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 which the relevant risks are systematically classified according to the likelihood of occurrence and the severity of the potential consequences. Accordingly, potential risks and ways to contain them were also discussed during the year under review. The focus was on exposure to the global economic environment; currency fluctuations; geopolitical instabilities; how to deal with higher energy and raw material prices; data breaches and business interruptions due to cyberattacks; natural disasters; the impact of failing to meet the sustainability targets set; and increasing regulatory requirements in the area of supply chains and tax.

Changes in the Group Executive Board
Urs Langenauer took over from Alfred Schneider as Head of the Automotive division on January 1, 2024. The Board of Directors and the Group Executive Board would like to take this opportunity to thank Alfred Schneider for his farsighted approach when positioning the Automotive division as well as for his enormous, longstanding commitment to the SFS Group. Alfred will continue to support SFS on selected projects until his retirement on May 31, 2024.

Thomas Jung took over responsibility for the Construction division from Arthur Blank as of January 1, 2024, which meant that Thomas Jung also joined the Group Executive Board.

Arthur Blank is now responsible for Corporate HR and Communications. Claude Stadler left the Group Executive Board at the end of 2023 and assumed responsibility for his family's holding company. He will continue to represent SFS in selected external bodies and support the company in working on various projects. The Board of Directors and Group Executive Board would like to thank Claude for his loyalty and all his successful efforts over many years in Corporate Services. They look forward to continuing to work together with him.

Susanne Jung left the company in fall 2023.

Changes in the Board of Directors
Shareholders elected Fabian Tschan to the Board of Directors at the Annual General Meeting on April 26, 2023. He replaced Bettina Stadler as part of the long-term succession plan set up by the family shareholders.

At the 2024 Annual General Meeting, the Board of Directors proposes that Tanja Birner, Senior Vice President Global Sales & Marketing at Siemens, be appointed as a new member. With her many years of experience in multi-divisional, international and listed industrial companies, the Board of Directors is confident she will be a valuable addition to the Board.

Annual General Meeting and dividend
The 31st Annual General Meeting of SFS Group AG will be held at Sportzentrum Aegeten in Widnau (Switzerland) on April 24, 2024.

The Sustainability Report now requires the approval of the Annual General Meeting.

In view of the robust earnings situation, the Board of Directors proposes that a dividend of CHF 2.50 (PY CHF 2.50) per share be distributed.

Further information will follow together with the invitation, which will be sent out in March 2024.

Outlook for the financial year 2024
The outlook continues to be shaped by considerable uncertainty as a result of economic and geopolitical developments. In this volatile environment, paired with low visibility, placing the highest possible focus on customers, pushing further ahead the innovation projects to generate future growth and ensuring efficient and profitable business processes take top priority. SFS wants to identify the chances and opportunities that go hand in hand with the current changes and, based on the communicated mid-term guidance, seize them in a systematic way.

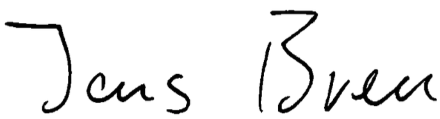
For the financial year 2024, the SFS Group expects an EBIT margin around previous year level.

Thank you
We would like to offer our most sincere thanks to each and every one of our employees for their outstanding efforts in challenging conditions. Every day, we experience outstanding commitment, exceptionally strong team spirit and enormous passion for innovation.

Our thanks also goes out to our customers and other business partners. Our collaborative partnership with them and the trust they place in us lay the foundation for our work together to develop solutions that generate lasting added value.

We would also like to thank our shareholders for their trust in SFS and their loyal support, which lend our company stability.

Thomas Oetterli
Chair of the
Board of Directors



Jens Breu
CEO

Strategy

Inventing success together

Creating added value for our stakeholder groups and inventing success together in close partnership with our customers is our number one goal. A sustainable mindset and approach are key drivers of innovation that will help us reach that goal. We analyze our impact on the economy, environment and society and strive for continuous improvement. As a value engineering specialist, we develop sustainable solutions based on our employees' high levels of application and technology expertise.

SFS has set itself the goal of holding a distinguished position in the development, manufacturing and distribution of application-critical precision components and assemblies, mechanical fastening systems, quality tools and procurement solutions. We embrace a systematic customer focus in everything we do. We strive to create added value for our customers by providing products and services across the entire value chain – from the initial design concept to timely delivery.

Focus on megatrends
To meet our customers' needs, we operate within clearly defined end markets and regions and focus on selected application areas that have strong underlying innovation and growth drivers. The megatrends relevant to SFS are:

- Digital revolution
- Innovation acceleration
- Economic globalization
- Evolving consumption
- Resource constraints
- Demographic asymmetries
- Growing global risks

These megatrends guide our decision-making and enable us to continuously enhance our expertise and develop both our customers' and our own internal processes.

Examples of how we seized opportunities presented by the "digital revolution" and "innovation acceleration" megatrends during the period under review

1 SAP ERP strategy for 2030+

As part of the ongoing integration of Hoffmann, the SFS Group reviewed the strategic alignment of the SAP ERP platform for the 2030+ period. To do so, a team was assembled with IT and business representatives from D&L Switzerland, D&L International and SAP Professional Services. The team's results laid the cornerstone for the ERP architecture that will be in place going forward. The new SAP S/4HANA platform, toward which the first steps were already taken in September 2022, is a perfect fit for that alignment and efforts to roll out the platform will continue as planned.

2 Value Engineering Award – innovations recognized

The motto of SFS's in-house Value Engineering Award is: "We create value – for customers and us". Teams that have successfully undertaken an innovation or improvement project can submit their project every year. Awards are presented to projects in these three categories:

- Best innovation realized
- Best digital innovation
- Best market introduction

In 2023, the "ESP Bushing" project from the Automotive division won the award for the best innovation realized. Here, the project team successfully switched the manufacturing process used for a high-volume part from machining to cold forming. To do so, the team developed a new type of cold forming process that factors in the strong forces that arise in the forming tool, making it possible to manufacture the precision component more efficiently, save resources and reduce costs.

Strategic priorities

Diversification	Megatrends	"Local-for-local"	Focus on technology	Solid financing
→ Balanced focus on different regions, end markets and distribution channels	→ Focus on application areas with strong underlying growth drivers due to global megatrends	→ Close customer relationships are essential for successful realization of the value proposition → Superior supply reliability thanks to short and robust supply chains	→ Focus on a selected core set of tooling-based procedures allows technology leadership → Standardized processes, systems and equipment reduce risks and increase flexibility	→ Good profitability and a solid balance sheet enable ongoing investments in innovations and the implementation of growth projects

Deliberate focus on our main strengths

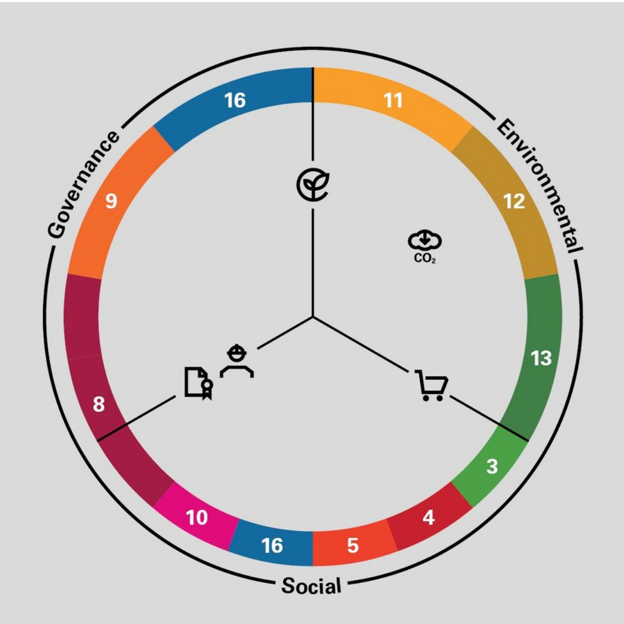
Stakeholder dialog as basis for reporting

SFS conducted a stakeholder dialog in 2022 to update its list of material topics with the help of a double materiality analysis. The company's impact on the environment, society and the economy was analyzed with respect to these topics (inside-out) as well as how these topics impact SFS (outside-in). This dialog occurred within the scope of a preliminary online survey as well as two workshops and was both moderated and evaluated by the independent organization "engageability." The participants included employees, financial analysts, representatives of academic institutions and local authorities, members of the Group Executive Board and of the Board of Directors as well as representatives of customers and suppliers of the Distribution & Logistics segment. SFS conducts this kind of stakeholder dialog every two to three years, with involvement of the customers and suppliers of one of the three segments.

Outcome of the double materiality analysis
Based on the list of topics derived from the preliminary online survey, stakeholders at the workshops discussed which of those topics are most significant in terms of both SFS's impact on the environment, society and the economy as well as the significance of those topics to SFS. This resulted in the following list of most material topics, arranged in order of decreasing significance:

1. Energy consumption
2. Emissions
3. Training and Education
4. Sustainable solutions
5. Employee satisfaction and engagement
6. Occupational health and safety
7. Sustainability checks for suppliers
8. Material efficiency and waste
9. Resource and material procurement

List of the material topics and their impact on SDGs and ESG dimensions



Energy and emissions
GRI-302 – Energy
GRI-305 – Emissions

Sustainable solutions
GRI-301 – Materials
GRI-306 – Waste*

Procurement
GRI-308 – Supplier Environmental Assessment
GRI-414 – Supplier Social Assessment
GRI-204 – Procurement Practices*

Employee promotion and engagement
GRI-404 – Training and Education
GRI-405 – Diversity and Equal Opportunity
GRI-401 – Employment*

Occupational health and safety
GRI-403 – Occupational Health and Safety*

*Not identified as material

During the discussions that followed, these topics were then grouped into focus topics and assigned to corresponding GRI Standards; not all of those GRI Standards were also classified as material. However, small groups were then assigned to one focus topic each, which they discussed in terms of their potential and actual positive and negative impacts on the environment, the economy and society, including human rights. The results produced by the individual small groups were presented in a plenary session and discussed again with all participants, who then used these findings to prioritize the impacts based on their materiality. "engageability" prepared all results, statements and open points and shared those with SFS and representatives from the stakeholder groups. The chart "List of the material topics and their impact on SDGs and ESG dimensions" shows the results of the 2022 double materiality analysis. Any topics identified as "not material" but that are still important will be reported on in the corresponding subsections if they were relevant in the year under review. These most notably include social and anti-corruption topics.

Clearly defined responsibilities

Board of Directors/Audit Committee
→ Approves sustainability strategy and controls execution

Group Executive Board
→ Defines the sustainability strategy, sets the priorities and reviews the progress made

Steering Team
→ Coordinates implementation of the sustainability strategy, monitors progress and ensures that new regulatory requirements are complied with

Reporting Team
→ Creates the Sustainability Report, ensures participation in numerous ratings and questionnaires and monitors regulatory environment

EHS Peer Group
→ Implements sustainability initiatives relating to environment and occupational health and safety; ensures data collection at all relevant sites

CSR Peer Group
→ Makes current CSR activities visible and develops new social initiatives

Sustainability is an integral part of the company's business activities and impacts every level – from the Board of Directors as the highest governance body to the Group Executive Board to the individual divisions, sites and teams. The Group Executive Board defines the sustainability strategy, sets the priorities and checks the Group's progress in close cooperation with the Board of Directors and the Steering team. The Sustainability Report newly requires approval by the Annual General Meeting.

Segment Report – Engineered Components

Challenging environment

The Engineered Components (EC) segment deftly used the seasonal ramp-up of components used in the area of Mobile Devices in the second half of 2023 to boost the results from the first half year. Demand in the segment's other end markets remained unchanged overall during the course of the year. Economic developments in Europe and the continued strengthening of the Swiss franc posed major challenges for the profitability of the Swiss locations; these challenges are being countered by extensive packages of measures.

Developments at the four divisions of the EC segment were mixed during the 2023 financial year. The Electronics division found itself faced with inventory reductions by major customers in Hard Disk Drives as well as lower consumer demand in Lifestyle Electronics. Demand in these applications had begun to cool down toward the end of 2022 and, as expected, this trend persisted throughout the entire 2023 financial year. In the Mobile Devices business area, the division achieved good results due to the customary seasonal ramp-up of a new generation of devices in the second half of the year. Based on stable demand, the Automotive division outgrew the market as a whole by far. We confirmed our strategic positioning as a development and supply partner in automotive applications with strong growth potential again in the 2023 financial year. The Medical division performed very well over the year as a whole, validating the progress made in recent years. Efforts to build the global production platform for medical devices progressed according to plan. In the Industrial division, Aircraft Components and plastic injection molded components reported good growth. The other industrial applications found themselves faced with reduced market demand.

The segment boosted its sales by 6.2% in the second half of the year compared to the first six-month period. This resulted in sales of CHF 987.7 million in the period under review, –3.9% compared to the previous year. Foreign currencies impacted the results by –5.3%.

Key figures Engineered Components

in CHF million	**2023**	+/–%	2022	2021
Third–party sales	987.7	–3.9	1,028.2	975.2
Sales growth comparable		1.4		
Net sales	989.2	–4.7	1,038.5	985.0
EBITDA	179.4	–18.6	220.3	244.1
As a % of net sales	18.1		21.2	24.8
Operating profit (EBIT)	104.2	–28.7	146.2	168.2
As a % of net sales	10.5		14.1	17.1
Operating profit (EBIT) adjusted	104.2	–28.7	146.2	168.2
As a % of net sales	10.5		14.1	17.1
Average capital employed	824.9	4.2	792.0	736.5
Investments	124.6	–0.7	125.5	89.1
Employees (FTE)	6,529	–1.4	6,620	7,008
ROCE (%)[1]	12.6		18.5	22.8

[1]EBIT adjusted in % of average capital employed

Implementation of investment projects proceeding according to plan

Major strategic projects to create the additional capacity needed for growth proceeded according to plan:

- SFS has been successfully positioning itself as a development partner and supplier for customers from the automotive industry for years. Innovations are being driven by trends toward greater comfort, better safety and increased efficiency and, from a higher perspective, autonomous driving technology. The associated electrification of vehicles is a promising growth area that benefits SFS. One example of this is the production of precision components and assemblies for a new generation of electric brake systems. The ramp-up at the Heerbrugg (Switzerland) location – and other locations – is proceeding according to schedule. 18 new production machines were put into operation during the period under review.
- The first stage of the site expansion project in Nantong (China) was finished in fall 2023 and the second is nearing completion. The expansion will result in an approximately 70% increase in the size of the production area. This additional capacity is mainly being used for producing stamped precision components for the electronics industry and the utilization of that new capacity was already at a high level in the second half of the year. Other areas are being used by the Automotive, Industrial, Riveting and Medical divisions.
- In Pune (India), the Electronics division is now using a portion of the Automotive division's existing factory to manufacture miniature fasteners and other components for the electrical and electronics industry.
- Work continued on the expansion of manufacturing capacities for local medical device customers in Heredia (Costa Rica). Once the work has been completed, the production area will be twice as large as before. The location generated strong growth again in the financial year.

The stamping technology used to produce precision components at the Nantong location is becoming increasingly important.

Profitability under pressure
The segment's profitability was impacted strongly by mix effects, inconsistent utilization of production capacities, the occasionally higher cost base due to inflation as well as the ongoing appreciation of the Swiss franc. After hitting a low point in the first half of the year with an EBIT margin of 9.4%, an overall improvement in capacity utilization enabled the segment to increase its EBIT margin to 11.5% in the second half. This resulted in operating profit (EBIT) of CHF 104.2 million for the 2023 financial year as a whole, which corresponds to an EBIT margin of 10.5% (PY 14.1%).

Measures to restore the competitiveness of the Automotive division in Switzerland
Europe's automotive supplier industry suffered greatly as a result of inflation-related cost increases and, in Switzerland, the additional burden of the substantial appreciation of the Swiss franc. Despite the fact that capacity utilization in the Swiss production facilities of the Automotive division was good, these factors caused profits to decline considerably in the financial year just ended. A comprehensive package of measures was approved as of November 1, 2023, which is aimed at restoring the competitiveness of the activities in Switzerland. These measures included a hiring freeze, investment reviews, an increase in weekly working hours and a reduction of the annual vacation quota while members of management have waived a portion of their salaries. At the same time, SFS is intensifying its work on development projects in progress as well as projects aimed at boosting productivity. The measures are valid for twelve months and will be reviewed again after six months. The Group Executive Board is aware of the fact that these changes call for employees to make a large personal contribution.

More quality of life thanks to sharp edges and tips

More than 500 million men worldwide are affected by an enlarged prostate. Tegra Medical manufactures critical components for a device used in the leading life-changing procedure for men with enlarged prostates.

To success story

Organizational further development
To guarantee a strong customer focus as well as to better leverage both cross-selling potential and operational and application-oriented synergies, the current Automotive and Industrial divisions were complemented with the end-market-specific business areas of the Riveting division as of January 1, 2024. Accordingly, the EC segment's reporting will include the results of the former Riveting division starting with the Half-Year Report 2024. The growth and profitability targets of the EC segment will remain unchanged.

To make better use of the potential offered between the Industrial and Medical divisions in terms of the technologies used, these two divisions were combined in the Medical & Industrial Specials division with effect from January 1, 2024. Walter Kobler, who had been heading up Industrial and Medical, will take charge of the newly created division. With this step, the organizational structure of the Group will also become leaner.

Alfred Schneider, who had been with SFS since 1987, stepped down from his roles as Head of the Automotive division and member of the Group Executive Board at the end of 2023. Urs Langenauer took over as Head of the Automotive division on January 1, 2024.

SFS

Segment Report – Fastening Systems

Position defended

Fastening Systems (FS) achieved a reduced result in 2023 compared to the previous year. Over the course of the financial year, the segment was negatively impacted by a weakened market environment with occasionally high inventories across the entire value chain. In the USA, the Construction division expanded its market presence with three additional distribution locations. The Riveting division was integrated into the organization of the EC segment with effect from January 1, 2024.

While market demand in the first half of the year was stable, the construction industry cooled off in Europe and North America over the course of 2023. This was triggered by a downturn in key economic regions caused by high inflation and steadily rising interest rates. Supply chain bottlenecks from during the COVID-19 pandemic led to high inventory levels throughout the entire supply chain during the year under review. This resulted in more intense competition. In this challenging environment, the Construction division managed to nearly make up for the decline in orders for new construction projects through the sale of products for renovation of building envelopes. The attractive offering based on competent advice, a range of tailored products and services and a systematically high delivery capability enabled a competitive edge also in this changed economic environment.

The good growth seen in the second half of 2022 continued in the application area of riveting solutions for the automotive industry. The business continues to use its good positioning as a manufacturer of automation solutions to its advantage: Automated processing solutions – which are designed for industrial and large-scale productions and can be individually configured and installed in robot applications – meet the requirements of the automotive industry with respect to highly efficient and automated production processes in a targeted manner. However, demand in most areas where riveting solutions are used, including sustainability-driven applications such as heating and thermal technology, deteriorated over the course of the year.

Sales in the segment amounted to CHF 615.3 million in the period under review, which corresponds to a reduction of –4.6% compared to the previous year. Sales in the first half of the year were 15.9% higher than the figure for the second half of the year. In organic terms, a sales increase of 0.7% was achieved. Strong currency effects negatively impacted the development by –5.3%.

Key figures Fastening Systems in CHF million	**2023**	+/–%	2022	2021
Third–party sales	615.3	–4.6	644.9	574.9
Sales growth comparable		0.7		
Net sales	626.3	–4.9	658.8	589.6
EBITDA	108.7	–18.0	132.5	120.4
As a % of net sales	17.4		20.1	20.4
Operating profit (EBIT)	93.1	–19.9	116.3	102.3
As a % of net sales	14.9		17.7	17.4
Operating profit (EBIT) adjusted	93.1	–19.9	116.3	102.3
As a % of net sales	14.9		17.7	17.4
Average capital employed	312.8	5.5	296.4	263.0
Investments	21.5	56.9	13.7	9.9
Employees (FTE)	2,450	–4.4	2,564	2,510
ROCE (%)[1]	29.8		39.2	38.9

[1]EBIT adjusted in % of average capital employed

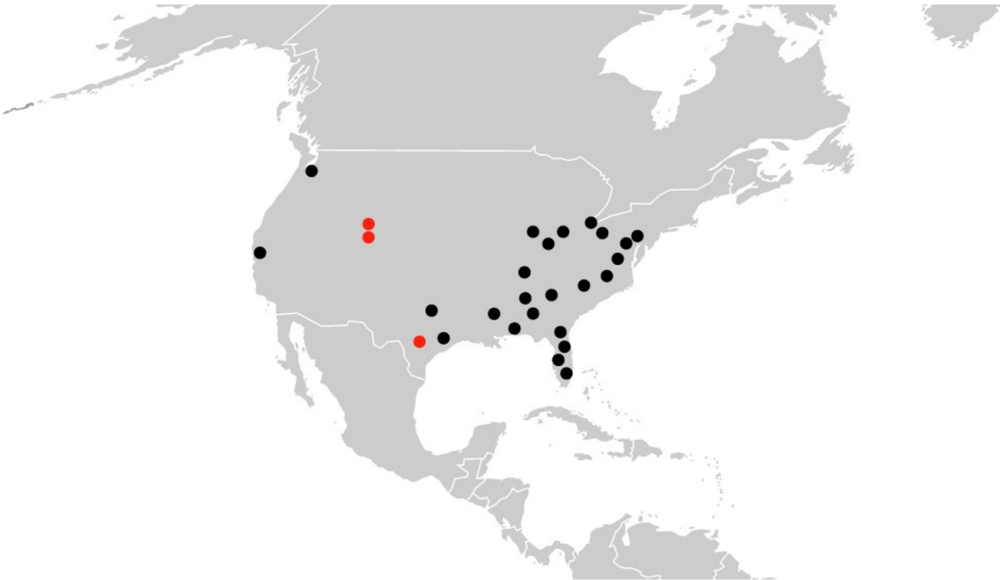
Efficient processes and prudent cost management
Efficient processes and prudent cost and price management have enabled the segment to maintain a good profitability. The EBIT margin for the period under review amounts to 14.9%, which falls comfortably within the defined target range. In the second half of the year, the EBIT margin declined by 2.9 percentage points compared to the first half. This is mainly attributable to the deterioration in demand.

PV module mounting is a vital growth market for riveting solutions.

Market presence in the US expanded

On July 1, 2023, the Construction division acquired the fasteners business and other product lines of Connective Systems & Supply, Inc. (CSS), which is located in the region of Denver (USA). This geographical area is considered to be a major region of growth in the United States. The business generated sales of USD 15 million in 2022 with around 20 employees. In organizational terms, the business was incorporated into the Triangle Fastener Corporation (TFC) within the Construction division. CSS is maintaining its local presence and SFS has absorbed the entire workforce. The management team previously in place will remain in charge of both locations. TFC also opened an additional distribution location in San Antonio (USA).

With over 25 locations in the United States, TFC serves as a supplier of fastening systems and other products in the construction industry. TFC's expansion of its market presence represents a systematic continuation of its growth strategy through the establishment of new or acquisition of existing distribution locations.



The more than 25 locations of the Triangle Fastener Corporation (TFC) – with the three new locations added in financial year 2023 marked in red.

Organizational further development

The Riveting division, which specializes in applications related to riveting technology, mainly serves customers in the industrial manufacturing and automotive industries with its portfolio of blind rivets, nuts and processing tools. In most cases the same production processes are used as in the EC segment. To guarantee a strong customer focus and better leverage cross-selling potential as well as both operational and application-oriented synergies, the Automotive and Industrial divisions were complemented with the respective end-market-specific business areas of the Riveting division. This change was implemented within the organization on January 1, 2024. Accordingly, the EC segment's reporting will present the results of the former Riveting division starting with the Half-Year Report 2024 and the FS segment will report exclusively on the Construction division. The growth and profitability targets of the FS segment will remain unchanged.

Thomas Jung took over responsibility for the Construction division from Arthur Blank as of January 1, 2024. Thomas Jung also joined the Group Executive Board through his appointment as divisional head. He will continue to live in the United States. Arthur Blank, who has been with SFS since 1983, took charge of Corporate HR and Communications.

Sustainable innovation in aquaculture

The partnership between SFS and Salmon Evolution lays a cornerstone for the future of aquaculture. Salmon Evolution sets a new benchmark for sustainable agriculture and innovation in the fish farming industry. SFS's solution ensures employees' safety when working in the rough maritime climate.

To success story

SFS

Segment Report – Distribution & Logistics

Potential realized

The Distribution & Logistics (D&L) segment underwent an impressive development in the 2023 financial year. After a strong first half of the year, market demand deteriorated over the course of the year. This resulted in a decline in order intake, which was partially offset by the high order backlog. Both divisions continued a close exchange and benefited from the potential opened up by operational and strategic collaboration.

The comprehensive range of products and services and high level of material availability proved advantageous for the segment during the year under review. These factors enabled D&L to take advantage of the long-lasting positive market environment in industrial manufacturing to generate strong growth. The high order backlog partially offset demand, which deteriorated over the course of the year. Similarly, there was also a noticeable slowdown in demand from construction customers in Switzerland. All three regions – North America, Europe, and Asia – contributed to the good growth.

Segment sales amounted to CHF 1,487.8 million in the 2023 financial year. This corresponds to a year-on-year growth surge of 38.7%, which was mainly driven by consolidation effects of 37.3% that arose as a result of the inclusion of Hoffmann as of May 1, 2022, as well as the strong organic growth of 3.7%. Foreign currency effects amounted to –2.3%.

Key figures Distribution & Logistics in CHF million	**2023**	+/–%	2022	2021
Third–party sales	1,487.8	38.7	1,073.0	343.0
Sales growth comparable		3.7		
Net sales	1,477.8	38.4	1,067.4	347.9
EBITDA	193.7	92.7	100.5	37.7
As a % of net sales	13.1		9.4	10.8
Operating profit (EBIT)	164.0	106.8	79.3	32.6
As a % of net sales	11.1		7.4	9.4
Operating profit (EBIT) adjusted[1]	164.0	60.5	102.2	32.6
As a % of net sales	11.1		9.6	9.4
Average capital employed	616.3	–1.8	627.8	130.4
Investments	20.4	27.5	16.0	4.1
Employees (FTE)	3,789	2.3	3,704	606
ROCE (%)[2]	26.6		16.3	25.0

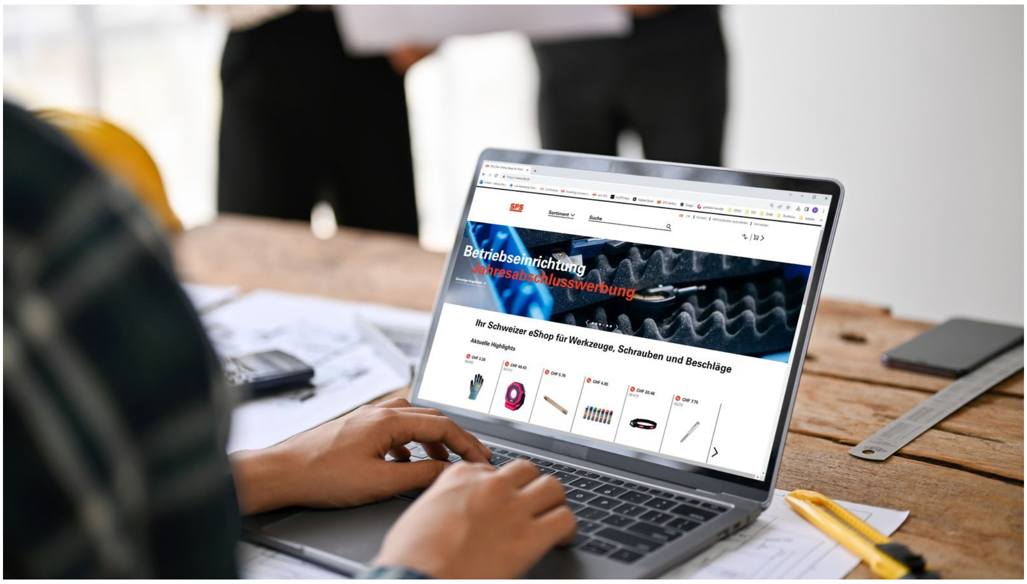
[1]2022 adjusted for amortization of inventory step-up related to purchase price allocation of the Hoffmann SE acquisition and first-time intra-segment profit elimination in inventory (Segment D&L) CHF 22.9 million.
[2]EBIT adjusted in % of average capital employed

Efficient logistics are essential key to success

Competent advice and high-performance logistics are critical for success in trading with quality tools, personal protective equipment (PPE), fastening systems and the complementary product ranges featuring architectural hardware and construction products. Broad product availability, short delivery times and high reliability of supply are important distinguishing features. The aim is to provide a high level of service as efficiently as possible. The segment made important headway in this regard during the year under review:

- Processes in LogisticCity, Europe’s most high-performance logistics center in Nuremberg (Germany), were improved and strengthened. This has boosted process efficiency. Good sales growth in Europe also increased capacity utilization.
- Strategically important decisions were made and groundwork done during the period under review to enable D&L International to supply the customers of three European distribution partners directly from LogisticCity. This will provide the customers of those partner companies with the opportunity to reap the benefits offered by the modern tool logistics and excellent connection to logistics partners. As a result, some 10% more products will be shipped out from LogisticCity from the start of 2024 onward, with another 10% to follow in 2025. That will boost capacity utilization substantially in the years to come. The inventory of the distribution partners will be consolidated in the segment through this onboarding. D&L International will charge the partners a fee for all logistics services provided.

Further increase in operating profit
Strong sales growth, prudent cost and price management as well as the first-time consolidation of Hoffmann for a full year were pivotal in generating an operating profit (EBIT) of CHF 164.0 million. The segment boosted its EBIT margin to 11.1%.



Our eShop sfs.ch has been redesigned.

Potentials of collaboration exploited
Close, constructive dialog takes place between the two divisional teams as well as across the segments. Department and project managers learn from their colleagues' experiences and adopt established processes from one another. Major progress was made in tapping the early defined potential opened up by the collaboration and benefits are now being leveraged:

- Roadmap for evaluating and implementing shared, efficient processes and platforms for an optimized customer journey
- Roadmap for penetrating existing key accounts and high-potential customers with a complementary portfolio of mechanical fastening systems and electronic procurement solutions
- The supply chain of D&L Switzerland was optimized by using the procurement and logistics capacities of D&L International
- Joint IT projects were launched in the areas of cybersecurity and license management, for example; building on the defined IT strategy, D&L International began preparations for its migration to SAP's S/4HANA platform
- D&L International was successfully incorporated into the financial and sustainability reporting

Schneiders-CNC goes digital

After rolling out GARANT Tool24 in 2019, Schneiders-CNC has now successfully implemented yet another product from the Hoffmann Group: Connected Manufacturing. This solution offers a multitude of advantages for Schneiders in the areas of digitalization and efficiency.

To success story

Sustainability Report

Energy and emissions

Progress made

In 2023, SFS Group reduced its Scope 1 and 2 emissions by –7.6% in absolute terms. Compared to the 2020 reference year, the tons of CO_2equivalent per franc of value added has been reduced by –58.5%. That means SFS has moved another step closer to its target of reducing the intensity of direct greenhouse gas emissions by at least 90% by 2030. The Scope 3 emissions data were further completed. In order to reinforce its emissions reduction targets, SFS committed itself to the "Science Based Targets initiative" (SBTi) in the year under review. Due to the general energy situation, the electricity mix in Switzerland was supplemented with electricity from nuclear energy. As a result, the share of renewable energy fell to 40.0% (PY 49.7%).

In the area of sustainability, climate and environmental protection is a top priority for SFS. We strive not only to use renewable energy and reduce air emissions as much as possible, but also to use and develop sustainable solutions and implement effective supply chain management. In the last materiality analysis in 2022, the following four topics from "Environment" were identified as material:

- Energy
- Emissions
- Sustainable solutions
- Procurement

We outline our position on other relevant topics from this field, such as use of water resources and the protection of biodiversity, in our sustainability guidelines. These topics are important to us, but were not identified by our stakeholders as material. For that reason, we are not currently reporting on them in detail.

While "Emissions" has already been classified as material in 2019, SFS included the topic of "Energy" on its list of material topics for the first time in 2022. In the light of the fact that, as a manufacturing company, we have high energy requirements and electricity consumption accounts for around 70% of Scope 1 and 2 emissions, it is understandable that stakeholders attach the highest priority to this topic. They believe that SFS Group has the greatest environmental impact in these two topics, which together form the focus topic "Energy & emissions". Conversely, energy costs and the availability of energy have a high impact on SFS's business activities. Continuously increasing our energy efficiency, using energy with the lowest level of emissions possible and increasing the share of self-produced renewable energy are therefore also in our own interest.

To that end, we are committed to the following goal in our sustainability guidelines: "We endeavor to use energy sustainably and are taking measures to reduce our energy consumption. We are looking for ways to obtain energy from sources that protect the environment. We have taken measures to reduce greenhouse gas emissions and maintain air quality in accordance with the respective statutory and local regulations."

As a leading technology company, SFS is not only committed to making its own processes as energy efficient, environmentally friendly and resource conserving as possible, but also to offering solutions that offer our customers long-term benefits. SFS Group takes the entire supply chain into account, which also helps its customers achieve their own 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 (environmental management system) is part of the management approach and the comprehensive environmental management system and is aimed at continuously reducing the company's environmental impact. 12 additional locations were certified in accordance with ISO 14001 during the year under review. Overall, certification is currently being planned for another three locations.

The emissions management approaches and measures are presented annually to the Group Executive Board by the Group's Environment, Health and Safety (EHS) manager, with the targets then being reviewed and, if necessary, adjusted. That includes reviewing environmental performance: Among the things ISO 14001-certified locations report on is their progress in reducing CO_2 emissions.

New ideas implemented in the realm of environment, health and safety

Environment, health and safety (EHS) is a fundamental component of SFS's sustainability strategy. In addition to Group-wide measures, the locations and divisions implement many projects from this realm in an effort to reduce their environmental impact, make the workplace safer for employees and better protect their health.

Link to success story

Commitment to the "Science Based Targets initiative"
SFS is using scientifically sound targets that are consistent with the requirements of the Paris Agreement in an effort to reduce its direct and indirect emissions along the entire value chain. To this end, it joined the "Science Based Targets initiative" in the year under review. By following a clearly defined path towards reducing our emissions, we are helping to minimize the impact of climate change. In order to ensure this, the Paris Agreement stipulates that global warming is to be limited to below 2° or 1.5° Celsius. Now, SFS Group has two years in which to further develop its emissions reduction targets and bring them into line with the SBTi criteria.

We are currently pursuing the goal of reducing direct CO_2 emissions (Scope 1 and 2) by ≥90% by 2030. This reduction target is based on 2020. Emissions savings are calculated based on the tons of CO_2 equivalent per franc of value added. By 2040, SFS also wants to reduce CO_2 emissions across the entire value chain (Scope 3) by at least 90%. SFS will keep these targets in future, but supplement them with short and long-term climate targets within the framework of the SBTi and have them validated within two years.

Direct emissions further reduced

Despite a marginal increase in absolute emissions in Scope 1 (1.0%), direct emissions were reduced by −4.6% on a like-for-like basis. The renewed increase in vehicle fuels can be attributed to the first-time consolidation of the Distribution & Logistics International division for a full year (PY: eight months): As a commercial enterprise with strong direct sales, Hoffmann has a large fleet of vehicles for its direct sales force. Consumption of heating oil and gas was reduced by −5.5% in the year under review through optimization of the company's performance and the associated efficiency gains, as well as the mild winter.

GRI 305-1 Direct (Scope 1) GHG emissions

In metric tons of CO_2eq	**2023**	%	2022	2021	+/–%
ecoinvent	v3.1.0		v3.9.1	v3.8	–
Scope 1	**27,443**	**–**	**27,166**	**29,680**	**1.0%**
Scope 1 "like-for-like"	25,917	–	–	–	–4.6%
Car fuels/Fuels	7,171	26.1%	6,738	3,629	6.4%
Oil/Gas	18,202	66.3%	19,257	24,593	–5.5%
Operating fluid	2,070	7.5%	1,170	1,458	76.9%
Scope 1	**27,443**		**27,166**	**29,680**	**1.0%**

The following overview shows the substances that have a significant impact on air quality. With a share of 73.7%, nitrogen oxides from combustion-related activities had the greatest impact on air quality in our Scope 1 emissions.

GRI 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions

Scope 1 in kg	**2023**	%
Nitrogen Oxides (NOx)	37,324	73.7%
Sulfur Oxides (SOx)	1,041	0.7%
Fine Particulate Matter, 2.5 µm (PM2.5)	2,045	19.6%
Coarse Particulate Matter, 10 µm (PM10)	427	4.1%
Non-Methane Volatile Organic Compounds (NMVOC)	1,438	1.0%

We were able to further reduce Scope 2 emissions by −11.0% in 2023. Adjusted for the new emissions factors in the ecoinvent dataset (a switch from the ecoinvent v3.9.1 database to the v3.1.0 database) and taking into account the first-time consolidation of Hoffmann for a full year, the result is a total like-for-like reduction of −10.4%. The main driver of this improvement was the higher share of consumption taken by renewable energy in the Engineered Components and Fastening Systems segments. In China and Switzerland, SFS put new photovoltaic systems into operation and switched to 100% renewable electricity at its site in France.

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

In metric tons of CO_2eq	**2023**	%	2022	2021	+/–%
ecoinvent	v3.1.0		v3.9.1	v3.8	–
Scope 2	**60,367**	**–**	**67,834**	**87,201**	**–11.0%**
Scope 2 "like-for-like"	60,805	–	–	–	–10.4%
Electricity	60,362	100.0%	67,828	87,195	–11.0%
District heating	5	0.0%	6	6	–14.1%
Scope 2	**60,367**		**67,834**	**87,201**	**–11.0%**

Taken together, absolute CO_2 emissions in Scope 1 and 2 declined by −7.6% in the year under review. Adjusted for the new emissions factors in the ecoinvent dataset (a switch from the ecoinvent v3.9.1 database to the v3.1.0 database) and taking into account the first-time consolidation of Hoffmann for a full year, the result is a total like-for-like reduction of −8.7%.

Direct and indirect GHG emissions

In metric tons of CO_2eq	2023	+/–%	2022	2021
ecoinvent	v3.1.0		v3.9.1	v3.8
Scope 1 and 2	87,810	–7.6%	95,000	116,881
Update emission factors (ecoinvent)	459	–	–	–
Adjustment scope of consolidation	–1,547	–	–	–
Scope 1 and 2 "like-for-like"	**86,723**	**–8.7%**	**–**	**–**

Compared to the previous year, we were able to reduce the intensity of greenhouse gas emissions measured in tons of CO_2 equivalents in relation to the value added francs generated by –19.6%. SFS Group has set itself the target of reducing this figure by at least 90% by 2030 compared to the 2020 reference year. With a reduction of –58.5% in total in the past four years, SFS is on the right track, but will have to take further measures in the future in order to further reduce its emissions consistently. The progress made on the greenhouse gas emissions intensity ratio can be attributed to the 16.2% reduction in absolute emissions on the one hand and the increase in value added due to the growth of the SFS Group on the other. Mix effects resulting from the consolidation of Hoffmann were also a factor.

GRI 305-4 GHG emissions intensity

In metric tons of CO_2eq	2023	2022	2021	2020	+/–% 2020
ecoinvent	v3.1.0	v3.9.1	v3.8	v3.7.1	
Scope 1 and 2	87,810	95,000	116,881	104,822	–16.2%
Value-added francs in million (VA–CHF million)	1,914	1,666	1,107	948	101.9%
Scope 1 and 2/VA–CHF million	**45.9**	**57.0**	**105.6**	**110.6**	**–58.5%**

Data basis for Scope 3 further improved

With respect to Scope 3 emissions, which account for over 90% of total emissions, the data basis was improved further. The rise of 69.1% (PY 50.7%) was mainly a result of making the data basis more complete for the two categories "Purchased goods and services" and "Capital goods". As SFS is able to illustrate the Scope 3 categories "Use of sold products" and "End-of-life treatment of sold products" for the first time in 2024, we also expects another significant rise in Scope 3 emissions in the next reporting period. By 2040, we intend to reduce our CO_2 emissions across the entire value chain by at least 90%. SFS will define the reference year as soon as the data basis and quality offer sufficient planning certainty.

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

In metric tons of CO_2eq	2023	+/–%	2022	2021
ecoinvent	v3.1.0		v3.9.1	v3.8
Purchased goods and services	879,138	72.4%	509,988	331,965
Capital goods	53,509	2,076.8%	2,458	1,098
Fuel and energy-related activities (not included in Scope 1 or 2)	32,146	7.1%	30,013	21,224
Upstream transport and distribution	31,956	3,762.7%	827	3,174
Waste generated in operations	8,120	–61.8%	21,249	9,516
Business travel	1,467	9.8%	1,335	100
Employee commuting	21,691	4.2%	20,810	37,524
Downstream transport and distribution	20,250	–38.7%	33,047	6,646
Use of sold products*	–	–	–	–
End-of-life treatment of sold products*	–	–	–	–
Other (upstream)	535	16.8%	458	171
Scope 3	**1,048,811**	**69.1%**	**620,185**	**411,417**

*Data for this category is not available at this time. Future reporting periods will include emissions values for this category.

Setback owing to change in energy mix

Developments in 2022, which brought enormous increases in energy prices in some regions and the threat of supply bottlenecks, have confirmed that SFS Group – with its focus on renewable energies as well as the expansion of its in-house power generation – is on the right track. This not only strengthens our independence from energy suppliers and increases operational reliability, but also reduces energy costs, which are repeatedly subject to high fluctuations. Because of the general energy situation, SFS decided in the year under review to temporarily adjust the energy mix in Switzerland and buy electricity from nuclear energy in addition to energy from renewable sources. As a result, we encountered a setback in respect of our target of obtaining at least 50% of our electricity from renewable energy sources by 2025. The CO_2 equivalents for Scope 1 and 2 are not affected by the adjustment of the energy mix, which is a top priority for us with regard to the most urgent challenge – reducing the effects of climate change. SFS will continue to focus on the topic of energy efficiency as well as the use of renewable or emission-neutral sources of energy, particularly at production-intensive sites, and is confident that it will be able to switch the energy mix in Switzerland back to 100% renewable electricity in the coming years.

GRI 302-1 Energy consumption within the organization

Scope 1 and 2 in MWh	**2023**	+/–%	2022	2021
Total Electricity	**215,006**	**–1.8%**	**219,024**	**203,381**
renewable in %	40.0%	–9.7 pp	49.7%	37.7%
Purchased electricity	202,563	–3.2%	209,216	198,252
renewable in %	36.2%	–11.2 pp	47.4%	36.1%
Self-generated electricity	12,444	26.9%	9,807	5,129
renewable in %	99.3%	–0.5 pp	99.8%	100.0%
Purchased heat	**352**	**0.2%**	**352**	**383**
renewable in %	100.0%	0.0 pp	100.0%	100.0%
Total fuel	**118,626**	**–0.5%**	**119,163**	**112,791**
renewable in %	3.9%	2.4 pp	1.5%	0.1%
Natural gas	83,115	–2.8%	85,479	89,762
Heating oil	1,700	–39.8%	2,824	608
Methanol	3,823	–23.7%	5,012	5,201
Propane	4,150	166.1%	1,560	4,021
Diesel	22,092	7.6%	20,527	10,547
Petrol	3,746	–0.4%	3,761	2,653
Total Energy	**333,984**	**–1.3%**	**338,539**	**316,555**
renewable in %	27.1%	–5.7 pp	32.8%	24.4%

Expansion of self-produced renewable energy

SFS is aware that purchasing renewable energy alone will not be enough to sufficiently limit negative impacts on the climate. By expanding our own electricity production, we want to fulfill our responsibility towards the environment and society and strengthen our autonomy. Again we increased the share of self-generated electricity in the year under review and installed two new photovoltaic systems. The new installation in Tianjin (China) had already been installed at the end of 2022 and went live at the beginning of 2023. It produces 1,300 MWh of renewable electricity per year, or around 10% of the site's electricity requirements. A new photovoltaic installation covering an area of 4,135 m2 was also installed in Rebstein (Switzerland). This new installation went live in November 2023 and will enable the location to meet around 50% of its electricity requirements with an installed capacity of 800 MWh per year. In total, we increased the share of self-generated electricity groupwide by 26.9% compared with the previous year.

Wind turbine being planned to supplement solar power

To supplement the existing large-scale photovoltaic installation in Heerbrugg (Switzerland), a wind turbine is to be built on SFS's premises. This turbine should generate 5 GWh of electricity per year, which is roughly equivalent to the consumption of 1,300 households. A wind measurement mast that supplied important information for the specification of the project during a one-year measurement campaign was dismantled in August 2023. Wind measurements and environmental studies have gone well so far. The dismantling of the mast brought the measurement campaign and the feasibility study as a whole to an end. The data collected was evaluated and the feasibility study subsequently submitted to the cantonal authorities. SFS expects to be able to erect the turbine in 2025 once the approval process has been completed. The project's original timeline will be delayed by around one year as a result. In March 2024, SFS will provide information to interested stakeholders at an event being held to report on how the project is going. Further information on the planned wind turbine can be found at RhintlWind.ch (website only in German).

Visualization of the planned wind turbine

Energy intensity reduced considerably

Compared to the reference year, we were able to reduce energy intensity, i.e. absolute energy consumption in relation to value added, by –39.0%. This pleasing development can be attributed firstly to sustained efforts to make sparing, efficient use of energy. Secondly, the consolidation of the Hoffmann SE – which, as a commercial enterprise, has a lower energy intensity – for a full year also had a positive impact on this key indicator.

SFS's power consumption rose by 21.3% in this period. This is mainly attributable to the company's remarkable growth during this time. While the consumption of purchased heat was reduced by –14.9%, fuel consumption rose considerably. The increased consumption of fossil fuels over the reference year is partly attributable to a baseline effect, however, which was caused by pandemic-related restrictions in 2020 and led to figures that were lower than usual.

GRI 302-3 Energy intensity

Scope 1 and 2 in MWh	**2023**	2022	2021	2020	+/–% 2020
Electricity	215,006	219,024	203,381	177,200	21.3%
Purchased heat	352	352	383	414	–14.9%
Fuel	118,626	119,163	112,791	93,343	27.1%
Energy total	**333,984**	**338,539**	**316,555**	**270,957**	**23.3%**
Value-added francs in million (VA–CHF million)	1,914	1,666	1,107	948	101.9%
Energy total/VA–CHF million	**174.5**	**203.2**	**286.0**	**285.9**	**–39.0%**

Supply chain has considerable impact on energy consumption
At 3.1 TWh, "Purchased goods and services" accounted for about 80% of energy consumption in Scope 3. This illustrates the supply chain's considerable impact on overall energy consumption. The sharp rise in energy consumption in this category can chiefly be attributed to more precise calculation methods for finished goods from the D&L segment. This segment alone accounts for around 47% of total consumption.

The reason for the high energy consumption in the "Capital goods" category in comparison to the previous year is more comprehensive data collection: Whereas in 2022 we only used data regarding our fleet of vehicles, we were able to include all other goods in the year under review – for example machines, production equipment and buildings.

The category "Downstream transport and sales" was shown separately for the first time in the year under review. Some of the energy consumption previously shown in the category "Upstream transport and sales" has now been correctly assigned to the category "Downstream transport and sales".

The reduction in energy consumption of –72.2% in the category "Waste generated in operations" can be put down to more accurate reporting, as well as a more efficient circular economy system. Waste utilized to recover energy is not included in this category.

GRI 302-2 Energy consumption outside of the organization

Scope 3 in MWh	**2023**	+/–%	2022
Purchased goods and services	3,074,771	64.5%	1,869,381
Capital goods	152,957	1,775.2%	8,157
Fuel and energy-related activities (not included in Scope 1 or Scope 2)	341,421	26.9%	269,041
Upstream transport and distribution	62,349	–52.4%	130,929
Waste generated in operations	7,905	–72.2%	28,389
Business travel	5,366	10.7%	4,846
Employee commuting	78,302	2.4%	76,483
Downstream transport and distribution	75,459	–	–
Use of sold products*	–	–	–
End-of-life treatment of sold products*	–	–	–
Other (upstream)	3,166	12.5%	2,815
Total	**3,801,696**	**59.1%**	**2,390,040**

*Data for this category is not available at this time. Future reporting periods will include emissions values for this category.

SFS

Sustainable solutions

Create added value

SFS's value engineering approach helps develop ideas and solutions that create sustainable added value for the stakeholder groups – in economic, ecological and social terms. With a focus on the conscious use of raw materials, conscientious waste management and recycling as well as energy-efficient product design, the following products and changes during the year under review were implemented: Recyclable fully stainless steel fasteners, biodegradable centering sleeves for fastening facade panels as well as the next generation of GAV blind riveters with increased energy efficiency.

All stakeholders involved in the double materiality analysis identified the topic of "Sustainable solutions" as material. Customers, in particular, assigned a high rating to the impact of sustainable solutions on people and the environment. Their focus was mainly on the materials used, their recyclability and the products' energy consumption when used by customers.

SFS strives to provide products and services that have economic, environmental and social utility factored in throughout their entire life cycle – thereby creating added value for all stakeholder groups. To that end, we are committed to these guidelines:

- **Conscious use of raw materials**
  We are aware of the value of raw materials and ensure that we minimize our consumption of those materials when designing products and processes. Using the cold forming process – one of our core technologies – helps us to achieve significant material savings compared to machining.
- **Focused waste management and recycling**
  We avoid waste and ensure its proper disposal. Wherever possible, we use recycled materials and return materials that are no longer in use to a recycling management system.
- **Energy-efficient product design**
  Ensuring that our products are energy-efficient in use takes top priority during the design phase. That applies both to machines' and devices' consumption of power and compressed air as well as to the application-optimized design of components.

Improved dataset for greater transparency
SFS introduced additional processes for collecting relevant data in 2023 to enable the Group to implement these principles for new and existing solutions. These efforts were aimed at improving transparency regarding the use and efficiency of materials, the type and amount of waste generated and increasing the percentage of recycled materials.

The material topic of “Sustainable solutions” is presented and measured using the GRI Standard “Materials” (please refer to the table GRI 301-1 entitled “Materials used by weight or volume”). While the GRI Standard “Waste”, which was also allocated to this topic, was classified by stakeholders as important, they did not classify it as a priority. As a result, the current report does not elaborate on this GRI Standard in any great detail.

GRI 301-1 Materials used by weight or volume

In tons	**2023**	+/– in pp	2022
Raw Materials (e.g. ores, minerals, wood)	71,737		77,276
Renewable materials used in %	0.3%	–0.5 pp	0.8%
Associated Process Materials (e.g. lubricants)	3,908		4,412
Renewable materials used in %	0.0%	0.0 pp	0.0%
Semi-manufactured Goods or Parts	15,822		9,509
Renewable materials used in %	0.3%	–0.5 pp	0.8%
Packaging Materials (e.g. paper, cardboard, plastics)	8,642		8,251
Renewable materials used in %	91.9%	–1.9 pp	93.8%
Trading Goods	62,095		73,032
Renewable materials used in %	1.0%	1.0 pp	0.0%
Total	**162,205**		**172,480**
Renewable materials used in %	5.5%	0.6 pp	4.9%

Around 80% of the materials used at SFS come from the categories of raw materials (primarily steel) and finished goods. Due to the large volumes used, these are also the two categories where we would like to systematically increase the percentage of recycled materials.

Creating sustainable added value for stakeholder groups

SFS components embedded into a customer’s product or used in the production process often account for less than 1% of the total product cost. However, the expenses that a customer incurs in connection with procurement, logistics and handling operations can be several times the actual cost of these products. As a result, our primary focus isn’t on reducing our direct product costs and differentiating ourselves through price, but on increasing the product’s total utility for our customers and stakeholders with respect to economic, ecological and social aspects.

This perspective taps considerably higher savings potential in terms of energy, the use of material and costs while also enabling us to create sustainable value added for all stakeholder groups. Our value engineering model focuses on product design, the definition of manufacturing processes and leveraging the power of digitalization. The result: tailored products and intelligent solutions that boost our customers’ competitiveness. SFS solutions result in greater differentiation as a result and strengthen collaborative partnerships. SFS implemented the following “Sustainable solutions” during the year under review:

Recyclable fully stainless steel fasteners with a smaller carbon footprint

Conserving resources and avoiding waste: Recyclability is a key factor in the circular economy and a dominant topic in the construction industry. What our customers want: Modern-day buildings – down to the tiniest detail – need to be deconstructable. Since material combinations throw a wrench into the recycling process, they should be avoided. SFS became the pioneer of rust-free fastening when it developed the first stainless steel drill screw in the late 1970s. The tip of the drill screw, however, was always made of carbon steel. After several years of development work, SFS has now succeeded in launching a fully stainless steel fastener for steel applications. This innovation represents the the next technological leap forward. While the new solutions are on a par with their corresponding bi-metal fasteners, they offer one decisive advantage as mono-metal solutions: They are easier to recycle and also rust-free. This also reduces the resources required during the production process. Consequently, producing a new mono-metal fastener takes around four times less energy as in the past, which improves the product’s carbon footprint considerably.

Biodegradable centering sleeves for fastening facade panels
The patented "Center Point System" is an all-in-one solution that simplifies panel installation on rear-ventilated curtain-wall facades. The system consists of a self-drilling screw and a special centering sleeve made of plastic that breaks apart during use, generating waste in the process. This fastening solution was refined during the year under review and adapted to meet customers' need for greater sustainability: We can now manufacture the centering sleeve, which serves as an installation aid for perfectly positioning the fastener, using a 100% biodegradable material. This sustainable solution was developed with the goal of preventing the use of non-renewable resources and plastic waste. A challenge that SFS's value creators mastered with the help of a material used for applications such as funerary urns.


The centering sleeve, which serves as an installation aid for perfectly positioning the fastener, is made of biodegradable material.

New blind riveters featuring improved energy efficiency
Automated blind rivet processing is particularly suitable for industrial use in large-scale production. Here, the setting devices are adapted to meet customers' individual requirements and can easily be integrated into robot applications or operated by employees if configured accordingly.

The experts at GESIPA® enhanced the existing technology during the past year to make better use of the compressed air required during the process. In the past, only around 15% of the electrical energy used was actually available as useful energy in the form of compressed air – which is normal for conventional compressed air systems. SFS made numerous modifications to the system and, in doing so, succeeded both in improving this figure and in making the application more sustainable. The new blind riveters use up to 24% less compressed air while still performing at the same high level. Greater flexibility is another advance: The tube package was extended from 5 m to up to 8 m to enable a larger working radius.

Procurement

Supply chain in focus

SFS has sharpened its focus on supply chain management in order to comply with its due diligence more consistently: Through systematic supplier assessments on ecological and social criteria as well as the introduction of a separate Supplier Code of Conduct, SFS is striving to improve transparency and traceability in its supply chain. These efforts are aimed in part at enabling the Group to measure all upstream Scope 3 emissions more accurately going forward and reduce them in the long term.

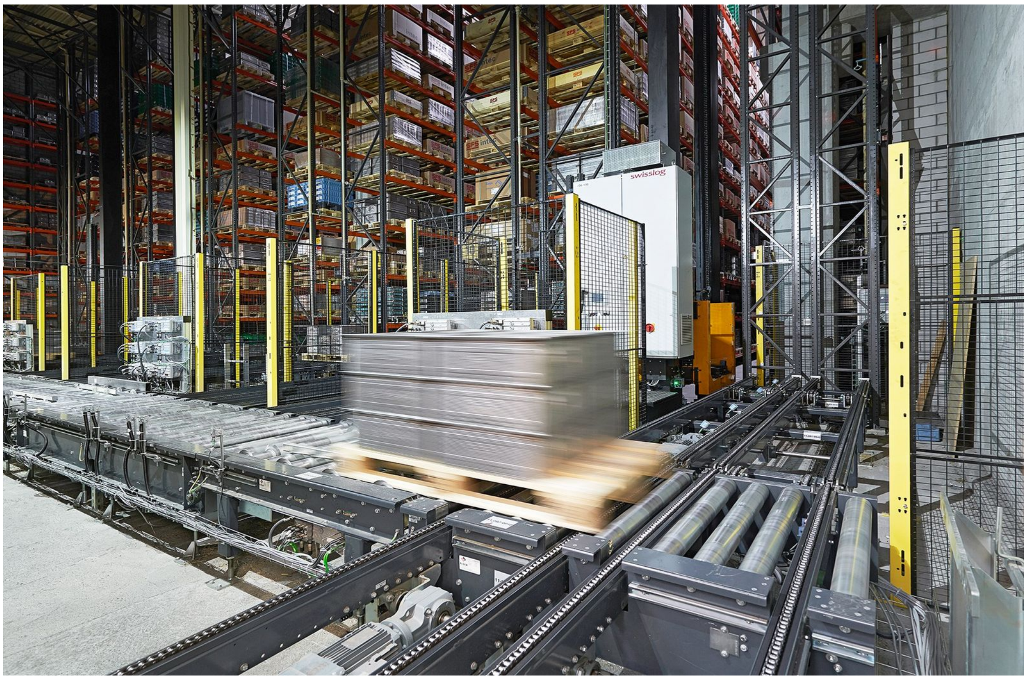
The focus topic "Procurement" is gaining importance for several reasons: Not only do increasing regulatory requirements call for systematic sustainability management along the entire supply chain, but this is also crucial for identifying and reducing Scope 3 emissions, which account for the largest share of emissions at SFS. The decisions we make with respect to procurement have major impacts – from both a social and an environmental perspective. Conversely, suppliers and their activities also impact SFS's environmental footprint and ethical integrity. In the materiality analysis workshops, this topic was therefore classified as one of the most important issues. It includes two GRI Standards: "Supplier Environmental Assessment" and "Supplier Social Assessment". The standard "Procurement Practices" also falls under the topic but stakeholders did not classify it as material.

Procurement practices in line with clear guidelines
We use our procurement practices to reduce negative consequences in the supply chain and reinforce positive consequences. This includes compliance with and respect for human rights, the ban on child labor and the responsible procurement and processing of minerals and metals from areas of conflict. We also expect our suppliers to conduct themselves in accordance with both our principles and the Supplier Code of Conduct. Moreover, suppliers – in all business activities within their own sphere of influence – are expected to work toward ensuring that their business partners and suppliers acknowledge these principles as well.

In this context, SFS has formulated the following principles, which will be binding for all suppliers and business partners from 2024 onward and form part of the Supplier Code of Conduct:

- "We expect our suppliers to comply with the principles of the Code of Conduct and refrain from committing or being involved in any human rights violations."
- "We expect our suppliers to comply with the minimum age defined by the International Labour Organization (ILO) and heed the respective state permits for employment."
- "Our suppliers shall make a reasonable effort to avoid the use of raw materials in any of their products that come from areas of conflict or risk and that could contribute to human rights violations, corruption, the financing of armed groups or other negative impacts of this nature."

Local-for-local: The implementation of our procurement practices
In keeping with our "local-for-local" strategy, SFS is steadily expanding its global development and production platform. This helps stakeholder groups benefit from superior supply reliability thanks to short, robust, environmentally sustainable and traceable supply chains.



Our procurement practices follow clear guidelines.

SFS's supplier network, including Hoffmann, currently comprises around 11,700 organizations (PY: 11,500) that are domiciled and have operations in North America, Europe and Asia. The (raw) materials purchased can be broken down into the following main product groups:

- WOM (wire and other materials): 13.8% (PY: 16.3%)
- FC (finished components): 70.1% (PY: 63.5%)
- OCE (oil, chemistry, energy): 1.6% (PY: 2.2%)
- Tools: 1.9% (PY: 2.8%)
- ME (machines and equipment): 4.4% (PY: 5.7%)
- PACK (packing material): 1.2% (PY: 1.2%)
- SP (service providers): 7.0% (PY: 8.3%)

Global procurement amounted to more than CHF 1.5 billion in the year under review (PY: more than CHF 1.4 billion), with the procured goods stemming from the following three regions:

- Europe 77.9% (PY: 66.1%)
- Asia 14.7% (PY: 23.4%)
- America 7.4% (PY: 10.5%)

The first shifts attributable to the first-time consolidation of Hoffmann for a full year were seen in 2023 in both the main product groups (shift from WOM to FC) as well as the global procurement volume (shift from Asia toward Europe).

Gradual improvement of systematic supply chain management
New legal requirements entered into force in 2023 with the counterproposal to the Responsible Business Initiative (VSoTr) in Switzerland as well as the new Act on Corporate Due Diligence Obligations in Supply Chains (Lieferkettensorgfaltspflichtengesetz, LkSG) in Germany. We additionally decided to implement a software solution to comply with these and systematically enforce our procurement-related sustainability strategy and goals. This solution perfectly complements our current risk management and helps us fulfill our due diligence obligations with the following instruments:

- Anonymous reporting procedure with internal and external access
- On-site supplier audits, carried out by the Group and/or by an external audit firm, including corresponding documentation
- Application of recognized standards and certification systems such as ISO 14001 and ISO 45001, for example
- Regular consultation of experts and specialist literature
- Cooperation with authorities, international organizations, business partners and other stakeholder groups

The new software solution helps improve transparency in our supply chains and ensure the traceability of individual raw materials. Going forward, this solution combined with an online analytics platform will enable us to:

- evaluate the sustainability status of our supply chains based on country- and sector-specific risks as well as self-disclosures and the analysis of critical news
- identify critical suppliers and potential opportunities and risks in our supply chains
- organize and document preventive and corrective measures to improve our suppliers' performance with respect to sustainability
- share important information with our suppliers and ensure regular communication on topics such as our joint target agreement
- measure key figures and/or defined indicators related to supply chain management

Supplier assessment results
Our supplier assessment takes social and ecological criteria into consideration and covered the following key topics during the year under review:

- Environmental protection
- Human and labor rights
- Occupational safety
- Responsibility in the supply chain
- Conflict minerals
- Cybersecurity
- Anti-corruption and anti-bribery

The assessment is based on the self-declaration principle and carried out by means of standardized questionnaires. During the year under review, SFS examined a total of 3,821 suppliers and invited them to participate in the sustainability assessment. The response rate was at around 55% at the end of the reporting period. An analysis of the sustainability monitoring revealed that 96% of the suppliers examined did not report any critical news during the year under review.

The results of the environmental and social assessment of suppliers can be summarized as follows:

- 39% (69/176) of the suppliers added to the list in the year under review were screened based on environmental and social criteria (GRI 308-1 and GRI 414-1).
- 1,873 suppliers were screened for negative environmental impacts. Of these, 1,357 suppliers were revealed as being compliant with the rules or safe in terms of their environmental impact in the supply chain.
- At the end of the year under review, 516 suppliers were suspected of having potentially negative environmental impacts (GRI 308-2).
- A total of 1,805 suppliers were assessed in terms of their social impacts in the supply chain. Of these, 1,420 suppliers were revealed as being non-critical in terms of their social impact in the supply chain.
- At the end of the year under review, 385 suppliers were suspected of having potentially negative social impacts (GRI 414-2).

Supplier management outlook
SFS launched a supply chain monitoring initiative in 2023 and is currently still in the start-up phase of that initiative. Our goal is to survey around 85% of all strategic direct suppliers in 2024.

Strategic suppliers have an enormous impact on SFS's performance contribution and usually account for a significant percentage of the procurement volume (all in all, around 80% of the total procurement volume). They are frequently characterized by materials with unique selling points as well as highly integrated and automated business processes.

Additionally, all suspected cases of negative environmental or social impacts that were identified in 2023 are to be investigated and measures agreed to make corresponding improvements where necessary. The announced software expansion will let us access our suppliers' emission data in the future and trace the upstream emissions of purchased goods and services. This will take us one large step closer to reaching our goal of calculating our products' carbon footprints and ultimately working together with our suppliers to agree specific reduction targets for the upstream Scope 3 emissions. We expect some initial progress to be made on this front in 2024.

Employee promotion and engagement

Involvement strengthened

SFS attaches great importance to both employee satisfaction and having an open line of communication to and with its leaders. This is also confirmed by regular employee surveys. For example, 74% of those surveyed rated the company as attractive again in 2023 and are satisfied with the SFS Group as an employer. SFS made further progress in the year under review, especially in the expansion of training and dual education programs. While the Group sought to improve the dataset related to “Diversity and Equal Opportunity” and plan related measures, progress made in this regard was limited for organizational reasons. In the current financial year, SFS is addressing this issue in a targeted manner.

Only well-trained, highly motivated and satisfied employees will achieve the best results in their role as value creators and create added value. Through its active promotion of the dual-track system of vocational education and training, SFS not only invests in talent development but social and economic development as well. In the 2022 materiality analysis, stakeholders classified the topic of “Training and Education” as the most important topic in the social sphere and combined it with “Diversity and Equal Opportunity” to create the focus topic “Employee promotion and engagement”.

Regular dialog with employees
SFS’s Corporate Principles are aligned with the values of “Partnership”, “Engagement”, “Success” and others. Achieving those values hinges on having employees with above-average qualifications, commitment and integrity – qualities that can only be facilitated through genuine appreciation, solidarity and fairness. That makes the satisfaction of its employees pivotally important to SFS.

Communication with employees, employee engagement and having the best-possible working conditions play a key role in this. We also made a commitment to these principles in our sustainability guidelines: “We encourage discussions and dialog with employees and employee representatives. We grant employees the right to freedom of association in accordance with the laws and regulations of the individual countries and regions”.

Focus on "Diversity and Equal Opportunity"
SFS is a company whose diversity is already reflected in its international corporate structure. Diversity contributes to a positive overall environment and strengthens our business performance. Diversity relates to gender, ethnicity, age and disability, as well as religion, personal lifestyle and sexual orientation. The promotion of diversity and the equal treatment of all employees and business partners are important components of our sustainability guidelines and our Code of Conduct. Our sustainability guidelines state: "We promote a working environment in which the diversity of our employees is respected and encouraged. We are aware that our employees are important stakeholders and are committed to ensuring that everybody is treated fairly and equally".


Diversity contributes to a positive working atmosphere.

Only some of the progress targeted has been made
SFS views greater diversity as an opportunity to counteract the shortage of skilled labor and increase the performance of its teams. Gender diversity is still not as pronounced as desired in the Board of Directors, the Group Executive Board and the divisional management teams (see table GRI 405-1 Diversity of governance bodies and employees). As a result, future recruitment activities will attach greater importance to this topic, particularly with respect to the composition of the various teams. That means, given equal qualifications, preference is more likely to be given to women. Additionally, SFS will also deliberately hire more candidates over the age of 50 in order to promote a diverse age structure as well. The topic of diversity will become increasingly important in both new and existing projects and it will be taken into consideration when putting together project teams, in particular. Tables GRI 2-7/GRI 2-8 Employee figures by employment relationship and by region provide a good overview of the current personnel structure.

GRI 405-1 Diversity of governance bodies and employees

In headcount	2023	%
Members of controlling bodies total*	**339**	**100.0%**
Board of Directors	7	2.1%
Group Management	10	2.9%
Division Management	54	15.9%
Middle Management	268	79.1%
thereof internally hired	**240**	**70.8%**
Board of Directors	1	0.3%
Group Management	9	2.7%
Division Management	39	11.5%
Middle Management	191	56.3%
thereof female	**56**	**16.5%**
Board of Directors	1	0.3%
Group Management	–	0.0%
Division Management	8	2.4%
Middle Management	47	13.9%
thereof male	**283**	**83.5%**
Board of Directors	6	1.8%
Group Management	10	2.9%
Division Management	46	13.6%
Middle Management	221	65.2%
thereof age <30	**8**	**2.4%**
Board of Directors	–	0.0%
Group Management	–	0.0%
Division Management	–	0.0%
Middle Management	8	2.4%
thereof age 30–50	**174**	**51.3%**
Board of Directors	2	0.6%
Group Management	4	1.2%
Division Management	15	4.4%
Middle Management	153	45.1%
thereof age >51	**157**	**46.3%**
Board of Directors	5	1.5%
Group Management	6	1.8%
Division Management	39	11.5%
Middle Management	107	31.6%

*The absence of a previous year's column is due to the initial disclosure of these figures in the current reporting period.

GRI 2-7/GRI 2-8 Employee figures by employment relationship

In FTE	Female	Male	Total
Employment relationship indefinite	3,103.7	8,346.2	**11,449.9**
Prior-year figure	3,050.8	8,375.4	**11,426.2**
Employment relationship definite	116.5	228.0	**344.5**
Prior-year figure	100.3	249.8	**350.1**
Employment relationship definite – external	276.1	595.0	**871.1**
Prior-year figure	255.9	584.6	**840.5**
Employment relationship full time	2,828.3	8,256.7	**11,085.0**
Prior-year figure	2,439.1	7,195.8	**9,634.9**
Employment relationship full time – external	271.6	591.2	**862.8**
Prior-year figure	255.9	584.6	**840.5**
Employment relationship part time	391.9	317.5	**709.4**
Prior-year figure	712.0	1,429.4	**2,141.4**
Employment relationship part time – external	4.5	3.8	**8.3**
Prior-year figure	0.0	0.0	**0.0**
Total number of employees	3,496.3	9,169.2	**12,665.5**
Prior-year figure	3,407.1	9,209.8	**12,616.9**

GRI 2-7/GRI 2-8 Employee figures by region

In FTE	Switzerland	America	Europe	Asia	Total
Employment relationship indefinite	2,346.5	1,725.7	4,243.2	3,134.5	**11,449.9**
Prior-year figure	2,293.5	1,562.9	4,773.4	2,796.5	**11,426.2**
Employment relationship definite	23.7	59.1	438.9	693.9	**1,215.6**
Prior-year figure	17.6	80.7	486.4	606.0	**1,190.7**
Employment relationship full time	2,126.0	1,743.9	4,255.0	3,822.9	**11,947.8**
Prior-year figure	2,103.5	1,631.3	3,338.1	3,402.4	**10,475.4**
Employment relationship part time	244.2	40.9	427.1	5.5	**717.7**
Prior-year figure	207.5	12.3	1,921.6	0.0	**2,141.4**
Total number of employees	2,370.2	1,784.8	4,682.1	3,828.4	**12,665.5**
Prior-year figure	2,311.0	1,643.6	5,259.9	3,402.4	**12,616.9**

Although SFS wanted to create a dataset on "Diversity and Equal Opportunity" that can be compared at the international level, due to organizational reasons, the year under review only saw the project's initiation. We continue to focus on the topic of "Diversity and Equal Opportunity" and will prioritize it in 2024 with the intention of expanding the existing dataset and using that information together with the insights gained to define measures and targets.

Promotion of diversity and equal opportunities

Our sustainability guideline states that "We promote a working environment in which the diversity of our employees plays an active role". "Our top priority is ensuring that all employees are treated fairly and equitably." But how are these principles embraced and implemented in day-to-day work? Asif Khan Shinwari and Cabdirisaq Jamac Dahir will tell us a little more about that. These two originally come from Afghanistan and Somalia and are currently in an apprenticeship program at Stamm AG in Hallau (Switzerland), a company of the SFS Group.

Link to success story

Expansion dual education and training measures

SFS is convinced of the enormous importance of the dual-track system of education and training and its impact on the economy and society. We are committed to strengthening the dual-track system and have a variety of measures in place to achieve that goal. These include the financial support of the Hans Huber Stiftung (Hans Huber Association), our partnership with the Stiftung FH Schweiz (Foundation of the University of Applied Sciences Switzerland), the presentation of the SFS Apprentice Award as well as the twelve apprenticeship programs that SFS offers in Switzerland. Entirely in keeping with our motto "from good to better", we strengthened the area of dual education and training even further by making several different changes such as:

- Talent coach: This newly created position provides advice to apprentices and young professionals in Switzerland on the future of their career at SFS and points out in-house prospects and development opportunities.
- Improved needs analysis: Through more intense involvement on the part of our vocational trainers in Switzerland as well as the new format of the regional job fair, we were able to gain an even better understanding of the needs of both current and future apprentices and present SFS as a more modern, local and attractive employer.
- Leadership@SFS: This initiative covers three levels of leadership training aimed at the global harmonization and promotion of leadership skills across the various development levels (also see success story from 2022: Employee development as a success criteria). Also included in this are the Junior Leadership Development Program (JLDP), the Advanced Leadership Development Program (ALDP) and the Senior Leadership Development Program (SLDP). The ALDP was rolled out in the US in the year under review and continued in Europe. While the international focus of the SLDP meant that it had been put on hold since the COVID-19 pandemic, planning resumed in 2023 and the program is making its comeback this year.
- New uniform collection of data on in-house training programs: The standardized approach to collecting data about both skills enhancement programs and retirement support programs makes it easier to compare and harmonize the services provided internationally, identify needs at an early stage and share experiences with other locations (see table below: GRI 404-2 Programs for upgrading employee skills and transition assistance programs).

GRI 404-2 Programs for upgrading employee skills and transition assistance programs

In headcount	**2023**
Pre-retirement planning for intended retirees	38
Retraining for those employees intending to continue working	3
Job placement services	28
Assistance on transitioning to a non-working life	70
Total*	**139**

*The absence of a previous year's column is due to the initial disclosure of these figures in the current reporting period.

Our goal is to offer attractive dual-track education opportunities and promote cooperation with schools and parents not only in German-speaking countries of the EU, but also at our international locations.

Traditional Indian teaching method meets Swiss education system

"We need dedicated employees. They've got integrity and have above-average qualifications." That's what it says in our Corporate Principles. SFS is heavily involved in activities related to training and education. We're very interested in expanding the dual education system that's so very successful in German-speaking countries to the international locations. The leadership team from the Pune (India) location had a chance to become acquainted with the dual education program during a visit in Switzerland and was impressed: Providing young people with training on both the practical and theoretical aspects of precision engineering was the solution they needed to make the planned capacity expansion at the location in India a reality.

Link to success story

Objectives in the area of dual education and training reconfirmed
The high priority given to this topic by the company's management is reflected in its anchoring in the corporate strategy and long-term objectives. SFS aims to ensure that 5–7% of its permanent employees worldwide are enrolled in dual education and training programs. This target was confirmed again in the reporting year with a share of 5.1% (PY 5.4%). The reporting relates to around 90% of the workforce.

GRI 404-1 Average hours of training per year per employee

	Quantity	Ø per employees	% of employees
Number of employees in dual education	627		5.1%
Training hours internal	202,430	16.3	–
Training hours external	95,361	7.7	–
Total hours	**297,791**	**24.0**	**–**

Knowledge transfer thanks to in-house succession arrangements
SFS uses suitable training measures to achieve its goal of providing employees at all levels with targeted support. That will expand the pool of talented individuals that can be tapped to fill key positions or find replacements internally when the need arises. SFS not only plans to train internal managers – this is actually a clearly defined goal that the Group has been monitoring for years: 70% of upper management positions are to be filled with internal candidates. 70.8% of the key positions were filled by internal candidates during the period under review (PY: 100%; scope: members of divisional management and site managers). Divisional management is responsible for filling these key positions together with the HR team. Potential candidates are promoted through the Group-wide Structured Employee Development Process (SEDP). The

CEO and HR officers are responsible for reviewing individual target achievement, informing the Nomination and Compensation Committee (NCC) and the Group Executive Board of the degree of target achievement and drawing up proposals for measures.

Surveys confirm satisfaction and engagement
Only satisfied and engaged employees can deliver extraordinary performance. That is something confirmed by our employees, our value creators, not only through their creative and innovative solutions but also their responses in surveys. SFS conducts this Group-wide survey every two years. Not included during the year under review were the Electronics and Distribution & Logistics International divisions, which used other formats for their employee surveys. 76% of the 7,003 employees invited to take part in the survey completed the questionnaire. Not only was the response rate above average, but it was particularly encouraging to see that SFS once again achieved extremely good results for the dimensions "Commitment", "Satisfaction" and "Attractiveness and willingness to recommend the employer" and that there were no notable negative variances from the last survey in 2021. This means in detail:

- Commitment: 83/100 (2021: 84/100)
- Satisfaction: 74/100 (2021: 75/100)
- Employer attractiveness: 74/100 (2021: 76/100)
- Willingness to recommend the employer: 79/100 (2021: 81/100)

Both the above-average response rate and especially the frequent use of the comment function bore testimony to the fact that the Group embraces a culture of feedback and has highly engaged employees. The concerns and key topics with the most potential for improvement come from the following topic areas:

- Compensation and benefits: Pay compared to other employers
- Compensation and benefits: Pay incl. fringe benefits
- Work-life balance: Energy for recreational activities after work
- Agility: Trying out new things
- Agility: Authority to make decisions
- Work-life balance: Workload

All feedback from the 2023 survey was compiled and evaluated to extrapolate measures aimed at boosting SFS's attractiveness as an employer and improving the working conditions.

Dialog and leadership tools that target employee promotion and engagement
In addition to the survey, SFS employs other dialog and leadership tools in order to make ongoing improvements to working conditions and regularly seek out and incorporate employees' opinions. The tools for dialog include among others:

- Information events where employees can meet in person to discuss quarterly information or hold shop floor meetings, for example
- "mySFS" employee app as a digital communications platform and Intranet
- "Internes", the magazine published by employees for employees
- Sporting events and themed events like Sustainability Day

Other examples of leadership tools include regular performance reviews (management by objectives) and targeted internal training programs (see GRI 404-3 Percentage of employees receiving regular performance and career development reviews and GRI 404-2 Programs for upgrading employee skills and transition assistance programs).

Number of employees with a performance review increased
For the regular employee performance review, SFS has set up a globally valid process with the following objectives:

- Implementation of overarching objectives (corporate targets)
- Review of employees’ performance and conduct
- Employees’ degree of identification with the corporate targets
- Employee engagement
- Identification of training needs and verification of the training program’s effectiveness

In the year under review, the proportion of employees with a performance review rose to 74% (PY: 66%). SFS intends to maintain this encouraging trend in the future with the aim of maintaining or further increasing the performance review rate in the long term. In addition to the performance review, the Group-wide process will also be used for determining specific training requirements. For this, the manager works together with the employee to agree which training measures are to be implemented.

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

	Female	Male	Total
Percentage of employees with a performance review	75%	73%	74%
Prior-year figure	63%	67%	66%
Number of employees with a performance review in FTEs	2,620	6,737	9,357
Prior-year figure	2,133	6,199	8,332

SFS

Occupational health and safety

Accident rate unchanged

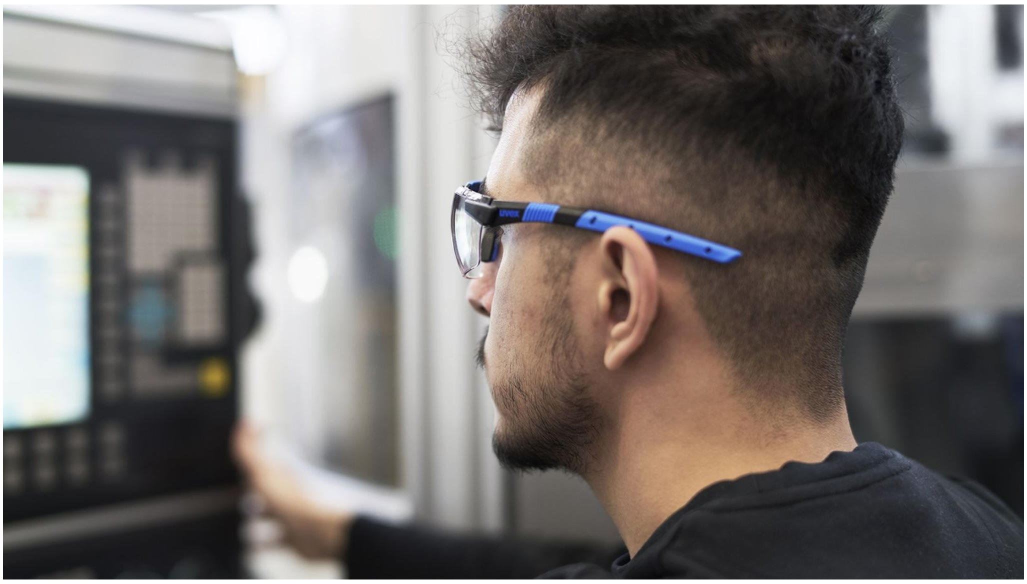
At 4.0 accidents per million hours worked in the year under review, the accident rate remained at the same level as in 2022. A total of 103 occupational accidents were reported, one accident more than in the previous year. Fortunately, the SFS Group succeeded in reducing the number of accidents with serious consequences by –34.0% year-over-year and the number of lost days by –15.2%. SFS is making great efforts to reduce the accident rate in the coming year and to achieve the ambitious target by 2025. Based on an accident rate of 4.7 in 2020, the target for 2025 is 2.35 accidents per million working hours.

"Occupational Health and Safety" was no longer classified as a material topic in the materiality analysis carried out in 2022. Instead, we and our stakeholders decided together to classify this as a standard topic, similar to the topics of "Human rights" and "Socioeconomic compliance". Standard topics define the framework for every business activity engaged in by SFS and are therefore considered to be basic content that is reported on an ongoing basis. The scope of that reporting, however, is smaller than for material topics.

Great importance placed on occupational health and safety
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 major concern at SFS. This holds particularly true at our production sites, where the processes pose health and safety risks for employees and suitable steps must be taken to reduce those risks. These locations and the employees who work there are pivotal for evaluations and improvements in the area of occupational health and safety. "The quality, environmental and safety policy we're implementing is aimed at ensuring the health and safety of our employees as they perform their work, as well as at preventing accidents at work and promoting mental and physical health." Our commitment to this is set forth in our sustainability guidelines.

Prerequisites for creating a healthy and safe working environment
Several measures have been implemented to reduce potential risks and negative consequences for employees' health at the workplace – and ideally to avoid them altogether. Some of these include:

- We make ongoing improvements to safety measures by identifying and assessing hazards, burdens and risks on a regular basis.
- Preventive measures and programs such as the drafting and introduction of the "10 SFS Safety Rules" help prevent accidents.
- SFS maintains an ongoing dialog with stakeholders in order to further improve health and safety at work.
- We encourage employees to take personal responsibility for their own health: Preventive hazard identification and risk assessments at employees' own workplaces help adapt the working environment accordingly and prevent potential accidents.
- In this context, employees are also instructed to and required to set down their work if a potential risk arises and to only resume work again once the situation permits. This approach is also regularly communicated in training on the "10 SFS Safety Rules".
- Employees are required to report to their supervisors any circumstances that could endanger employees' occupational health and safety. That also gives them an opportunity to suggest improvements or point out any deficiencies (opportunity to submit anonymous complaints).
- All employees are required to report ideas and noticeable problems immediately. They have several different communication channels and platforms available for this purpose. These include the "mySFS" employee app, the ideas box, shop floor meetings and regular meetings with managers. The compliance system integrated by SFS is accessible to all employees (anonymous complaints hotline).
- Employees who report violations will not be penalized as a result.


Creating a healthy and safe working environment is a top priority for us.

At the end of 2023, the SFS Group employed 13,198 employees (FTE, PY 13,282). The reporting entities comprise 12,666 FTE (PY 12,617). The number of accidents per million working hours remained at the same level as in the previous year at 4.0 (see table GRI 403-9 Work-related injuries), but showed a mixed trend in the individual segments: While the Engineered Components and Fastening Systems segments made good progress in terms of the accident rate, it increased in the D&L segment. In the current financial year, SFS will further intensify its efforts to reduce the accident rate and still achieve its ambitious target: Based on an accident rate of 4.7 in 2020, the target for 2025 is 2.35 accidents per million working hours.

Although the number of work-related accidents has risen marginally to 103 (PY: 102), we made vital progress in terms of both the severity of the work-related accidents and the number of days lost: During the year under review, SFS lowered its work-related injuries with serious consequences by –34.0% and reduced the number of days lost by –15.2% to 1,880 days compared to the previous year (see table GRI 403-9 Work-related injuries). Work-related injuries with serious consequences are deemed to be injuries resulting in a recovery period of at least six months.

Top priority in the current financial year is the prevention of all accidents – regardless of the number of days lost. In addition to regular trainings and corresponding prevention campaigns, the implementation of ISO Standard 45001 is an efficient means of promoting occupational health and safety. As a result, the certification of the production sites in accordance with ISO 45001 (Management System for Occupational Health and Safety) forms part of the management approach. Five additional locations were certified in accordance with ISO 45001 during the year under review. Certification is currently being planned for another 10 locations.

GRI 403-9 Work-related injuries

	Unit	2023	+/–%	2022	2021
Employee Metrics[1]	FTE	12,666	0.4%	12,617	9,455
Total hours worked	hours	25,504,900	1.1%	25,233,800	20,230,895
Permanent employees		23,628,550	–0.1%	23,650,800	17,494,478
Temporary employees		1,876,350	18.5%	1,583,000	2,736,417
Occupational accidents >=1 day[2]	#	103.0	1.0%	102.0	82.0
Permanent employees		102.0	10.9%	92.0	80.0
Temporary employees		1.0	–90.0%	10.0	2.0
Accident rate >=1 day[2]	#/million hours	4.0	–0.1%	4.0	4.1
Permanent employees		4.3	11.0%	3.9	4.6
Temporary employees		0.5	–91.6%	6.3	0.7
Occupational accidents >3 days	#	67.0	–2.9%	69.0	63.0
Permanent employees		66.0	0.0%	66.0	62.0
Temporary employees		1.0	–66.7%	3.0	1.0
Accident rate >3 days	#/million hours	2.6	–3.9%	2.7	3.1
Permanent employees		2.8	0.1%	2.8	3.5
Temporary employees		0.5	–71.9%	1.9	0.4
Work-related injuries with serious consequences[3]	#	2.0	–33.3%	3.0	2.0
Permanent employees		2.0	–33.3%	3.0	1.0
Temporary employees		0.0	0.0%	0.0	1.0
Accident rate with serious consequences	#/million hours	0.1	–34.0%	0.1	0.1
Permanent employees		0.1	–33.3%	0.1	0.1
Temporary employees		0.0	0.0%	0.0	0.4
Work-related injuries resulting in fatalities	#	–	–	–	–
Permanent employees		–	–	–	–
Temporary employees		–	–	–	–
Rate of deaths	#/million hours	–	–	–	–
Permanent employees		–	–	–	–
Temporary employees		–	–	–	–
Total number of days lost		1,880	–15.2%	2,217	1,580
Days lost	day/1.000 FTE	148	–15.5%	176	167
Occupational accidents	#/1.000 FTE	8.1	0.6%	8.1	8.7
Days lost due to work-related illnesses	# days	45.0	–83.2%	268.0	0.0
Days lost due to work-related illnesses	days/1.000 FTE	3.6	–83.3%	21.2	0.0

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

SFS

Compliance and due diligence

High standards maintained

There were no compliance incidents at SFS during the year under review that resulted in fines or legal proceedings. We additionally have no knowledge of any human rights violations within the company's sphere of influence that were committed in 2023. That also includes the topic of child labor. Two compliance audits were carried out; the results of both were positive and document the Code of Conduct's effective implementation. SFS expanded its social engagement even further during the year under review by launching new initiatives.

In keeping with the OECD Guidelines on Responsible Business Conduct, SFS is committed to sustainable and responsible business practices – in the interests of the company, its employees, society and the environment. Compliance with the laws and regulations valid in the respective countries forms the basis of any cooperation. Furthermore, we respect societies' and nations' cultural, social, political and legal diversity. We additionally expect our business partners and suppliers to conduct themselves in accordance with our principles. The SFS Code of Conduct (including its explanatory document), our Corporate Principles as well as the Supplier Code of Conduct contain our guidelines defining amongst others how human rights are safeguarded and respected. Topics contained therein include child and forced labor as defined by the International Labour Organization (ILO). "SFS does not tolerate child labor and does not cooperate with partners that accept child labor. We do not allow the employment of children under the minimum age defined by the laws and regulations of the individual countries and regions." – that's what our sustainability guideline says.

Responsibility embraced, due diligence obligations fulfilled
By fulfilling our due diligence obligations, we protect our employees, create attractive jobs, meet up to our responsibilities toward society and remain sustainably competitive over the long term. As a signatory of the UN Global Compact, SFS is committed to the United Nations Declaration of Human Rights. The risk of human rights violations must be prevented and reduced to the greatest extent possible, both at the company's own locations and within its entire supply chain. We are therefore increasingly incorporating human diligence into our business processes and have been working with our suppliers since 2023 to conduct regular assessments that include both social and ecological criteria, see Supplier assessment results.

Effective compliance system implemented

The SFS Code of Conduct is geared toward all management bodies and employees. It is a central element in efforts to promote SFS's sustainable, positive development in a continuously changing international environment. Our Corporate Principles, another core compliance element, contain a description of the cornerstones of the Group's corporate culture: partnership, commitment, community, success, change. Both documents have been translated into more than ten languages and their contents were communicated and made available to all employees. They lay the basis for SFS's values and simultaneously provide specific guidance for our value creators.

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

- Human rights
- 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, periodic newsletters, integration of compliance-related topics into internal audits, annual reporting on the Code of Conduct to the Board of Directors and a central reporting office for employees and external partners. By launching the new Supplier Code of Conduct and including compliance obligations and the requirements of the UN Global Compact in the General Terms and Conditions of Purchase, the SFS Standards are applied to our suppliers as well. Similarly, corresponding provisions are incorporated into contracts with sales partners.

Compliance reports examined with care

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 sites report relevant incidents to the Group Compliance Officer. The Group Compliance Officer and the local compliance officers received a total of 36 compliance-related reports in the year under review. Following careful examination, 19 of those reports were confirmed as being compliance violations and appropriate consequences initiated. The violations reported primarily related to failures to comply with labor regulations, incidents of unethical conduct and other violations of the Code of Conduct. The reports were investigated either locally or with the involvement of the Group Compliance Officer and closed with the exception of one case that is still pending. The consequences of the various cases ranged from warnings all the way to dismissals, depending on the severity of the violation. The question of which sanctions are to be imposed in the individual cases is decided at the discretion of the local Compliance Officer, who may coordinate this with the specialist units involved or the Group Compliance Officer where necessary.

Compliance audits conducted make positive impression overall
SFS conducted internal compliance audits at individual sites in Germany and the Czech Republic during the year under review. The audit contents primarily addressed the Code of Conduct as well as the internal and external reporting channels available to the employees in the event of violations related to compliance or any other type of violation. The results of the of the investigation were entirely positive: The Code of Conduct is effectively implemented at the sites audited and employees are aware of its content.

Overall, the introduction of the internal compliance audit was perceived as being a suitable tool for identifying opportunities and risks in this area. Further compliance audits will be conducted in other countries in 2024 as part of the financial audits. The results of reports and audits form the basis for the annual compliance report submitted to the Board of Directors and any further development of the compliance system.

No cases of corruption in the year under review
Despite the fact that "corruption and bribery" was not classified as a material topic in the most recent materiality analysis, it forms part of the basis of our business activities – much like the topic of "human rights". 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.

We also take a clear stand on this topic in our sustainability guidelines and are committed to complying with the following principles: "We are not corruptible and do not demand or accept gifts or payments. We do not engage in any unfair action that could influence the decisions of customers, suppliers, competitors or authorities."

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. Anonymized reports about specific incidents are used to raise employees' awareness of compliance-related topics.

As in the previous year, there were no confirmed cases of corruption in the reporting year.

ESG topics integrated into risk analysis
In addition to the business risk analysis carried out in the past, SFS conducted a separate ESG risk analysis during the year under review. Its focus was on potential risks and opportunities that arise in connection with the environment, social and corporate governance dimensions. The results of the ESG risk analysis are based on the findings of the materiality analysis, an in-house ESG risk workshop and an analysis conducted by an external third party. Our risk assessment considers the likelihood of occurrence and the amount of the loss that could occur as a result. The risks are classified based on predefined threshold values. In the case of risks with substantial strategic or financial repercussions, appropriate steps are taken with the highest priority in order to avoid or mitigate these as far as possible. The same also applies for opportunities identified: If they line up with our strategic objectives, we seize those opportunities proactively and take suitable steps or measures. Potential opportunities and risks with strategic impacts from within the realm of ESG such as the development of energy and commodity prices, possible natural disasters, the effects of not achieving sustainability targets and the increase in regulatory requirements in the area of supply chains and taxes were incorporated into the business risk analysis. The Management Report presents a summary of the business risks for the current reporting year.

Stakeholder opinions taken into consideration and dialog continued
"We encourage discussions and dialog with all stakeholder groups" – we have made a commitment to this in our sustainability guidelines. To ensure that we consider more than merely the internal perspective when assessing both critical issues as well as potential opportunities and risks for the company, we get our external stakeholder groups involved on a regular basis. We offer our stakeholders a variety of different platforms for expressing also critical concerns and discussing them with us. That includes regular discussions with customers and suppliers, investors and analysts as well as various in-house and external events (e.g. Sustainability Day, quarterly information, Annual General Meeting, etc.). We also receive valuable feedback through our cooperation with academic institutions, communication with the media and surveys conducted among employees. The summary below shows the five issues (PY five issues) addressed in this context in 2023 and how we dealt with them:

Media: CEO mandate of Chair of the Board Thomas Oetterli
During the year under review, Thomas Oetterli, Chair of the Board of Directors of SFS, took on a new position as CEO of Rieter, a manufacturer of textile machinery. Various media questioned whether he would have enough time with this new position to meet up to his responsibilities as Chair of the Board of Directors of SFS.

Having previously served as CEO of Schindler, Thomas Oetterli already has experience under his belt as the CEO of an international industrial group. At the same time, he also served as a member of the Board of Directors of SFS and as Chair of the Audit Committee. Experience has shown that – with prudent time management – this combination of responsibilities is feasible. Thomas Oetterli also worked hard in 2022 to become intimately familiar with SFS's business processes.

Local communities/population: Expansion in Flawil (Switzerland)
In order to expand its production capacity, SFS is planning on expanding its Flawil (Switzerland) location and acquired another plot of land in 2021 to that end. Due to its special location in the city center and because it is in the immediate vicinity of the train station, this construction project must satisfy more stringent architectural requirements. SFS has therefore collaborated with architects and urban planners as well as the communal and cantonal authorities to draft a special utilization plan. This plan also includes a traffic plan that aims to reduce truck traffic at the train station. SFS held an informational event where it presented the project to the general populace and invited them to participate in the communal participation procedure. As part of this participation procedure, local residents called for a noise barrier along the property line to SFS. The special utilization plan was also occasionally criticized by the public, specifically with regard to the height of the building and the setback reductions.

For SFS, the expansion of the plant in Flawil is a pivotal step towards achieving the desired growth in the area of deep-drawn and extrusion-molded components for the automotive industry. The expansion will create around 40 additional jobs and positions for trainees. To SFS, creating a high-quality building project that takes the special location at the center of town into account and blends in perfectly with the surroundings is important. The concerns expressed by people from the neighborhood as part of the participation procedure are to be taken into consideration as far as possible.

Population/media: Questions concerning the wind turbine planned in Heerbrugg (Switzerland)
SFS sent a letter to residents and published a media release to update the public about the status of the "RhintlWind" project during the year under review. The project was also presented at several events organized by us and professional organizations. SFS dismantled the measurement mast in August that it had erected one year earlier, thereby bringing the measurement campaign to a close. Despite an unusually low level of wind activity seen nationwide in the fall and winter months, the results so far are in line with expectations. The estimated energy output for the year remains unchanged at around 5 GWh. Ideally, SFS plans to be able to erect the turbine in 2025 once the approval process has been completed. The project's original timeline will be delayed by around one year as a result.

Reporting on the project was met with occasional criticism voiced by opponents of wind power, who are afraid that the wind turbine will have negative impacts such as (subsonic) noise, shadows or falling ice. SFS will invite all its neighbors to a meeting in March 2024, where it will provide information about the project's current status and answer questions.

Answers to frequently asked questions can be found in the FAQs on the RhintlWind website (only in german). Additional questions can be submitted via the contact form.

Investors: Negative corporate governance rating from ISS
SFS received nine of ten points in the "Quality Score", an ESG rating issued by Institutional Shareholder Services (ISS). This result corresponds to a high level of governance risk. Areas where SFS performed poorly related in particular to its independence, the diversity of its Board of Directors as well as the transparency and structure of its compensation system.

SFS has analyzed the ISS rating and duly noted the concerns raised. Corporate governance assessments based exclusively on standards defined by rating agencies are not necessarily expedient for all shareholder structures. SFS conducted individual discussions with investors and addressed the issues highlighted in a transparent way. SFS is convinced that it has an independent Board of Directors and an appropriate compensation system. The company is working on making ongoing improvements to the level of diversity found in the Board of Directors and Group Executive Board.

Media: Measures being taken in the Automotive division in Switzerland
Supply chain disruptions and inflation-related cost increases caused profitability in the Automotive division in Switzerland to decline sharply in the year under review. In an effort to counteract this trend, SFS rolled out a package of measures in late October that included a hiring freeze, more intense cost management and moderate job cuts. As a temporary measure, the weekly hours of Automotive division employees in Switzerland were increased by two hours from November 1 onward and annual leave was reduced by five days to 25 days as of January 2024. Salaries were cut by 10% for members of the Automotive division's management who live in Switzerland and by 7% for the heads of the business units. The employees impacted could consent to the contractual amendment tacitly or reject the changes in writing within the space of one month. These measures were then criticized in reports published by numerous media outlets. They questioned whether the approach was permissible under labor laws and criticized that SFS was not adhering to the industry's collective labor agreement. The fact that communication regarding the measures came with such short notice was another point of criticism.

SFS is not subject to the collective labor agreement. The measures are supported by the Employee Council. They will only be implemented swiftly if employees voluntarily consent to the measures; otherwise, the normal notice periods will apply. The measures are limited to a period of one year and are subject to review at the end of the first six months. These measures can also be reversed on short notice. SFS has already faced economically challenging times in the past. At those difficult times, it was able to count on the solidarity of its employees and secure jobs as a result. The current situation, too, has shown that the vast majority of employees support the measures – only about 1% of the approximately 950 workers impacted have not accepted the measures.

Importance of external ratings on the rise
In 2023, SFS was assessed within the scope of the following external ratings or participated in the following assessments:

Rating/questionnaire	2023 rating	2022 rating	Scale	Remark
CDP (climate questionnaire)	B	–	A to F	
EcoVadis (ESG questionnaire)	Silver (63/100)	Bronze (54/100)	Platinum to Bronze	
Ethos	A- (51/100)	A- (60/100)	A+ to C-	
Inrate, zRating	69/100	67/100	100 to 0	
ISS	D+	D+	A+ to D-	
MSCI	AA	AA	AAA to CCC	
SAQ 5.0	B86 (location in Heerbrugg, CH)	–	A to D, 100 to 0	The SAQ 5.0 rating was newly introduced in 2023; the SAQ 4.0 questionnaire was in use prior to that.
Sustainalytics	ESG risk status medium 26.3	ESG risk status medium 25.0	Negligible to severe	
UN Global Compact	Active	Active	Active – inactive – not reporting	

Social engagement expanded

At “ORANGE Social Days”, employees have a chance to get acquainted with a local social institution for children that is being supported by the Hoffmann Group Foundation. They can use the day to help out on-site during their working hours. The “Social Days” were also introduced at SFS during the year under review, initially as a pilot project at the site in Heerbrugg (Switzerland). Employees were given the opportunity to get involved in a social project that’s close to their heart on three workdays per year.

Link to success story

GRI content index

GRI 1
Foundation 2021

Statement	GRI 1 applied	Applicable GRI sector standard(s)
SFS prepared this report for the period from December 2022 to November 2023 in compliance with the GRI Standards.	GRI 1: Foundation 2021	No applicable sector standard is available yet.

GRI 2
General Disclosures 2021

Disclosure	Place	Omission
2-1 Organizational details	SFS Group AG, Rosenbergsaustrasse 8, 9435 Heerbrugg, Switzerland	
	Corporate Governance, Group structure & shareholders	
	Financial Report, Group structure	
2-2 Entities included in the organization's sustainability reporting	Scope: Entities in which SFS holds a stake of ≥50% are included in the scope of consolidation. For this, sustainability data is collected for locations with production activities as well as for locations without production activities with ≥50 employees. This was the case for 54 entities in the year under review (PY: 53 entities).	
2-3 Reporting period, frequency and contact point	About the Sustainability Report	
2-4 Restatements of information	About the Sustainability Report	
2-5 External assurance	About the Sustainability Report	
2-6 Activities, value chain and other business relationships	Financial Report, Segment information	
	SFS in brief, page 4	
	Procurement	
2-7 Employees	Employees by employment relationship	
	Employee figures by region	
2-8 Workers who are not employees	Employees by employment relationship	
	Employee figures by region	
2-9 Governance structure and composition	Corporate Governance, Board of Directors and Group Executive Board	
2-10 Nomination and selection of the highest governance body	Corporate Governance, Board of Directors	
	Organizational regulations	
	Articles of Association of SFS Group AG	
2-11 Chair of the highest governance body	Corporate Governance, Members of the Board of Directors	
2-12 Role of the highest governance body in overseeing the management of impacts	Strategy, Clearly defined responsibilities	
2-13 Delegation of responsibility for managing impacts	Strategy, Clearly defined responsibilities	
2-14 Role of the highest governance body in sustainability reporting	The 2023 Sustainability Report was approved by the Board of Directors as an integral part of the 2023 Annual Report. The report will also be presented to shareholders at the 2024 Annual General Meeting for approval.	
2-15 Conflicts of interest	Code of Conduct	
	Explanatory document on the Code of Conduct	

2-16 Communication of critical concerns	Corporate Governance, Shareholders' participation	
	Corporate Governance, Information policy	
	Compliance and due diligence	
2-17 Collective knowledge of the highest governance body	All members of the Board of Directors have taken various steps during the year under review to expand their knowledge on the topic of sustainability. These efforts included workshops/ training, regular exchanges of information with audit firms, communication with peers and the reading of specialized literature.	
2-18 Evaluation of the performance of the highest governance body	Corporate Governance, Members of the Board of Directors	
	Corporate Governance, Compensation, shareholdings and loans	
2-19 Remuneration policies	Compensation Report, Fundamental principles of the compensation system	
2-20 Process to determine remuneration	Compensation Report, Fundamental principles of the compensation system	
2-21 Annual total compensation ratio		SFS does not currently have a centralized system in place at the international level for managing salary payments; the information requested cannot be calculated due to the insufficient dataset.
2-22 Statement on sustainable development strategy	Management Report	
	Strategy	
2-23 Policy commitments	Code of Conduct	
	Explanatory document on the Code of Conduct	
	Supplier Code of Conduct	
	Sustainability guidelines	
2-24 Embedding policy commitments	Code of Conduct	
	Explanatory document on the Code of Conduct	
2-25 Processes to remediate negative impacts	Compliance@SFS, incl. anonymous complaint process	
2-26 Mechanisms for seeking advice and raising concerns	Corporate Governance, Information policy	
	Compliance and due diligence	
2-27 Compliance with laws and regulations	During the year under review, SFS was not impacted by any material violation and there were no compliance incidents at SFS that resulted in fines or legal proceedings.	
2-28 Membership associations	Arbeitgeberverband Rheintal (Rheintal Employers, Association)	
	Hans-Huber Stiftung (Hans-Huber Foundation)	
	Saint Gallen Appenzell Chamber of Commerce and Industry	
	Landesverband Gross- und Aussenhandel Bayern (LGAD; Bavarian Wholesale and Export Association)	
	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.	
2-29 Approach to stakeholder engagement	Strategy, Stakeholder dialog as the basis for reporting	
2-30 Collective bargaining agreements	At the end of the year under review, 32.3% (PY: 27.4%, corrected figure) of all employees were covered by collective bargaining agreements.	

GRI 3
Material Topics 2021

Disclosure	Place	Omission
3-1 Process to determine material topics	Strategy, Stakeholder dialog as the basis for reporting	
3-2 List of material topics	Strategy, List of material topics	

GRI 301
Materials 2016

Disclosure	Place	Omission
3-3 Management of material topics	Sustainable solutions	
301-1 Materials used by weight or volume	Sustainable solutions	
301-2 Recycled input materials used		Information regarding recycled input materials used is not currently available or not available in full. The process for collecting the required data will be implemented in 2024. The data is expected to be analyzed for the first time in the coming reporting year and published in the 2024 Sustainability Report.
301-3 Reclaimed products and their packaging materials		Currently not applicable: Once the products (primarily high-precision components and fastening solutions) have been installed in a customer's product, SFS does not have any opportunity to require or recycle them.

GRI 302
Energy 2016

Disclosure	Place	Omission
3-3 Management of material topics	Energy and emissions	
302-1 Energy consumption within the organization	Energy and emissions	
302-2 Energy consumption outside of the organization	Energy and emissions	
302-3 Energy intensity	Energy and emissions	
302-4 Reduction of energy consumption		The information on reducing energy consumption is currently unavailable or incomplete; the process for collecting the necessary data is currently being completed and information on this is expected to be published in the 2024 report.
302-5 Reductions in energy requirements of products and services		Not applicable: SFS currently assumes that only an insignificant proportion of our products consume energy themselves. SFS would like to carry out further investigations/clarifications in 2024.

GRI 305
Emissions 2016

Disclosure	Place	Omission
3-3 Management of material topics	Energy and emissions	
305-1 Direct (Scope 1) GHG emissions	Energy and emissions	
305-2 Energy indirect GHG emissions (Scope 2)	Energy and emissions	

305-3 Other indirect (Scope 3) GHG emissions	Energy and emissions	
305-4 GHG emissions intensity	Energy and emissions	
305-5 Reduction of GHG emissions		The information regarding the reduction of greenhouse gas emissions is currently not available or incomplete. The process for collecting the necessary data is currently being completed and information on this is expected to be published in the 2024 report.
305-6 Emissions of ozone-depleting substances (ODS)		Not applicable: According to our in-house life cycle assessment, the emissions of ozone-depleting substances amounts to 0.01%.
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Energy and emissions	

GRI 308
Supplier Environmental Assessment 2016

Disclosure	Place	Omission
3-3 Management of material topics	Procurement	
308-1 New suppliers that were screened using environmental criteria	Procurement	
308-2 Negative environmental impacts in the supply chain and actions taken	Procurement	

GRI 404
Training and Education 2016

Disclosure	Place	Omission
3-3 Management of material topics	Employee promotion and engagement	
404-1 Average hours of training per year per employee	Employee promotion and engagement	Information regarding the average hours of training per year per employee is not currently available or not available in full. The process for collecting the required information will be expanded in the next few reporting years.
404-2 Programs for upgrading employee skills and transition assistance programs	Employee promotion and engagement	
404-3 Percentage of employees receiving regular performance and career development reviews	Employee promotion and engagement	Any presentation/breakdown by employee category that is still missing will be added in the reporting years to come.

GRI 405
Diversity and Equal Opportunity 2016

Disclosure	Place	Omission
3-3 Management of material topics	Employee promotion and engagement	
405-1 Diversity of governance bodies and employees	Employee promotion and engagement	Data regarding additional categories of diversity will be added in the reporting years to come.
405-2 Ratio of basic salary and remuneration of women to men		Information regarding the ratio of basic salary and remuneration of women to men is not currently available or not available in full. The process for collecting the required data is expected to be implemented on a Group-wide basis in the next two to three years.

GRI 414
Supplier Social Assessment 2016

Disclosure	Place	Omission
3-3 Management of material topics	Procurement	
414-1 New suppliers that were screened using social criteria	Procurement	
414-2 Negative social impacts in the supply chain and actions taken	Procurement	

SFS

CO content index

Index used for reporting on non-financial matters pursuant to the Swiss Code of Obligations (CO) Art. 964 and the Responsible Business Initiative (RBI) on due diligence and transparency regarding minerals and metals from conflict-affected areas and child labor.

Topic	Link	Explanation	Compliance with GRI
Business model	SFS in brief, page 4		GRI 2-1, 2-6
	Corporate Governance, Group structure and shareholders		
Environmental concerns	Energy and emissions		GRI 302, 305
	Sustainable solutions		GRI 301
	Supplier Environmental Assessment		GRI 308
	Procurement		GRI 308
	Sustainability guidelines		
Social concerns	Corporate Governance, Information policy		GRI 2-16, 2-23, 2-24, 2-25, 2-26, 2-27
	Compliance and due diligence		
	Supplier Social Assessment		GRI 414
	Sustainability guidelines		
Employee concerns	Attractiveness as an employer		
	Training and Education		GRI 404
	Diversity and Equal Opportunity		GRI 405
	Occupational Health and Safety		GRI 309
	Remuneration system and policies		GRI 2-19, 2-20
	SFS Code of Conduct		
Respect for human rights	Procurement		GRI 414
	Compliance and due diligence		GRI 1 Foundation
	Sustainability guidelines		
	SFS Code of Conduct		
	Supplier Code of Conduct		
Combating corruption	Compliance and due diligence		GRI 2-27
	Sustainability guidelines		
	SFS Code of Conduct		
Due diligence obligations regarding conflict minerals and child labor	Sustainability guidelines Supplier Code of Conduct	Conflict minerals: (CO 964j-l and VSoTR 3-4) SFS screens for minerals and metals from conflict and high-risk areas once per year. The import and processing quantities as defined under Swiss law were not exceeded during the year under review, which means that no reporting obligation applies.	GRI 1 Foundation
	Sustainability guidelines	Suspicion of child labor: (CO 964j-l and VSoTR 5 and 11): SFS uses questionnaires to screen suppliers for any suspicion of child labor. There was no justified suspicion of child labor in the year under review. It should be noted, however, that the first supplier survey has not yet been concluded and not all suppliers are reflected in full. The	

	Supplier Code of Conduct	procurement practices are set down in the Supplier Code of Conduct, which is obligatory for all SFS suppliers from 2024 onward. Any violations against these regulations committed by a supplier or upstream supplier can be reported anonymously at any time to the office specified in the Code.

About the Sustainability Report

Reporting period
Annual reporting, December 1, 2022, to November 30, 2023, the 2023 Sustainability Report was published together with the Annual Report on March 7, 2024, as a combined report.

System limitations
The management system as it relates to sustainability as well as all data specified is currently limited to 54 sites. This corresponds to a coverage level of 96% expressed in FTE terms.

Restatements
In the current year under review, the following material restatements or changes were made compared to the 2022 reporting year:

- Complete integration of Hoffmann SE into all key sustainability indicators surveyed
- Switch from using ecoinvent's v3.9.1 dataset to the v3.1.0 dataset for measuring the material topics of Energy and Emissions
- The report will be approved by the Board of Directors and presented to shareholders at the Annual General Meeting for approval
- CO content index (index used for reporting on non-financial matters pursuant to the Swiss Code of Obligations OR (Art. 964) and the Responsible Business Initiative (VSoTr))

External assurance
No external assurance has been obtained for SFS's Sustainability Report. The Compensation report and Financial report were audited by PricewaterhouseCoopers AG as external auditors.

See the compensation report, auditor's report and
financial report, auditor's report, page 157

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Corporate Governance

Corporate Governance

Responsibility and transparency

The Board of Directors and Group Executive Board attach very great importance to good Corporate Governance. In the interest of shareholders, customers, business partners and employees, the principles of Corporate Governance ensure the necessary transparency and a healthy balance of management and control.

The structure of the following Corporate Governance report follows the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange AG (DCG). All figures apply to December 31, 2023, unless otherwise stated.

Group structure and shareholders

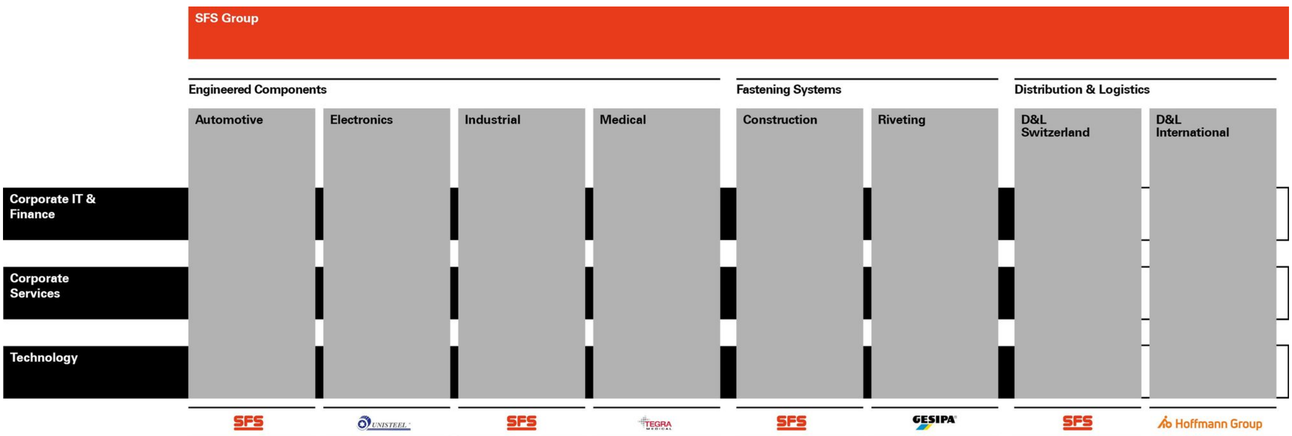
Group structure
SFS Group AG operates in the three segments Engineered Components, Fastening Systems and Distribution & Logistics, and eight divisions.

In the Engineered Components (EC) segment, SFS partners with customers to develop and manufacture customer-specific precision components, assemblies, and fastening solutions in four divisions. The Fastening Systems (FS) segment consists of two divisions which develop, manufacture and market application-specific mechanical fastening systems. In the Distribution & Logistics (D&L) segment, SFS is a leading distribution partner in Europe for direct and indirect materials in the areas of quality tools, fasteners, and other C-parts as well as procurement solutions for customers in industrial and construction sectors. The D&L segment is made up of two divisions. As of January 1, 2024, the Industrial and Medical divisions (EC segment) are being merged within the Medical & Industrial Specials division. The Riveting division (FS segment) is also being integrated into the Automotive and Medical & Industrial Specials divisions (EC segment) from the start of 2024. As a result, the SFS Group AG operates in six divisions and the FS segment's reporting will relate solely to the Construction division from the Half-Year Report 2024 onward.

The Board of Directors (BoD) and Group Executive Board are supported in their management and supervisory functions by the corporate cross-functions Corporate Finance & IT & Finance (information technology, finance, controlling, tax, legal & compliance), Corporate Services (human resources, communication, marketing and corporate development) and Technology (technology and knowledge transfer, operations and business development). As of 2024 the cross-function Corporate Services will be merged partly into Corporate HR & Communications (HR, communication, marketing) and partly into Corporate IT & Finance & IT (investor relations and corporate development).

The parent company of SFS Group is SFS Group AG, domiciled in Heerbrugg, municipality of Widnau/SG, Switzerland. It is incorporated under Swiss law and listed on the SIX Swiss Exchange AG under the Swiss Reporting Standard (security number 23.922.930, ISIN CH 023 922 930 2). Its share capital amounts to CHF 3,890,000 (PY 3,890,000) and its market capitalization was CHF 4,053.4 million (PY CHF 3,403.8 million) as of December 31, 2023.

An overview of all affiliated companies in the scope of consolidation can be found in section 5.2 of the appendix of the Financial Report. The scope of consolidation does not contain any other listed companies besides SFS Group AG.



The structure of the SFS Group on December 31, 2023 – the Group structure as of January 1, 2024, is shown in the Management Report.

Significant shareholders
The founding families of SFS Group AG, Huber and Stadler/Tschan, form an organized group according to Art. 12 of the Ordinance of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FINMA Financial Market Infrastructure Ordinance, FinMIO-FINMA). This shareholder group holds 53.0% of the shares (20,619,177 shares) in SFS Group AG as per December 31, 2023 (PY 53.0%, 20,619,177 shares).

Detailed information about group composition can be found here: Significant shareholders | Founding families

Both families have defined their principles of cooperation and partnership in a pool agreement. It is their intention to retain a majority of more than 50% of the capital and the voting rights in the long run. They agree with each other on important decisions and always put the successful development of the SFS Group before the particular interests of the families.

In the context of the acquisition of Hoffmann SE, a group in the sense of Art. 12 of the FinMIO-FINMA was established in 2021. The purpose of this group, consisting of companies controlled by the previous shareholders of Hoffmann SE, was the future acquisition of 4.09% of the shares in SFS Group AG in the light of the acquisition and the respective lock-up obligation. Since the lock-up obligation is still valid at the end of the reporting year, this organized group still exists. This shareholder group under the name "First SALT Stiftung/First ELF Stiftung" holds 4.11% of the shares (1,600,000 shares) in SFS Group AG as per December 31, 2023 (PY 4.11%, 1,600,000 shares).

Detailed information about group composition can be found here: Significant shareholders | First SALT Stiftung/First ELF Stiftung

The Board of Directors is not aware of any shareholders listed in the share register or shareholder groups holding more than 3% of the share capital or voting rights other than UBS Fund Management (Switzerland) AG. UBS held 3.01% of the shares (1,171,591 shares) in SFS Group AG as per December 31, 2023 (PY below 3%).

Detailed information about group composition can be found here: Significant shareholders | UBS Fund Management (Switzerland) AG

SFS Group AG holds treasury shares to the extent of 0.03% (PY 0.03%). Disclosure notifications pertaining to changes in shareholdings during the business year under review are published on the electronic publication platform of SIX Swiss Exchange AG. The notifications can be accessed via the following web link to the database search page of the disclosure office: Significant shareholders.

Cross-shareholdings
No cross-shareholdings of capital or voting rights exist with any other company.

Capital structure

Capital
The share capital of SFS Group AG amounts to CHF 3,890,000 (PY CHF 3,890,000) and is divided into 38,900,000 (PY 38,900,000) registered shares each with a par value of CHF 0.10.

Authorized and conditional capital
As of December 31, 2023, SFS Group AG has no conditional capital or capital band outstanding (PY CHF 20,000).

Changes in capital
There were no changes in the share capital in the reporting year. In 2022, the share capital was increased by CHF 140,000 to CHF 3,890,000.

	2023	+/–%	2022	2021
Share capital	3,890,000	0.0	3,890,000	3,750,000

Shares and participation certificates
The share capital of SFS Group AG is divided into 38,900,000 registered shares with a nominal value of CHF 0.10 each. The share capital is fully paid in and each share is entitled to dividend. Each share represents one voting right at the Annual General Meeting. SFS Group AG has issued no participation certificates.

Dividend right certificates
SFS Group AG has issued no dividend right certificates.

Limitations on transferability and nominee listings
Persons acquiring registered shares of SFS Group AG are entered in the share register without limitation as shareholders with voting rights, provided they expressly declare themselves to have acquired the said shares in their own name and for their own account and comply with the disclosure requirement stipulated by the Financial Market Infrastructure Act (FMIA).

Persons not expressly declaring themselves to be holders of shares for their own account in their application for entry in the share register, or on request by the company (nominees), are entered in the share register with voting rights without further inquiry up to a maximum of 2.0% of the share capital outstanding at that time. Above this limit, registered shares held by nominees are entered in the share register with voting rights only if the nominees declare the names, addresses and shareholdings of the persons for whose account they are holding 0.3% or more of the share capital outstanding at that time, and provided that they comply with the disclosure requirements stipulated by the Financial Market Infrastructure Act (FMIA). The Board of Directors has the right to conclude agreements with nominees concerning their disclosure requirements. In the year under review no such agreements were concluded.

The above-mentioned limit of registration also applies to the subscription for or acquisition of registered shares by exercise of preemptive, option or convertible rights arising from shares or any other securities issued by the company or third parties.

Legal entities or partnerships or other associations or joint ownership arrangements linked through capital ownership or voting rights, through common management or in like manner, and individuals, legal entities and partnerships (in particular syndicates) that act in concert with the intent to avoid the entry restriction are considered as one shareholder or nominee.

The company may in special cases approve exceptions to the above restrictions. After due consultation with the persons concerned, the company is further authorized to delete entries in the share register as shareholder with voting rights with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the information requested. The person concerned must be informed of the deletion. In the reporting year, no exceptions were granted, and no deletions were executed (PY none). Cancellation or easing of the restrictions on the transferability of registered shares requires a resolution of the General Meeting passed by at least two thirds of the shares represented and an absolute majority of the par value of the shares represented.

Convertible bonds and options

No convertible bonds are outstanding and SFS Group has issued no options (including employee options).

Board of Directors

Members of the Board of Directors
The Board of Directors of SFS Group AG consists of a minimum of five and a maximum of nine members. At the end of the reporting year, it consisted of seven members (PY seven). The average age of the members of the Board of Directors was 54.7 years as at December 31, 2023 (PY 55.1 years). The members of the Board of Directors were on average in their 7th term of office (PY 7th term of office).

Over the last three years, the external members of the Board of Directors have not had any material business relationship with SFS Group with the exemption of the transactions mentioned below.

The SFS Group rendered services for information technology, finance, and human resources to some related parties and some of their companies based on internal group rates. In addition, and at arm's length, some goods were exchanged and property was rented or leased.

From left: Thomas Oetterli, Nick Huber, Manuela Suter, Jörg Walther, Fabian Tschan, Urs Kaufmann, Peter Bauschatz

SFS

Thomas Oetterli

Chair of the BoD, since 2022
Independent, non-executive member, since 2011
Chair of the Audit Committee, 2014–2022
Swiss citizen, born 1969

Professional background

2016–2022	Schindler Group, Chief Executive Officer
2013–2016	Schindler Group, Head of China
2010–2022	Schindler Group, member of the Group Executive Committee
2010–2013	Schindler Group, Head of Europe North & East
2006–2009	Schindler Group, Head of Switzerland
1994–2022	Schindler Group

Other current activities and vested interests

Since June 2023	SWISSMEM, member of the Council
Since April 2023	Rieter, member of the BoD
Since March 2023	Rieter, Chief Executive Officer

Qualifications

1996	Master's degree in economics, University of Zurich

Urs Kaufmann

Vice Chair, since 2023
Chair of the Nomination and Compensation Committee, since 2014
Independent, non-executive BoD member, since 2012
Lead Director, 2014–2023
Swiss citizen, born 1962

Professional background

2014–2017	HUBER + SUHNER AG, delegate of the BoD
2002–2017	HUBER + SUHNER AG, Chief Executive Officer

Other current activities and vested interests

Since 2023	Bucher Industries AG, member of the BoD
Since 2017	HUBER + SUHNER AG, Chair of the BoD
2017–2024	Vetropack Holding AG, member of the BoD
Since 2009	Müller Martini Holding AG, member of the BoD

Qualifications

1995	Senior Executive Program IMD Lausanne
1987	Master’s degree in mechanical engineering, Swiss Federal Institute of Technology (ETH) Zurich

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Peter Bauschatz

Independent, non-executive BoD member, since 2022
German citizen, born 1971

Professional background

2013–2016	TRITIO Rechtsanwaltsgesellschaft, partner
2007–2013	McDermott Will & Emery Attorneys at law, partner
2004–2007	GSK Gassner Stockmann & Kollegen, partner
2001–2004	ckss Attorneys at law, tax consultant

Other current activities and vested interests

Since 2017	Hoffmann SE, Chair of the Supervisory Board
Since 2017	NV Holding GmbH, Managing Director
Since 2016	SZA Schilling, Zutt & Anschütz Rechtsanwaltsgesellschaft mbH, partner

Qualifications

2001	Specialist attorney for tax law
2001	Master in European and International Business Law (MBL-HSG), University of St. Gallen
2000	Doctorate in tax law, University of Augsburg
1998	Attorney at law
1996	Master of law, University of Bayreuth and Constance

SFS

Nick Huber

Non-executive BoD member, since 2017
Family shareholder Huber
Swiss citizen, born 1964

Professional background

1995–2016	With SFS in various management positions
1990–1995	IBM (Switzerland) AG, Account Manager

Other current activities and vested interests

Since 2023	Mettler Entwickler AG, member of the BoD
Since 2022	Inventx AG, member of the BoD
Since 2017	DGS Druckguss Systeme AG, member of the BoD
Since 2014	stürmsfs ag, member of the BoD
Since 2014	Inhaus Handels GmbH, member of the BoD
Since 2009	Rauch Trading AG and Rauch Schweiz AG, member of the BoD
Since 2008	COLTENE Holding AG, Chair of the BoD
Since 1997	HUWA Finanz- und Beteiligungs AG, member of the BoD
Since 1995	Gurit Holding AG, member of the BoD

Qualifications

2013	Stanford Executive Program, Stanford University
2002	SKU, Advanced Management Program, Switzerland
1984	Matura (university entrance examination) type E in economics

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Fabian Tschan

Non-executive member of the BoD, since 2023
Family shareholder Stadler/Tschan
Swiss citizen, born 1977

Other current activities and vested interests

Since 2022	Lilly Capital AG, member of the BoD
Since 2020	MBaer Merchant Bank AG, member of the BoD
Since 2019	Golfyr AG, member of the BoD
Since 2018	Stiftung Gehresbisches für Appenzeller Musik, member of the Foundation Board
Since 2017	Altoo AG, member of the BoD

Since 2015	Data Cave Switzerland AG, Chair of the BoD and member of the BoD, 2013–2015
Since 2015	Octopus Cloud AG, member of the BoD
Since 2014	Hawak Holding AG, CEO and member of the BoD, since 2008
Since 2012	priaid AG, member of the BoD
Since 2008	CONPLIO Consulting GmbH, managing partner

Qualifications

2010	Master of advanced studies in business excellence, Lucerne University of Applied Sciences and Arts
2007	Bachelor in business administration, Zurich University of Applied Sciences, Winterthur

Manuela Suter

Independent, non-executive BoD member, since 2021
Swiss citizen, born 1974

Professional background

2014–2018	Bucher Industries, Head of Group Controlling
2011–2014	Bucher Industries, Group Controller
2010–2011	SIX Exchange Regulation, Zurich, Senior Financial Reporting Specialist
2007–2010	Holcim, Zürich, Head Financial Holdings
2001–2007	Ernst & Young, Auditor

Other current activities and vested interests

Since 2018	Bucher Industries, Chief Financial Officer

Qualifikationen

2005	Certified public accountant
2001	Master’s degree in economics, University of Zurich

Jörg Walther

Chair of the Audit Committee, since 2022
Independent, non-executive BoD member, since 2014
Swiss citizen, born 1961

Professional background

2015–2018	Sika AG, Chair of the Special Expert Committee
2010–2012	Resun AG, General Counsel and Head Corporate Services, member of the Executive Committee
2001–2009	Novartis International AG, Global Head Legal M&A and Antitrust, member of the Group Legal Executive Committee
1999–2001	ABB Asea Brown Boveri AG, Group Vice Chair M&A
1995–1998	ABB Schweiz AG, Senior Legal Counsel
1991–1995	Danzas Management AG, Senior Legal Counsel and Head Group Legal Services

Other current activities and vested interests

Since 2023	Apotheke im Stadtspital Zürich AG, member of the BoD
Since 2023	Aare-Apotheke Rombach AG, member of the BoD
Since 2021	swissVR, member of Executive Board
Since 2020	AEW Energie AG, Vice Chair of the BoD, member of the Audit Committee since 2014
Since 2016	HUBER + SUHNER AG, member of the BoD and Chair of the Audit Committee
Since 2016	Zehnder Group AG, Vice Chair of the BoD and Chair of the Audit Committee
Since 2015	Kraftwerk Augst AG, member of the BoD
Since 2015	Immobilien AEW AG, Vice Chair of the BoD
Since 2010	Schärer Attorneys at law, partner

Qualifications

1999	Master's degree in business administration (MBA), University of Chicago
1996	Certificate Advanced Management Program (AMP), University of Oxford
1993	Postgraduate certificate in European economic law, University of St. Gallen
1990	Admitted to the bar (Attorney at Law)
1989	Master's degree in law (MLaw), University of Zurich

Other current activities and vested interests
The profiles of the members of the Board of Directors give an overview of other current activities and vested interests. Beyond that, no member of the Board of Directors belongs to any important body, is permanent head of or consultant to important interest groups, has public functions or holds public office.

Permitted additional activities

The members of the Board of Directors may have other functions in the executive management or supervisory bodies. The number of functions for third parties and legal units that are not controlled by SFS Group is limited to:

- Five mandates in publicly traded companies (Art. 727 para. 1 num. 1 CO); and, in addition;
- Ten mandates in companies that exceeded in two successive reporting years CHF 20 million of total assets, CHF 40 million of total sales and 250 full-time employees on average (Art. 727 para. 1 num. 2 OR); and, in addition;
- Twenty mandates in legal entities that do not meet the above-mentioned criteria; and, in addition;
- Ten mandates in associations, charity foundations and employee assistance foundations.

Mandates in companies that are under uniform control or the same beneficial ownership are deemed to be one mandate.

Election and terms of office

The terms of office of each member of the Board of Directors correspond to the legally permitted maximum term of one year. The members of the Board of Directors, the Chair and the members of the Nomination and Compensation Committee are elected by the Annual General Meeting. Every member is elected individually.

The term of office ends at the end of the next Annual General Meeting. Re-election is possible as long as the relevant member has not attained the age of 70.

If the office of the Chair of the Board of Directors is vacant, the Nomination and Compensation Committee is not complete or the company does not have an Independent Proxy, the Board of Directors shall appoint a substitute for the time period until the conclusion of the next Annual General Meeting who must be – with the exception of the Independent Proxy – a member of the Board of Directors.

Internal organizational structure

The Board of Directors is responsible for the ultimate direction, supervision and control of the Group Executive Board.

In support of its directive and supervisory capacity, the Board of Directors has formed two standing committees, the Nomination and Compensation Committee and the Audit Committee.

Board of Directors’ procedures

A meeting of the Board of Directors is held whenever the business of the company requires but at least six times per annum. The meetings are usually spread at regular intervals over the first and second half-year. The Chair or in his absence the Vice Chair, or in the absence of both, another member of the Board of Directors, chairs the meeting. The Chair convenes Board meetings and sets meeting agendas. Additionally, the Chair ensures that the meeting agenda and supporting material are sent to Board members no later than ten days before the meeting date. The Chief Executive Officer, the Chief Financial Officer and the Group General Counsel and Company Secretary attend each BoD meeting. Other members of the Group Executive Board, as the case may be, attend partially BoD meetings for specific agenda items within their area of managerial responsibility with an advisory vote. The Board of Directors carries out an internal self-evaluation usually every two years.

In the reporting year, a total of eight (PY eight) ordinary and no (PY one) extraordinary Board meetings took place. Two meetings lasted less than two hours, six meetings lasted for a day, and one strategy conference was held over a period of three days. The meetings were held at regular intervals of one or two months during the reporting year. All members of the Board of Directors participated in all Board meetings (PY Bettina Stadler participated in all but one Board meeting, all others in all Board meetings).

The Chair of the Board of Directors maintains continuous contact with the members of the Board of Directors and keeps them updated in a regular and timely fashion. Decisions are made by the Board of Directors as a whole. A quorum of the Board of Directors is constituted when a majority of the members attend the meeting in person. In exceptional cases, the presence can take place by telephone or electronic media. The Board of Directors passes its resolutions with the majority of the votes cast. In the event of a tie, the Chair has the casting vote. Voting by proxy is not allowed. All resolutions and deliberations are recorded. The minutes are signed by the Chair and the Company Secretary and must be approved by the Board of Directors.

Vice Chair

The Board of Directors elected Urs Kaufmann as Vice Chair until the end of the next Annual General Meeting. In his function, he takes the chair of the Board meetings if the Chair is indisposed. In particular, the Vice Chair precides Board meetings if the Chair is required to abstain from the deliberation and decision taking if the following items are on the agenda:

- Assessment of the Chair's work
- Decision of the Board of Directors on the request to the General Meeting for the re-election or not of the Chair
- Decision about the Chair's compensation

Committees constitution and procedures

The committees' areas of authority and responsibility are defined in Section 5 of the Organizational Regulations of SFS Group. These are available on the SFS Group website: Organizational Regulations

The committees support the Board of Directors in its supervisory and control capacities and act mainly as consulting, assessment and preparation bodies. The committees have final decision competence only in the topics explicitly mentioned below.

At the end of the reporting period, the committees were set up as follows:

Nomination and Compensation Committee

Urs Kaufmann	Chairman
Nick Huber	Member
Thomas Oetterli (since April 2022)	Member

Audit Committee

Jörg Walther	Chair
Fabian Tschan	Member
Manuela Suter	Member

The committees meet as often as the business of the company requires. The Audit Committee typically meets in January, February and the fall. The Nomination and Compensation Committee usually meets in February and December. A record is kept of every meeting, and participants and the Board of Directors are provided with the minutes. The Chairs of the committees report on the committees' activities at the next meeting of the Board of Directors and prepare formal requests to the Board of Directors.

The term of office of the committee members is one year and corresponds to their term of office as members of the Board of Directors.

Nomination and Compensation Committee

The committee consists of a Chair and at least one additional member with a maximum of four members of the Board of Directors. The committee members are elected by the General Meeting on a yearly basis by request of the Board of Directors. The Nomination and Compensation Committee constitutes itself. The committee prepares all relevant decisions related to the nomination and compensation of the members of the Board of Directors and the Group Executive Board.

The Chief Executive Officer and the Chief Human Resources Officer attend the meetings of the committee unless their own nomination or compensation is being discussed. In the reporting period, the committee held four meetings (PY four), each lasting about three hours. In particular, the Nomination and Compensation Committee has the following duties:

- Requests related to the compensation system of the SFS Group;
- Requests related to the setting of compensation-related targets for the Group Executive Board;
- Requests related to the approval of the individual compensation of the Chair and the members of the Board of Directors, the Chief Executive Officer and other members of the Group Executive Board;
- Requests related to amendments to the Articles of Association in respect of the compensation system;
- Proposals related to a balanced composition of the Board of Directors and determination of the criteria of independence;
- Selection process for new members of the Board of Directors, the Chief Executive Officer and members of the Group Executive Board;
- Evaluation of proposals of the Chief Executive Officer related to the appointment or removal from office of members of the Group Executive Board;
- Approval of agreements and employment contracts with the Chair of the Board of Directors, the Chief Executive Officer and other members of the Group Executive Board;
- Approval of the acceptance of external mandates by members of the Board of Directors and the Group Executive Board

The motions of the committee are proposed to the full Board of Directors as a whole. Further functions of the Nomination and Compensation Committee are defined in Section 5.3 of the Organizational Regulations.

Audit Committee

The Audit Committee has a minimum of three members, elected by the Board of Directors. The Audit Committee constitutes itself and supports the Board of Directors in its ultimate supervisory function on the completeness of the financial statements, compliance with the legal requirements, the aptitude of the external auditor and the performance of the internal and external auditors. The Audit Committee assesses the appropriateness of the financial reporting, the non-financial reporting, the internal control system and the general control of business risks.

The Chief Financial Officer, the Chief Executive Officer, the Head of Corporate Accounting and Reporting, the Head of Internal Audit and the external auditor attend the meetings of the Audit Committee. If necessary, the Audit Committee discusses certain agenda items separately with the external auditor. In the reporting period, the committee held four meetings (PY five), each lasting about two hours.

In particular, the Audit Committee has the following duties and competences:

- Evaluation of the external auditor and proposal to the Board of Directors on the appointment of the external auditor at the General Meeting:
- Assessment of the performance and independence of the current external auditor and approval of the budget for auditing and other fees by the external auditor;
- Organization of the internal audit, appointment of the internal auditor and assessment of its performance review
- Approval of the audit plans of both the internal and external auditors;
- Approval of any non-audit related services of the external auditor;
- Request for information from the Group Executive Board and the internal and external auditors on major risks, contingent liabilities and other liabilities of the Group and assessment of the mitigation measures taken;
- Review and discussion of the annual and interim financial statements and other published financial information;
- Discussion of the results of the annual audit with the external auditor and the reports of the internal audit and submissions or proposals to the Board of Directors;
- Assurance of the collaboration between external and internal auditors

Further functions of the Audit Committee are defined in Section 5.2.2 of the Organizational Regulations.

Definition of areas of responsibility
The functions and responsibilities of the various bodies are set out in detail in Section 2 ff. of the Organizational Regulations. The Board of Directors is responsible for the ultimate direction, supervision and control of the Group Executive Board.

The Board of Directors deals with all matters that are not delegated to the General Meeting or another body of the company either by law, its Articles of Associations or the Organizational Regulations.

Pursuant to the Articles of Association and the Organizational Regulations, the Board of Directors has delegated corporate management responsibility to the Group Executive Board. The Organizational Regulations are reviewed and amended by the Board of Directors on a regular basis.

The Board of Directors approves in particular the business strategy and organization as proposed by the Group Executive Board, the budgets, medium-term plans, and any other business that by its nature or financial importance is considered strategically significant. For any projects that require a Board of Directors' decision, the Group Executive Board submits written requests and appropriate documentation.

Information and control instruments vis-a-vis Group Executive Management
During the Board of Directors' meeting, the Chief Executive Officer and the Chief Financial Officer give information on the current state of business, the most important business transactions of the segments, the divisions and the subsidiaries (management units), and the execution of functions delegated to the Group Executive Board.

The management information system of SFS Group works as follows: The balance sheet, income statement, cash flow statement and key figures of the management units are set up and consolidated on a quarterly, half-yearly and yearly basis, and compared with the previous year's figures and budget. The budget is reviewed based on the quarterly financials in the form of a latest best estimate on the reachability of each unit and on a consolidated basis. The Board of Directors is provided with a monthly overview of the development of the group sales and a quarterly estimate of financial results for the whole reporting year.

The Board of Directors approves the budget of SFS Group, the segments and the divisions. Once a year, the Board of Directors is provided with the results of the current mid-term planning for the following three to five years. Usually, the Board of Directors deals with strategic questions about the group, the segments and the divisions in a one-and-a-half to two-day meeting.

The Chief Executive Officer, the Group Executive Board and the Chair of the Board of Directors are provided with condensed financial reporting about the business development on a monthly basis. Substantial discrepancies and developments are brought to the attention of the whole Board of Directors immediately in written form.

The internal audit is executed by the Corporate Controlling team and in cooperation with an external specialized partner. Although the Head of Internal Audit is subordinate to the Chief Financial Officer, they report directly to the Audit Committee in regard to these activities. The internal audit of SFS Group is aligned with the size of the group. Based on financial risk considerations approved by the Audit Committee, the group companies are audited every two to four years depending on the risk assessment. The written internal audit report is discussed with the management of the companies concerned, and the most significant measures are agreed. Material findings of the internal audit and the audit reports are presented to and discussed in the Audit Committee. In the reporting year, six internal audits took place (PY six).

The external auditor assesses the internal control system (ICS) annually in a comprehensive report to the Audit Committee and confirms its existence.

The Group Executive Board selects and assesses the substantial financial, operational and strategic risks annually together with the ICS managers. Based on its own assessment (top-down) and on information provided by the segments and divisions (bottom-up), risks are categorized depending on their probability of occurrence and their potential financial impact. For each listed risk, mitigation measures are defined. The risks assessed and the actions defined are submitted in the Risk Analysis of the SFS Group to the Board of Directors' meeting in December for discussion and approval. In the reporting period, the following potential risks with possible countermeasures were discussed in particular (hereinafter listed without prioritization):

- Loss of data and impairment of going concern due to cyberattacks
- Investment risks in large-scale projects
- Delivery constraints (caused, inter alia, by Ukraine conflict, trade conflict China/USA)
- Risks with acquired corporations
- Shortage of energy, increase of energy cost
- Warranty risks due to recalls
- Dependency on global economic developments
- Compliance risks
- Currency risks

Group Executive Board

Members of the Group Executive Board
The Chief Executive Officer, together with the Group Executive Board, is responsible for the management of the SFS Group. Under the CEO's leadership, the Group Executive Board addresses all issues of relevance to the Group, takes decisions within its remit and submits proposals to the Board of Directors. The Heads of the segments, divisions and corporate cross-functions are responsible for the outline and achievement of their business objectives and for the autonomous management of their units.

At the end of the reporting year 2023, the Group Executive Board consisted of ten (PY ten) members.

From left: Volker Dostmann, Iso Raunjak, Arthur Blank, Jens Breu, George Poh, Claude Stadler, Alfred Schneider, Urs Langenauer, Walter Kobler, Martin Reichenecker

Jens Breu

Chief Executive Officer, since 2016
Head of Engineered Components segment, since 2014
Head of Fastening Systems segment, since 2014
Head of Distribution & Logistics segment, since 2022
With SFS since 1995
Swiss citizen, born 1972

Functions within the company

	Member of the BoD of several SFS Group companies
2014–2015	Chief Operating Officer
2012–2013	Head of Industrial division
2008–2013	Technical Director SFS intec
2000–2008	Vice President of manufacturing, SFS Group USA
1995–2000	Tool engineer

Other current activities and vested interests

Since 2019	Dätwyler Holding AG, member of the BoD

Qualifications

2007	MBA, Cleveland State University
1996	Mechanical engineer, University of Applied Sciences St. Gallen

Arthur Blank

Head of Corporate HR and Communications, since September 27, 2023
Head of Construction division 2014–2023
With SFS since 1979
Swiss citizen, born 1959

Functions within the company

	Member of the BoD of several SFS Group companies
2010–2013	General Manager Europe
2008–2010	Head of various Business Units
1998–2008	General Manager International Manufacturing

Qualifications

2000	SKU, Advanced Management Program, Switzerland
1994	International management program with focus on manufacturing management, IMD Lausanne
1982	Bachelor of Science (B. Sc.), Buchs Institute of Technology (NTB)

Volker Dostmann

Chief Financial Officer, since 2021
With SFS since 2020
Swiss citizen, born 1970

Functions within the company

	Member of the BoD of several SFS Group companies
Since 2020	Member of the Group Executive Board

Qualifications

2017	Senior Executive Program, London Business School
2007	Executive MBA Business Engineering, University of St. Gallen
1994	Economist SEBA, HWV Zürich

Walter Kobler

Head of Industrial division, since 2014
Head of Medical division, since 2021
With SFS since 1987
Swiss citizen, born 1963

Functions within the company

	Member of the BoD of several SFS Group companies
2004–2014	General Manager of aircraft activities

Qualifications

2012	Stanford Executive Program, Stanford University
1994	Sales manager at the Institute of Marketing, University of St. Gallen
1992	Advanced courses in sales and leadership, Management Center St. Gallen
1990	Federally certified marketing planner, Kaderschule St. Gallen

Urs Langenauer

Head of Riveting division, since 2019
With SFS since 1995
Swiss citizen, born 1979

Functions within the company

2013–2019	General Manager Automotive division, SFS Group USA
2008–2013	Vice President of manufacturing, SFS Group USA

Qualifications

2003	Engineer in mechatronics, University of Applied Sciences St. Gallen

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George Poh

Head of Electronics division, since 2014
With SFS (Unisteel) since 1995
Singapore citizen, born 1963

Functions within the company

	Member of the BoD of several SFS Group companies
2012–2014	Chief Operating Officer Unisteel
2011–2012	Chief Technology Officer Unisteel
2003–2011	Managing Director Unisteel
1995–2003	Various management positions within Unisteel

Qualifications

1998	MBA, University of Hull, UK
1988	Bachelor of Engineering (B. Eng.), mechanical engineering, University of Sheffield, UK
1983	Diploma mechanical engineering, Singapore Polytechnic

SFS

Iso Raunjak

Head of Distribution & Logistics Switzerland division, since 2020
With SFS since 1992
Swiss citizen, born 1976

Functions within the company

2018–2019	Head of Business Unit Architectural Hardware
2012–2018	Head of Business Unit Central Logistics
2006–2012	Head of Quality Management

Other current activities and vested interests

Since 2023	Pestalozzi AG, member of the BoD
Since 2020	SWISSAVANT association, member of the BoD

Qualifications

2023	Stanford Executive Program, Stanford University
2014	Diploma in logistics management, University of St. Gallen
2008	Training in antitrust law, University of Constance
2004	Diploma as a technical merchant

Martin Reichenecker

Head of Distribution & Logistics International division, since 2022
With SFS (Hoffmann) since 2004
German citizen, born 1977

Functions within the company

	Member of the Management and the BoD of several SFS Group companies
Since 2021	Chief Executive Officer of Hoffmann SE
2018–2021	Director of sales and marketing and spokesman of the Executive Board Hoffmann
2015–2018	Group Executive sales and marketing Hoffmann
2014–2015	Group Executive product management and purchasing Hoffmann
2011–2013	Head of International Key Account Management Hoffmann
2004–2011	Various management positions Hoffmann

Other current activities and vested interests

Since 2023	Cordes & Graefe KG, member of the Advisory Forum

Qualifications

2004	Master of Business Administration and Engineering, University of Applied Sciences Mannheim
2001	Diploma in Business Administration, Academy Ravensburg

Alfred Schneider

Head of Automotive division, since 2014
With SFS since 1987
Swiss citizen, born 1959

Functions within the company

	Member of the BoD of several SFS Group companies
Since 2008	Member of the BoD of the joint venture in China, Sunil SFS intec
2008–2013	General Manager Automotive Products
2002–2008	General Manager Industrial Products

Other current activities and vested interests

Since 2019	Libracore AG, member of the BoD

Qualifications

1999	SKU, Advanced Management Program, Switzerland
1994	Diploma in sales management, University of St. Gallen
1986	Business management, Swiss Engineering STV
1982	Mechanical engineer, Buchs Institute of Technology (NTB)

Claude Stadler[1]

Head of Corporate Services, since 2018
With SFS since 2013
Swiss citizen, born 1976

Functions within the company

2013–2017	Head of Corporate Communications and Investor Relations

Other current activities and vested interests

Since 2022	Golfyr AG, member of the BoD
Since 2022	icotec AG, Chair of the BoD, member of the BoD since 2015
Since 2021	Stadler Holding AG, Chair of the BoD
Since 2019	Eastern Switzerland University of Applied Sciences, member of the Board of Trustees
Since 2019	Rüden AG, member of the BoD
Since 2015	Avantama AG, member of the BoD
Since 2011	WISTAMA Finanz- und Beteiligungs AG, member of the BoD

Qualifications

2015	Swiss Board School, IMP-HSG, University of St. Gallen
2001	University of St. Gallen, Master's degree in Information & Technology Management
2000	Stockholm School of Economics, CEMS MIM

[1]Claude Stadler stepped down from the Group Executive Board earlier than communicated, already at the end of 2023, to assume responsibility for his family's holding company. A. Blank and V. Dostmann took over managerial responsibility of Corporate Services as of 2024.

Susanne Jung

Chief Human Resources Officer
With SFS from January 1 until September 27, 2023
German citizen, born 1976

Other current activities and vested interests
The profiles of the members of the Group Executive Board above give an overview of other current activities and vested interests. Beyond that, no member of the Group Executive Board belongs to any important body, is permanent head of or consultant to important interest groups, has public functions or holds public office.

Permitted additional activities
The members of the Group Executive Board may have other functions in the executive management or administrative bodies if approved by the Nomination and Compensation Committee of the Board. The number of functions for third parties and legal units that are not controlled by SFS Group is limited to:

- Two mandates in publicly traded companies (Art. 727 para. 1 num. 1 CO); and, in addition;
- Three mandates in companies that exceeded in two successive reporting years CHF 20 million of total assets, CHF 40 million of total sales and 250 full-time employees on average (Art. 727 para. 1 num. 2 CO); and, in addition;
- Five mandates in legal entities that do not meet the above-mentioned criteria

Mandates in companies that are under uniform control or the same beneficial ownership are deemed one mandate.

Management contracts
No management contracts exist with companies or individuals outside SFS Group.

Compensation, shareholdings and loans

All information on this subject can be found below unser the section Fundamental Principles of the compensation system of the Compensation Report of this Annual Report.

Shareholders' participation

Voting rights and representation restrictions
Shareholders' participation rights are detailed in Art. 11 of the Articles of Association.

Each share entitles to one vote, subject to the provisions above on Capital structure, Limitations on transferability and nominee listings. In the reporting year, no exceptions were granted (PY none).

The Board of Directors determines the requirements related to proxies and voting instructions.

An easement or abolition of the restriction of the transferability of the registered shares can be resolved by the General Meeting. A resolution passed by at least two thirds of the represented share votes and an absolute majority of the represented shares par value is required.

The Articles of Association do not contain any regulations concerning the issuance of instructions to the Independent Proxy or the electronic participation at the Annual General Meeting.

Each shareholder may be represented by the Independent Proxy. The term of office of the Independent Proxy ends at the next Annual General Meeting. Re-election is possible. Its duties are governed by the relevant statutory provisions. The Annual General Meeting of April 26, 2023, elected bürki bolt Rechtsanwälte, 9435 Heerbrugg, as Independent Proxy until the next Annual General Meeting.

Statutory quorums
For:

- The cases listed in Art. 704 para. 1 CO and in Art. 18 and 64 of the Federal Act on Mergers, Demergers, Transformations and Transfers of Assets and Liabilities (Mergers Act);
- The easement or abolition of the restrictions of the transferability of registered shares;
- Any change to the provisions of Art. 13 of the Articles of Association (Quorums);

a resolution of the General Meeting passed by at least two thirds of the represented share votes and an absolute majority of the represented shares par value is required.

Convocation of the Annual General Meeting
No regulations deviate from the relevant statutory provisions.

Inclusion of items on the agenda
The Board of Directors states the items on the agenda.

Registered shareholders with voting rights individually or jointly representing at least 0.5% of the share capital or the votes may demand that items are put on the agenda. Such demands must be submitted in writing to the Chair of the Board of Directors at least 45 days before the date of the Annual General Meeting. The demands must be in writing, specifying the item and the proposals.

Registration in the share register
No registrations are made in the share register around ten days before and five days after the date of the Annual General Meeting. The exact dates of closing of the share register are set out in the invitation to the Annual General Meeting. In the reporting year, the Board of Directors has granted no exceptions to this rule (PY none).

Changes of control and defense measures

Duty to make an offer
Pursuant to Art. 31 of the Articles of Association, the obligation to submit a public takeover offer pursuant to Art. 135 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinMIA) has been waived in accordance with Art. 125 para. 3 FinMIA (opting out).

Clauses on changes of control
No contractual clauses governing changes in control exist in agreements or plans with the members of the Board of Directors. The employment contracts of the members of the Group Executive Board do not contain any provisions related to change of control. The blocking period of shares continues to apply in the event of a change of control. There are no clauses related to a change of control in the employment contracts of other key members of the management.

The contractual notice period for members of the Group Executive Board is set to a maximum of twelve months. The agreed non-competition clause of members of the Group Executive Board of two years is not applicable if employment is terminated due to a change of control.

Auditing body

Duration of the mandate and term of office of the lead auditor
PricewaterhouseCoopers AG, St. Gallen, has been the independent auditor of SFS Group AG and several subsidiaries since 1993. The independent auditor is elected by the Annual General Meeting for a period of one year. The lead auditor in the present mandate, Gianluca Galasso, took office at the Annual General Meeting of 2021.

Audit fees
In the reporting period, PricewaterhouseCoopers charged SFS Group around CHF 1.2 million (PY CHF 1.3 million) for the audit of SFS Group AG, the Group financial statements and several subsidiaries.

Additional fees
PricewaterhouseCoopers AG and affiliated companies did not raise invoices for audit-related services in the reporting period (PY <CHF 0.1 million). For additional services related to tax compliance and other tax consulting services, a total amount of CHF 0.3 million (PY CHF 0.4 million) and for other consulting services a total amount of CHF 0.2 million (PY CHF 0.0 million) was invoiced from PricewaterhouseCoopers AG to SFS Group. In relation to the acquisition of Hoffmann SE (financial and tax due diligence), PricewaterhouseCoopers AG did not raise invoices in the reporting period (PY <CHF 0.1 million).

Informational instruments pertaining to an external audit
The Audit Committee briefs the Board of Directors on the work done by and the working relation with the external auditor at least once a year.

Each year, the external auditor submits an audit plan and a comprehensive report on the financials for the attention of the Board of Directors and the Audit Committee. The report contains conclusions on financial accounting, the internal control system and the process and results of the audit.

The Audit Committee evaluates the scope of the annual audit and the audit plans, and discusses audit results with the external auditor. In the reporting period, the external and internal auditors were present at four meetings of the Audit Committee (PY five).

The Audit Committee makes an annual assessment of the effectiveness, performance, independence and fees paid to the external auditor, and provides the Board of Directors with a proposal for the election of the auditor by the General Meeting.

This evaluation is based on the reports and presentations provided by the external auditor, the discussions held in the meetings, its objectivity and its technical and operational competency.

The Audit Committee assesses the sustainability, the scope and the fee for the services rendered by the external auditor. For internal organizational structure and further functions of the Audit Committee reference is made to section "Internal organizational structure" above.

Information policy

Open and regular communication on all levels is an important part of the managerial responsibility. All information measures are based on a commitment to uphold the credibility of the group. Communication is carried out in an active, open and timely way with all stakeholders.

SFS Group maintains a dialog with investors and media on a regular basis, including media and analyst conferences in March and in July, an investor day every other year in August/ September, roadshows in spring and every other fall, a volume notification with sales numbers in January and investors days at various banks. An overview of the dates of the most important events for all stakeholders, such as the date of the Annual General Meeting and the date of the publication of the Annual Report, can be found here: Agenda

As a company listed on the SIX Swiss Exchange AG, SFS Group AG is subject to ad hoc publicity rules, i.e. the obligation to immediately report any information that is potentially relevant to the share price. All ad hoc announcements according to Art. 53 LR, as well as further news, can be found here: Media & Newsroom

Interested parties can subscribe to an email service free of charge at the following link: Mailing list

Annual Reports and Half-Year Reports, presentations on important activities and other relevant documents go online simultaneously with publication on the following website: Financial publications

The Annual Report webpage can be found here: Annual Report 2023

Shareholders receive the summary of the Annual Report automatically with the invitation to the Annual General Meeting. The complete version of the Annual Report is available electronically on the website.

Official announcements and company notices are published in the Swiss Commercial Gazette (SOGC).

The following information is available on the SFS Group website sfs.com:

- Numbers: SFS at a glance
- Information for investors
- Articles of Association
- Organizational regulations

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Blocked periods

The SFS Group Trading Policy specifies fixed blocking periods for trading in shares of SFS Group AG or derivatives that are significantly influenced by the share price of SFS Group AG (Ordinary Blocked Periods) for employees who have insider knowledge due to their function in the phase of preparing the Half-Year and Annual Financial Reports. In addition to the members of the Board of Directors and the Group Executive Board, this group consists of various persons designated by the CEO or CFO, in particular in the areas of finance, IT and communication. The fixed blocking periods last from December 1 until the end of one day after the publication of the Annual Report and from June 1 until the end of one day after the publication of the Half-Year Report. In the reporting year, there were thus fixed blocking periods from December 1, 2022, to March 6, 2023, from June 1, 2023, to July 19, 2023, and from December 1, 2023, to March 8, 2024. Exceptions to the trading suspension may be approved by the CEO or the Chair of the Board of Directors. No exceptions were requested or granted under the year under review.

Furthermore, the Trading Policy of SFS Group provides for Extraordinary Blocked Periods, which can be declared by the CEO or the Chair of the Board of Directors if there is a risk of insider information being available during a certain period of time which is only accessible to a limited group of persons.

Compensation Report

Introduction

This Compensation Report provides information about the compensation system established by SFS Group and the compensation paid to the Board of Directors (BoD) and the Group Executive Board (GEB).

The report was prepared in accordance with the provisions of the Swiss Code of Obligations, which also covers the regulations on remuneration for public listed companies, as well as the provisions set forth in the Directive on Information relating to Corporate Governance issued by SIX Swiss Exchange AG. The report refers to the Articles of Association of the SFS Group.

Principles of the compensation system

The success of SFS Group depends largely on the quality, entrepreneurial mindset and motivation of its workforce. The aim of the compensation system is to attract well-qualified specialists and executives, and foster commitment to the company's long-term goals. The compensation policy of SFS Group satisfies the following criteria:

- Performance-oriented with fixed and variable compensation components
- Based on clearly defined and measurable targets
- Clear and straightforward
- Compensation is fair and market-based
- Predefined maximum and minimum thresholds

The Articles of Association prohibit the company from providing members of the BoD or the GEB with any loans, credits, or pension benefits other than from occupational pension plans.

The basic principles of the compensation program are set forth in Arts. 25–30 of SFS Group AG's Articles of Association.

Responsibility for revision of the compensation system and proposal of the amounts of compensation to be paid lies with the Nomination and Compensation Committee (NCC). Its proposals are submitted to the entire BoD. The composition, tasks, duties and working methods of the NCC are disclosed in the Corporate Governance Report.

Compensation of the Board of Directors
The members of the BoD receive a fixed basic fee, fixed fees for membership of committees and a lump-sum compensation for expenses. The various amounts of compensation are determined annually by the BoD based on a proposal submitted by the NCC. The amount of compensation paid is subject to and within the limits of the aggregate amounts approved by the Annual General Meeting. Compensation is paid in cash and in the form of a fixed number of shares of SFS Group AG. The SFS shares are a compensation component focused on long-term success and are subject to a minimum holding period of three years. The NCC reviews the weighting of SFS shares as a component of overall compensation on a regular basis and submits proposals for modification to the BoD.

Basic fee and share allocation (per term of office)

	Fixed basic fee in CHF	Fee for membership in a committee in CHF	Fixed number of shares
Chair of the Board of Directors	240'000	–	1'500
Vice Chair of the Board of Directors	80'000	20'000	500
Member of the Board of Directors	60'000	20'000	500

An additional compensation, as specified in Art. 25 of the Articles of Association, was not awarded during the year under review or during the previous year. Compensation of the members of the BoD is subject to approval by the Annual General Meeting.

In principle, there will be no payments to pension funds or similar institutions for the members of the BoD. In exceptional cases, such payments may be made upon request of the NCC and are subject to approval by the Annual General Meeting if the members in question do not have other insurable income from subordinate employment.

Compensation of the Group Executive Board

Members of the GEB receive a base salary in cash commensurate with their responsibilities and experience. In addition, a variable component of compensation based on individual performance and the operational results is paid in cash and in the form of SFS shares. The SFS shares awarded are blocked for a period of at least three years.

The compensation of the members of the GEB is subject to approval by the Annual General Meeting. Members of the GEB additionally receive a lump-sum cash payment as reimbursement for business and representational expenses. This is in accordance with local legislation and in Switzerland with the business and travel expense policy document approved by the competent cantonal tax authority.

The compensation for GEB members comprises the following components:

1. Base salary
2. Variable cash compensation
3. Variable SFS share compensation

1. Base salary

The base salary is fixed individually and considers the function performed and the responsibility of the respective member of the GEB.

2. Variable cash compensation

The variable compensation system of the GEB is based on the MBO (Management by Objectives) process of the SFS Group. A success and performance-oriented target compensation in cash is agreed in advance for each member of the GEB that, according to the Articles of Association, may not exceed an amount equal to 100% of the base salary. In accordance with the compensation system of the SFS Group, which is approved by the NCC, the variable target cash compensation is limited to 40 to 60% of the base salary for the Chief Executive Officer (CEO) and to 30 to 50% for the other GEB members. If the threshold for the specific target is not met, no variable cash compensation will be paid out. Where the agreed targets are significantly outperformed, a cap for this salary component is set at 150% of the agreed variable cash amount.

The amount of variable cash compensation is governed by three criteria:

a. Extent to which the financial targets have been achieved
   The financial targets are proposed by the NCC and set by the BoD in advance for a one-year period of service. For the financial year 2023, the financial targets at Group and divisional level pertained to sales and the EBIT margin and, in contrast to 2022, the cash-to-cash cycle.

b. Achievement of individual annual targets
   The Board of Directors determines these compensation-relevant targets for the CEO and the CEO, in coordination with the Chair of the BoD, determines them individually in respect of all other GEB members. Ongoing projects, the established strategic targets and sustainable corporate development serve as guidelines in this process. A floor value is determined for each of the defined targets, below which there is no entitlement to compensation. A cap value determines the maximum amount of variable compensation for each target.
   Specific ESG goals are defined as part of the individual target agreements for the Group Executive Board to strengthen the emphasis on ecological and social governance aspects in the context of corporate management. This includes e.g. the use of renewable energy, CO_2 reduction and topics from the fields of occupational health and safety, equal treatment as well as training and education.

c. A discretionary decision regarding leadership
   Leadership, values and conduct are also topics that are evaluated when determining entitlement to variable cash compensation. These compensation-relevant components for the CEO are determined by the BoD; in respect of all other GEB members, they are determined individually by the CEO, in coordination with the Chair of the BoD.

The weighting of the goals for the variable cash compensation is determined by the BoD based on a proposal submitted by the NCC. For the year under review and the previous year, these weightings were set as follows:

	CEO, CFO and Head of Corporate Services	Other members of Group Executive Board
Financial targets Group	60%	30%
Financial targets segments and divisions	–	30%
Individual targets	20%	20%
Leadership, values and conduct	20%	20%

3. Variable SFS share compensation

A second part of the variable compensation is paid out in the form of SFS shares. The BoD defines the number of shares to be awarded to each member every year at the beginning of the performance period. The number of the shares should be for the CEO within a target range of 1,500 to 2,500 shares and for the other members of the GEB within a target range of 250 to 1,000 shares. At the end of the performance period, the BoD will determine at its own discretion how many shares will be granted based on the proposal submitted by the NCC, taking into consideration the market environment (economic activity, industry developments, etc.), the execution of company strategy, the company's financial situation as well as the individual performance. A factor of 0 to 150% may be applied. The SFS shares are transferred to the members at the end of the Annual General Meeting at which this compensation is confirmed. These SFS shares are blocked for a period of at least three years. Shares awarded to a member of the GEB shall remain their property on separation from the company.

The compensation of the members of the GEB is subject to approval by the Annual General Meeting.

Stock ownership plan

SFS Group AG can periodically offer company shares to selected and long-standing employees (at all levels). The BoD issued a regulation addressing the following elements in particular: Determination of the purchase price, granting of a potential discount on the purchase price, maximum reference value (valued upon allocation) in relation to the individual annual base compensation as well as a blocking period of the shares. The NCC calculates the figures for the respective plan based on these figures and submits the terms to the Board of Directors for approval. Members of the BoD and the GEB may be included in this program. The SFS shares acquired through this plan will be blocked for at least three years.

A regular stock ownership program was executed in the financial year 2023.

Determination process

Based on a proposal by the CEO, the NCC discusses the financial and individual targets to be set for the GEB for the coming financial year at the end of every year. It submits its proposals to the entire BoD for approval.

Compensation of the BoD and the variable compensation of the GEB is determined every year in February after the close of the financial year by the full BoD based on the proposals of the NCC, subject to approval by the Annual General Meeting. The base salary of the GEB for the upcoming year is determined in December of the previous year by the full BoD at the request of the NCC.

When setting its own compensation, all members of the BoD are present and they all have decision-making authority.

When setting the aggregate compensation of the BoD and the GEB, data for listed international industrial companies with a similar geographic footprint and of a similar size and with headquarters in Switzerland are consulted, and the area of responsibility, the individual performance and experience of the respective member are also taken into consideration. This data is reviewed on a regular basis.

In the year under review the peer group included: Arbonia, Autoneum, Bucher Industries, Bossard, EMS, Geberit, Huber+Suhner, Rieter and VAT.

Responsibility for determination of variable compensation and aggregate compensation is shown in the following table:

	Proposal	Decision	Approval
Board of Directors	NCC	BoD	AGM
Chief Executive Officer (CEO)	NCC	BoD	AGM
Group Executive Board	NCC	BoD	AGM

As stated in the Articles of Association, each year the Annual General Meeting approves the aggregate amounts decided by the BoD for:

1. Compensation of the BoD for the term of office up to the next Annual General Meeting
2. Any additional compensation of the BoD for the preceding financial year
3. The variable compensation of the CEO and the GEB based on the operational results and individual objectives achieved in the preceding financial year, to be paid immediately after approval
4. The fixed compensation of the CEO and the GEB to be paid in the following financial year.

If the Annual General Meeting does not approve the proposed amount of the fixed compensation or the variable compensation, the BoD may convene a new extraordinary Annual General Meeting and submit new proposals for approval. Alternatively, it may submit the proposals for compensation for retrospective approval at the Annual General Meeting.

The respective amounts of aggregate compensation include all social and pension plan contributions due from the members of the BoD and the GEB and of the company (employee and employer contributions).

If new members are appointed to the GEB or existing members promoted and take up their position with the company after the Annual General Meeting has approved the maximum aggregate amount of fixed compensation for members of the GEB for the next financial year, these members may be paid no more than 25% of the aggregate compensation most recently approved for the GEB by the Annual General Meeting for the period up to the next Annual General Meeting.

Compensation in the financial year 2023 (audited by the external auditor)

Compensation of the Board of Directors 2023
At the 2023 Annual General Meeting, the shareholders approved a maximum aggregate amount of CHF 1,480,000 (incl. social benefit contributions) for the 2023/2024 term of office. The compensation actually allocated for this period amounts to CHF 1,462,648 (incl. social benefit contributions) and is therefore below the approved amount.

In CHF except number of shares	Base salary in cash	Number of SFS shares	Value of SFS shares[1]	Social benefits[2]	Total
Thomas Oetterli, Chair	240,000	1,500	178,500	64,283	482,783
Peter Bauschatz	80,000	500	59,500	–	139,500
Nick Huber	80,000	500	59,500	23,792	163,292
Urs Kaufmann, Vice Chair since April 26, 2023	93,333	500	59,500	25,816	178,649
Bettina Stadler, until April 26, 2023	33,333	–	–	5,066	38,399
Manuela Suter	80,000	500	59,500	23,792	163,292
Fabian Tschan, since April 26, 2023	53,333	500	59,500	19,748	132,581
Jörg Walther	80,000	500	59,500	24,651	164,152
Total Board of Directors	**740,000**	**4,500**	**535,500**	**187,149**	**1,462,648**

[1]The market value of the SFS shares at the time the number of shares were allocated on May 3rd, 2023 was CHF 119.00 per share.
[2]Employer contributions as well as employee contributions taken over by the employer to social benefits.

Compensation of the Board of Directors 2022

In CHF except number of shares	Base salary in cash	Number of SFS shares	Value of SFS shares[1]	Social benefits[2]	Total
Heinrich Spoerry, Chair until April 27, 2022	59,937	–	–	7,645	67,582
Thomas Oetterli, Chair since April 27, 2022	186,667	1,500	180,000	53,430	420,097
Peter Bauschatz, since April 2022	53,333	500	60,000	–	113,333
Nick Huber	80,000	500	60,000	21,380	161,380
Urs Kaufmann	80,000	500	60,000	21,380	161,380
Bettina Stadler	80,000	500	60,000	21,380	161,380
Manuela Suter	80,000	500	60,000	21,380	161,380
Jörg Walther	80,000	500	60,000	21,286	161,286
Total Board of Directors	**699,937**	**4,500**	**540,000**	**167,881**	**1,407,818**

[1]The exchange value of the SFS shares at the time of the allocation of the number of shares on May 3, 2022, was CHF 120.00 per share.
[2]Employer contributions as well as employee contributions taken over by the employer to social benefits.

Compensation of the Group Executive Board 2023

One new member joined the GEB on January 1, 2023, and one member left the GEB on September 27, 2023. The total target compensation of the GEB was reviewed as of January 1, 2023. No changes were made.

The total compensation paid out for the financial year amounted to CHF 7,351,606 (gross incl. social benefit contributions). This was 2.1% more than the previous year, as a consequence of an additional member joining.

The 2022 and 2023 Annual General Meeting approved a maximum total compensation (fixed and variable remuneration, incl. social benefit contributions) for the Group Executive Board of CHF 7,700,103. The compensation actually paid was thus below the approved amount.

The fixed total remuneration for 2023, comprising the basic salary, the variable cash salary, the value of the allocated shares and the other benefits, is shown in the table below.

The overall target achievement for the variable cash compensation of the GEB for the financial year 2023 was in the range between 75% and 108%.

For the determination of the share factor, the BoD assessed the aspects market environment, strategy implementation and financial situation of the company (detailed description in section "Compensation of the Group Executive Board" of the Compensation Report). Due to the broad economic slowdown, it assessed the market environment as challenging. Overall, strategy implementation is on track in all areas and the company's financial situation and future prospects are considered to be positive. This results in an individual share factor of 1.00.

In CHF except number of shares	Base salary gross in cash	Variable cash compensation gross	Number of SFS shares	Value of SFS shares gross[1]	Other benefits[2]	Total
Jens Breu, CEO	628,352	312,805	2,000	240,309	154,746	1,336,212
Other members of Group Executive Board[3]	3,087,797	1,220,678	5,580	685,823	713,201	5,707,500
Total Group Executive Board	**3,716,149**	**1,533,483**	**7,580**	**926,132**	**867,947**	**7,043,711**

[1]The exchange value of the SFS shares at the time of the determination at the meeting of the Board of Directors on February 19th, 2024, was CHF 109.00 per share. Employee contributions to social benefits had been added to compensation "gross" numbers.
[2]Employer contributions to social benefits and occupational pension plans.
[3]At the end of the reporting period, the Group Executive Board consisted of nine members and in the reporting period of ten members (not including the CEO).

Compensation of the Group Executive Board 2022

In CHF except number of shares	Base salary gross in cash	Variable cash compensation gross	Number of SFS shares	Value of SFS shares gross[1]	Other benefits[2]	Total
Jens Breu, CEO	639,002	373,964	2,500	299,266	154,841	1,467,073
Other members of Group Executive Board[3]	2,725,154	1,352,314	5,588	674,559	576,914	5,328,941
Total Group Executive Board	**3,364,156**	**1,726,278**	**8,088**	**973,825**	**731,755**	**6,796,014**

[1]The exchange value of the SFS shares at the time of the determination at the meeting of the Board of Directors on February 23th, 2023, was CHF 109.20 per share. Employee contributions to social benefits had been added to compensation "gross" numbers.
[2]Employer contributions to social benefits and occupational pension plans.
[3]At the end of the reporting period the Group Executive Board consisted of nine members, one member of which joined the Executive Board in June 2022 with the acquisition of Hoffmann SE (CEO not included).

Loans and credit facilities

SFS Group did not grant any loans, credits, securities or pension benefits other than from occupational pension funds to the members of the BoD, of the GEB or to any related parties.

Board of Directors’ and Group Executive Board’s shareholdings (audited by the external auditor)

Board of Directors

Board of Directors	**Number of shares 12/31/2023**	Number of shares 12/31/2022
Thomas Oetterli, Chair, non-executive, independent member	11,840	10,820
Peter Bauschatz, non-executive, independent member	1,560	1,060
Nick Huber, non-executive member*	117,232	116,212
Urs Kaufmann, non-executive, independent member	12,840	11,820
Bettina Stadler, non-executive member* until April 2023	n/a	393,960
Manuela Suter, non-executive, independent member	2,040	1,280
Fabian Tschan, non-executive member* since April 2023	2,687,033	n/a
Jörg Walther, non-executive, independent member	7,720	6,700
Total	**2,840,265**	541,852

*Member family shareholders

Group Executive Board

Group Executive Board	**Number of shares 12/31/2023**	Number of shares 12/31/2022
Jens Breu, Chief Executive Officer	33,870	31,370
Arthur Blank, Head of Construction division	16,235	15,485
Volker Dostmann, Chief Financial Officer	2,571	1,363
Walter Kobler, Head of Industrial division, Head of Medical division	24,415	23,555
Urs Langenauer, Head of Riveting division	5,091	4,691
George Poh, Head of Electronics division	50,567	49,197
Iso Raunjak, Head of Distribution & Logistics Switzerland division	1,913	1,153
Martin Reichenecker, Head of Distribution & Logistics International division	1,830	560
Alfred Schneider, Head of Automotive division	19,655	19,055
Claude Stadler, Head of Corporate Services*	393,716	393,266
Total	**549,863**	539,695

*Member family shareholders

Business activities of the members of the Board of Directors and Group Executive Board (audited by the external auditor)

Members of the Board of Directors

Thomas Oetterli

Chair of the BoD, since 2022
Independent, non-executive member, since 2011
Chair of the Audit Committee, 2014–2022
Swiss citizen, born 1969

Other current activities and vested interests

Since June 2023	SWISSMEM, member of the Council
Since April 2023	Rieter, member of the BoD
Since March 2023	Rieter, Chief Executive Officer

Urs Kaufmann

Vice Chair, since 2023
Chair of the Nomination and Compensation Committee, since 2014
Independent, non-executive BoD member, since 2012
Lead Director, 2014–2023
Swiss citizen, born 1962

Other current activities and vested interests

Since 2023	Bucher Industries AG, member of the BoD
Since 2017	HUBER + SUHNER AG, Chair of the BoD
2017–2024	Vetropack Holding AG, member of the BoD
Since 2009	Müller Martini Holding AG, member of the BoD

Peter Bauschatz

Independent, non-executive BoD member, since 2022
German citizen, born 1971

Other current activities and vested interests

Since 2017	Hoffmann SE, Chair of the Supervisory Board
Since 2017	NV Holding GmbH, Managing Director
Since 2016	SZA Schilling, Zutt & Anschütz Rechtsanwaltsgesellschaft mbH, partner

Nick Huber

Non-executive BoD member, since 2017
Family shareholder Huber
Swiss citizen, born 1964

Other current activities and vested interests

Since 2023	Mettler Entwickler AG, member of the BoD
Since 2022	Inventx AG, member of the BoD
Since 2017	DGS Druckguss Systeme AG, member of the BoD
Since 2014	stürmsfs ag, member of the BoD
Since 2014	Inhaus Handels GmbH, member of the BoD
Since 2009	Rauch Trading AG und Rauch Schweiz AG, member of the BoD
Since 2008	COLTENE Holding AG, Chair of the BoD
Since 1997	HUWA Finanz- und Beteiligungs AG, member of the BoD
Since 1995	Gurit Holding AG, member of the BoD

Fabian Tschan

Non-executive member of the BoD, since 2023
Family shareholder Stadler/Tschan
Swiss citizen, born 1977

Other current activities and vested interests

Since 2022	Lilly Capital AG, member of the BoD
Since 2020	MBaer Merchant Bank AG, member of the BoD
Since 2019	Golfyr AG, member of the BoD
Since 2018	Stiftung Gehresbisches für Appenzeller Musik, member of the Foundation Board
Since 2017	Altoo AG, member of the BoD
Since 2015	Data Cave Switzerland AG, Chair of the BoD and member of the BoD, 2013–2015
Since 2015	Octopus Cloud AG, member of the BoD
Since 2014	Hawak Holding AG, CEO and member of the BoD, since 2008
Since 2012	priaid AG, member of the BoD
Since 2008	CONPLIO Consulting GmbH, managing partner

Manuela Suter

Independent, non-executive BoD member since 2021
Swiss citizen, born 1974

Other current activities and vested interests

Since 2018	Bucher Industries, Chief Financial Officer

Jörg Walther

Chair of the Audit Committee, since 2022
Independent, non-executive BoD member, since 2014
Swiss citizen, born 1961

Other current activities and vested interests

Since 2023	Apotheke im Stadtspital Zürich AG, member of the BoD
Since 2023	Aare-Apotheke Rombach AG, member of the BoD
Since 2021	swissVR, member of Executive Board
Since 2020	AEW Energie AG, Vice Chair of the BoD, member of the Audit Committee since 2014
Since 2016	HUBER + SUHNER AG, member of the BoD and Chair of the Audit Committee
Since 2016	Zehnder Group AG, Vice Chair of the BoD and Chair of the Audit Committee
Since 2015	Kraftwerk Augst AG, member of the BoD
Since 2015	Immobilien AEW AG, Vice Chair of the BoD
Since 2010	Schärer Attorneys at law, partner

Members of the Group Executive Board

Jens Breu

Chief Executive Officer, since 2016
Head of Engineered Components segment, since 2014
Head of Fastening Systems segment, since 2014
Head of Distribution & Logistics segment, since 2022
With SFS since 1995
Swiss citizen, born 1972

Other current activities and vested interests

Since 2019 Dätwyler Holding AG, member of the BoD

Arthur Blank

Head of Corporate HR and Communications since September 27, 2023
Head of Construction division 2014–2023
With SFS since 1979
Swiss citizen, born 1959

Volker Dostmann

Chief Financial Officer since 2021
With SFS since 2020
Swiss citizen, born 1970

Walter Kobler

Head of Industrial division since 2014
Head of Medical division since 2021
With SFS since 1987
Swiss citizen, born 1963

Urs Langenauer

Head of Riveting division since 2019
With SFS since 1995
Swiss citizen, born 1979

George Poh

Head of Electronics division since 2014
With SFS (Unisteel) since 1995
Singapore citizen, born 1963

Iso Raunjak

Head of Distribution & Logistics Switzerland division since 2020
With SFS since 1992
Swiss citizen, born 1976

Other current activities and vested interests

Since 2023	Pestalozzi AG, member of the BoD
Since 2020	SWISSAVANT association, member of the BoD

Martin Reichenecker

Head of Distribution & Logistics International division since 2022
With SFS (Hoffmann) since 2004
German citizen, born 1977

Other current activities and vested interests

Since 2023	Cordes & Graefe KG, member of the Advisory Forum

Alfred Schneider

Head of Automotive division since 2014
With SFS since 1987
Swiss citizen, born 1959

Other current activities and vested interests

Since 2019	Libracore AG, member of the BoD

SFS

Claude Stadler[1]

Head of Corporate Services since 2018
With SFS since 2013
Swiss citizen, born 1976

Other current activities and vested interests

Since 2022	Golfyr AG, member of the BoD
Since 2022	icotec AG, Chair of the BoD, member of the BoD since 2015
Since 2021	Stadler Holding AG, Chair of the BoD
Since 2019	Eastern Switzerland University of Applied Sciences, member of the Board of Trustees
Since 2019	Rüden AG, member of the BoD
Since 2015	Avantama AG, member of the BoD
Since 2011	WISTAMA Finanz- und Beteiligungs AG, member of the BoD

[1]Claude Stadler stepped down from the Group Executive Board earlier than communicated, already at the end of 2023, to assume responsibility for his family's holding company. Arthur Blank and Volker Dostmann took over managerial responsibility of Corporate Services as of 2024.

Susanne Jung

Chief Human Resources Officer
With SFS from January 1, 2023 until September 27, 2023
German citizen, born 1976

Report of the statutory auditor

to the General Meeting of SFS Group AG

Heerbrugg, municipality of Widnau

Report on the audit of the remuneration report

Opinion

We have audited the remuneration report of SFS Group AG (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to article 734a-734f CO in the tables marked 'audited' namely in the chapter "Compensation in the financial year 2023" on pages 109 and 110, in the chapter "Board of Directors' and Group Executive Board's shareholdings" on page 111 and in the chapter "Business activities of the members of the Board of Directors and Group Executive Board" on pages 112 to 119 of the remuneration report.

In our opinion, the information pursuant to article 734a-734f CO in the remuneration report (pages 109 to 119) complies with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the remuneration report' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked 'audited' in the remuneration report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. It is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information pursuant to article 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers AG

Gianluca Galasso	André P. Kueffer
Licensed audit expert Auditor in charge	Licensed audit expert

St. Gallen, 6 March 2024

Financial Report

Consolidated financial statements

Financial statements SFS Group AG

Consolidated income statement

In CHF million	Notes	2023	%	2022	%	+/–%
Net sales	2.2	**3,073.0**	**100.0%**	2,738.7	100.0%	12.2%
Other operating income	2.3	37.9		37.7		
Change in work in progress and finished goods		–14.8		16.1		
Material expenses		–1,318.7		–1,182.3		
Contribution margin		1,777.4	57.8%	1,610.2	58.8%	10.4%
Personnel expenses	2.4	–829.6		–737.1		
Other operating expenses	2.5	–461.8		–425.0		
Depreciation on property, plant and equipment	3.4	–117.0		–110.5		
Amortization of intangible assets	3.5	–10.4		–7.3		
Total operating expenses		**–1,418.8**	**–46.1%**	–1,279.9	–46.7%	10.9%
Operating profit (EBIT)		**358.6**	**11.7%**	330.3	12.1%	8.6%
Financial result	2.6	–8.3		6.4		
Share of profit/(loss) from associates/joint ventures		1.9		1.1		
Earnings before tax		**352.2**	**11.5%**	337.8	12.3%	4.3%
Income taxes	2.7	–83.7		–67.2		
Net income		**268.5**	**8.7%**	270.6	9.9%	–0.8%
Attributable to non-controlling interests		2.5		3.9		
Attributable to SFS shareholders		266.0		266.7		
Earnings per share of the SFS shareholders (in CHF) basic and diluted	4.6	**6.84**		6.95		–1.6%

Consolidated balance sheet

Assets in CHF million	Notes	12/31/2023	%	12/31/2022	%	+/–%
Cash and cash equivalents	4.1	227.5		221.5		
Trade receivables	3.1	458.5		412.7		
Other current receivables	3.2	86.3		104.3		
Inventories	3.3	550.9		630.6		
Prepayments and accrued income		31.5		25.4		
Current assets		**1,354.7**	**53.2%**	1,394.5	54.2%	–2.9%
Property, plant and equipment	3.4	991.9		1,001.5		
Intangible assets	3.5	59.4		57.7		
Financial assets	4.2	97.0		75.1		
Deferred tax assets	3.11	43.8		45.4		
Non-current assets		**1,192.1**	**46.8%**	1,179.7	45.8%	1.1%
Assets		**2,546.8**	**100.0%**	2,574.2	100.0%	–1.1%

Liabilities and equity in CHF million	Notes	12/31/2023	%	12/31/2022	%	+/–%
Current borrowings	4.3	36.7		27.2		
Trade payables	3.7	186.9		202.6		
Other current payables	3.8	92.5		125.9		
Accrued liabilities and deferred income		124.8		142.9		
Current liabilities		**440.9**	**17.3%**	498.6	19.4%	–11.6%
Non-current borrowings	4.3	636.1		672.0		
Other non-current payables		6.8		6.4		
Pension benefit obligations	3.9	12.0		13.4		
Non-current provisions	3.10	14.2		15.4		
Deferred tax liabilities	3.11	61.1		64.8		
Non-current liabilities		**730.2**	**28.7%**	772.0	30.0%	–5.4%
Liabilities		**1,171.1**	**46.0%**	1,270.6	49.4%	–7.8%
Share capital		3.9		3.9		
Capital reserves		131.1		179.8		
Treasury shares		–1.4		–1.5		
Retained earnings		1,223.8		1,102.5		
Equity attributable to SFS shareholders	4.6	**1,357.4**	**53.3%**	1,284.7	49.9%	5.7%
Non-controlling interests		18.3		18.9		
Total equity		**1,375.7**	**54.0%**	1,303.6	50.6%	5.5%
Liabilities and equity		**2,546.8**	**100.0%**	2,574.2	100.0%	–1.1%

Consolidated statement of changes in equity

In CHF million	Notes	Share capital	Capital reserves	Treasury shares	Goodwill offset against equity	Cash flow hedges	Net investment hedges	Currency translation adjustments	Other retained earnings	Retained earnings	Equity attributable to SFS shareholders	Non-controlling interests	Total equity
Balance as at 01/01/2022		**3.8**	**11.6**	**–7.4**	–1,022.7	2.6	–	–70.4	2,514.2	**1,423.7**	**1,431.7**	**18.7**	**1,450.4**
Capital increase	4.6	0.1	169.2	–	–	–	–	–	–	**–**	**169.3**	**–**	**169.3**
Changes of hedges	4.7	–	–	–	–	–2.6	32.0	–	–	**29.4**	**29.4**	**–**	**29.4**
Acquisitions	5.1	–	–	–	–486.9	–	–	–	–	**–486.9**	**–486.9**	**–**	**–486.9**
Currency translation adjustments		–	–	–	–	–	–	–49.2	–	**–49.2**	**–49.2**	**–1.8**	**–51.0**
Net income		–	–	–	–	–	–	–	266.7	**266.7**	**266.7**	**3.9**	**270.6**
Dividend for 2021		–	–	–	–	–	–	–	–82.0	**–82.0**	**–82.0**	**–1.9**	**–83.9**
Purchase of treasury shares	4.6	–	–	–20.7	–	–	–	–	–	**–**	**–20.7**	**–**	**–20.7**
Disposal of treasury shares	4.6	–	–1.0	26.6	–	–	–	–	–	**–**	**25.6**	**–**	**25.6**
Other changes		–	–	–	–	–	–	–	0.8	**0.8**	**0.8**	**–**	**0.8**
Balance as at 12/31/2022		**3.9**	**179.8**	**–1.5**	–1,509.6	–	32.0	–119.6	2,699.7	**1,102.5**	**1,284.7**	**18.9**	**1,303.6**
Changes of hedges	4.7	–	–	–	–	0.9	18.3	–	–	**19.2**	**19.2**	**–**	**19.2**
Acquisitions	5.1	–	–	–	–8.9	–	–	–	–	**–8.9**	**–8.9**	**–**	**–8.9**
Currency translation adjustments		–	–	–	–	–	–	–106.4	–	**–106.4**	**–106.4**	**–1.1**	**–107.5**
Net income		–	–	–	–	–	–	–	266.0	**266.0**	**266.0**	**2.5**	**268.5**
Dividend for 2022		–	–48.6	–	–	–	–	–	–48.6	**–48.6**	**–97.2**	**–2.0**	**–99.2**
Purchase of treasury shares	4.6	–	–	–2.6	–	–	–	–	–	**–**	**–2.6**	**–**	**–2.6**
Disposal of treasury shares	4.6	–	–0.1	2.7	–	–	–	–	–	**–**	**2.6**	**–**	**2.6**
Balance as at 12/31/2023		**3.9**	**131.1**	**–1.4**	–1,518.5	0.9	50.3	–226.0	2,917.1	**1,223.8**	**1,357.4**	**18.3**	**1,375.7**

The capital reserves stem from the statutory capital reserve as well as other capital reserves of SFS Group AG.

Consolidated cash flow statement

In CHF million	Notes	2023	2022	+/–%
Net income		268.5	270.6	
Income taxes		83.7	67.2	
Financial result		6.4	–7.5	
Depreciation/amortization	3.4/3.5	127.4	117.8	
Interest paid		–17.3	–6.3	
Income tax paid		–80.6	–84.2	
Changes in provisions and allowances		6.1	14.0	
Other non-cash expenses/income		3.3	8.2	
Profit (–)/loss (+) from disposal of property, plant and equipment		–2.9	–1.3	
Changes in trade receivables		–74.7	–15.7	
Changes in other receivables and prepayments and accrued income		5.7	–7.9	
Changes in inventories		41.3	–76.1	
Changes in trade payables		–5.3	–2.5	
Changes in other current liabilities, accrued liabilities and deferred income		–48.2	11.6	
Cash flow from operating activities		**313.4**	287.9	8.9%
Purchases of property, plant and equipment	3.4	–161.5	–149.2	
Proceeds from sale of property, plant and equipment		3.9	1.2	
Purchases of intangible assets	3.5	–12.5	–21.8	
Proceeds from sale of intangible assets		0.0	0.2	
Proceeds from government grants		0.7	–	
Acquisition of subsidiaries, net of cash acquired	5.1	–10.3	–519.1	
Changes in loans granted		–0.7	44.2	
Investment in/dividends from associates/joint ventures		–	–0.2	
Proceeds from interest and securities		1.4	1.2	
Cash flow from investing activities		**–179.0**	–643.5	–72.2%
Dividends to the shareholders		–97.2	–82.0	
Dividends to non-controlling interests		–2.0	–1.9	
Purchase (–)/disposal of treasury shares (+)		–1.6	–19.5	
Proceeds (+)/repayment from/of current borrowings (–)		–6.1	–190.7	
Proceeds (+)/repayment from/of non-current borrowings (–)		–10.8	588.8	
Cash flow from financing activities		**–117.7**	294.7	
Translation adjustment on cash and cash equivalents		–10.7	–3.6	
Changes in cash and cash equivalents		**6.0**	–64.5	
Cash and cash equivalents at beginning of period	4.1	221.5	286.0	
Cash and cash equivalents at end of period	4.1	**227.5**	221.5	

Notes to the consolidated financial statements

1 General information

SFS Group AG is a limited company according to Swiss law, incorporated and domiciled in Heerbrugg, municipality of Widnau/SG, Switzerland. SFS Group AG is the parent company of all SFS Group companies and therefore the ultimate holding company of the SFS Group.

All amounts are in CHF million unless otherwise stated and refer to December 31 for balance sheet items and to the financial year from January 1 to December 31 for items of the income statement.

The structure of the notes is as follows:

1. General information
2. Performance
3. Capital employed
4. Financing and risk management
5. Group structure
6. Events after the balance sheet date

1.1 Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with all of the existing guidelines of the accounting and reporting recommendations of Swiss GAAP FER. Swiss GAAP FER provides a true and fair view of the financial position of the SFS Group and of its financial performance. The financial statements are based on the principle of historical acquisition costs (except for securities and derivative financial instruments recognized at fair value) and are based on the going concern principle. The consolidated financial statements for the year ended December 31 comprise the company and its subsidiaries and the group's interest in associates and joint ventures. The directives under the accounting standards (Swiss GAAP FER) have not changed in the reporting period.

1.2 Consolidation principles and currency conversion

The consolidated financial statements include the financial statements of SFS Group AG and all its Swiss and foreign subsidiaries. Using the full consolidation method, all assets and liabilities as well as the expenses and income of the subsidiaries controlled by SFS Group AG are included in the consolidated financial statements. Control is assumed when SFS Group AG directly or indirectly holds more than 50% of the voting rights of a subsidiary. Equity and profit or loss attributable to third parties are presented as separate line items in the consolidated balance sheet and consolidated income statement. The consolidated financial statements have been prepared based on the financial statements of the Group companies, which have been prepared in accordance with uniform Group accounting policies as of December 31.

Intercompany transactions, balances, income and expenses between Group companies are eliminated. Intercompany profits are eliminated.

The acquisition method is used to account for business combinations. Under this method, the acquiree's net assets and liabilities are measured at their fair values using uniform Group accounting policies. Any excess of consideration transferred over the fair value of the net assets acquired is offset against equity. In case of disposal, acquired goodwill offset with equity at an earlier date is to be considered at original cost to determine the profit or loss recognized in the income statement.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Entities managed equally with an SFS external partner are called joint ventures. Joint control is established by contractual agreement. Strategic, financial and operating decisions require unanimous consent. Associates are those entities in which the Group exerts significant influence, but does not control the financial and operating policies. The group's share of voting rights in joint ventures and associates are between 20% and 50%. SFS is entitled to its proportional share of the net assets. Goodwill (if any) is offset against equity.

Items included in the financial statements of each of the SFS Group's entities are measured using the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

The consolidated financial statements are presented in Swiss francs (CHF). For consolidation purposes, the results and financial positions of all Group entities whose functional currency differs from the presentation currency are translated into the presentation currency. Assets and liabilities are translated at the closing exchange rate at the date of that balance sheet. Income and expenses are translated at average exchange rates. All resulting conversion differences are recognized in equity.

Foreign exchange differences resulting from intercompany equity loans in a foreign currency are recognized in equity and reversed through profit and loss upon disposal of the entity or upon repayment of the loan.

1.3 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of income, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Therefore, the actual results may differ from these estimates.

The main estimates are in connection with the valuation of the inventory, the determination of useful lives of fixed assets, as well as the capitalization and valuation of deferred tax liabilities and tax assets. All estimates and judgments are continually reviewed and are based on historical experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances.

2 Performance

This chapter comprises the performance and segment information as well as selected income and expense items.

2.1 Segment information

The SFS Group is divided into the three segments: Engineered Components, Fastening Systems and Distribution & Logistics.

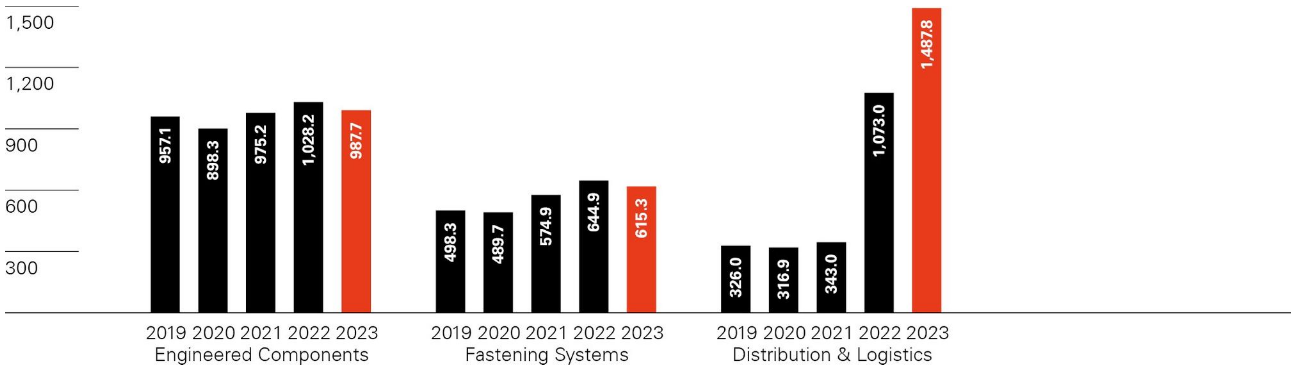
The financial performance of the segments is monitored based on EBIT as well as on operating profit before amortization and depreciation (EBITDA). The segments apply the Group's accounting policies. Internal transactions are conducted based on internal group rates.

Segment assets are all assets which are directly attributable to a segment, such as receivables, inventories, prepayments and accrued income, property, plant and equipment, intangible assets, as well as deferred tax assets. The segment liabilities include directly attributable payables, accrued liabilities and deferred income, pension benefit obligations, non-current provisions as well as deferred tax liabilities. Financial assets and financial liabilities are not allocated to a segment.

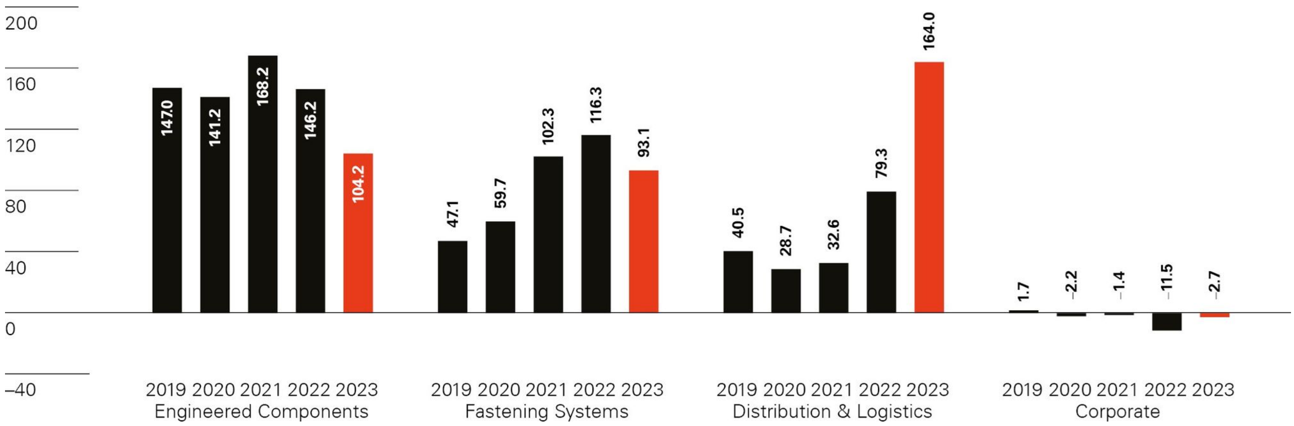
Segment assets less segment liabilities adds up to capital employed. Intercompany transactions, balances, income and expenses between segments are eliminated and reported in the "Corporate" column.

As of January 1, 2024 the Riveting division, which is part of the Fastening Systems segment, will be allocated to the Automotive and Industrial divisions. Therefore the disclosure, monitoring and assessment of the financial results of the Riveting division will be included in the Engineered Components segment. In addition, as of January 1, 2024, the Industrial and Medical divisions will be merged into one division called Medical & Industrial Specials which will be part of the Engineered Components segment. The monitoring and assessment of the financial results of the three existing segments for the year 2023 remains unchanged.

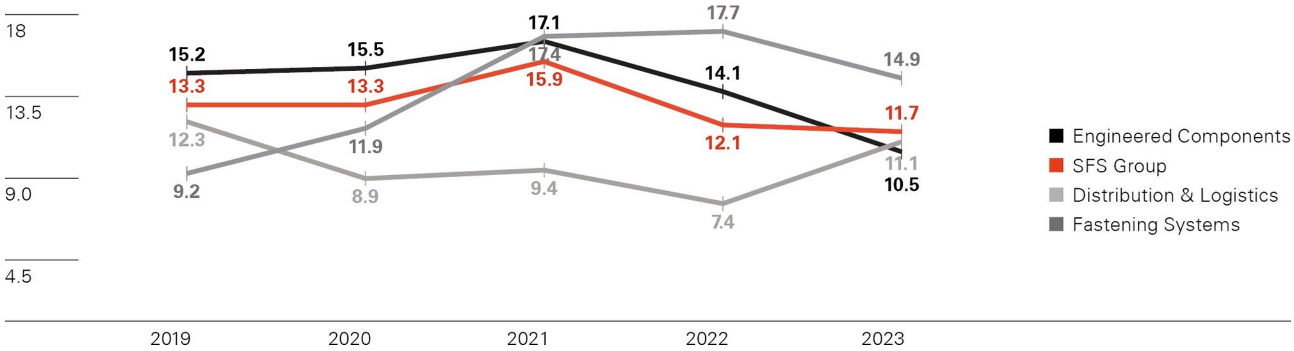
Third–party sales
In CHF million



EBIT
In CHF million



EBIT
In % of net sales



The key figure EBIT includes one-off effects:
- Engineered Components: 2019 CHF 17.1 million relocation costs in CN-Nantong
- Fastening Systems: 2020 CHF 2.1 million book gains
- Distribution & Logistics: 2019 CHF 14.3 million book gains; 2022 CHF 22.9 million Amortization of inventory step-up related to purchase price allocation of Hoffmann SE acquisition and first-time intra-segment profit elimination in inventory
- Corporate: 2021 CHF 3.1 million book gains

2023	Notes	Engineered Components	Fastening Systems	Distribution & Logistics	Corporate	Total SFS Group
Third–party sales	2.2	987.7	615.3	1,487.8	–	3,090.8
Change from previous year in %		–3.9	–4.6	38.7	–	12.6
Net sales	2.2	**989.2**	**626.3**	**1,477.8**	**–20.3**	**3,073.0**
EBITDA		**179.4**	**108.7**	**193.7**	**4.2**	**486.0**
In % of net sales		18.1	17.4	13.1		15.8
Operating profit (EBIT)		**104.2**	**93.1**	**164.0**	**–2.7**	**358.6**
In % of net sales		10.5	14.9	11.1		11.7
Capital expenditures		124.6	21.5	20.4	7.5	174.0
Operating assets		996.9	350.4	792.5	80.4	2,220.2
Operating liabilities		188.2	75.0	169.1	59.2	491.5
Capital employed		808.7	275.4	623.4	21.2	1,728.7
of which net working capital		246.7	164.0	328.1	–17.9	720.9

2022	Notes	Engineered Components	Fastening Systems	Distribution & Logistics	Corporate	Total SFS Group
Third–party sales	2.2	1,028.2	644.9	1,073.0	–	2,746.1
Change from previous year in %		5.4	12.2	212.8	–	45.1
Net sales	2.2	**1,038.5**	**658.8**	**1,067.4**	**–26.0**	**2,738.7**
EBITDA		**220.3**	**132.5**	**100.5**	**–5.2**	**448.1**
In % of net sales		21.2	20.1	9.4		16.4
Operating profit (EBIT)		**146.2**	**116.3**	**79.3**	**–11.5**	**330.3**
In % of net sales		14.1	17.7	7.4		12.1
Capital expenditures		125.5	13.7	16.0	15.8	171.0
Operating assets		995.7	399.4	804.4	76.9	2,276.4
Operating liabilities		203.2	96.4	203.4	62.0	565.0
Capital employed		792.5	303.0	601.0	14.9	1,711.4
of which net working capital		255.7	190.3	279.9	–25.4	700.5

During the reporting period no customer exceeded the reportable threshold of 10% of third–party sales (PY none).

Sales by region	Notes	2023	%	2022	%
Switzerland		362.5	11.7	373.7	13.6
Germany		930.3	30.1	682.5	24.9
Other Europe		892.7	28.9	729.0	26.5
America		504.8	16.3	507.6	18.5
China		265.4	8.6	300.7	10.9
Other Asia		127.8	4.2	144.6	5.3
Africa, Australia		7.3	0.2	8.0	0.3
Third–party sales	2.2	**3,090.8**	**100.0**	2,746.1	100.0
Not assigned items		–17.8		–7.4	
Total net sales	2.2	**3,073.0**		2,738.7	

Gross sales to third parties are allocated to the countries of the receiving party. Not assigned items include invoiced freight, hedged foreign currency fluctuations effects and cash discounts.

Sales by end market	Notes	2023	%	2022	%
Automotive industry		642.2	20.8	548.8	20.0
Construction industry		644.3	20.8	679.5	24.7
Industrial manufacturing		847.1	27.4	623.9	22.7
Electrical and electronics industry		395.1	12.8	434.6	15.8
Medical devices industry		175.1	5.7	154.1	5.6
Other industries		387.0	12.5	305.2	11.2
Third–party sales	2.2	**3,090.8**	**100.0**	2,746.1	100.0
Not assigned items		–17.8		–7.4	
Total net sales	2.2	**3,073.0**		2,738.7	

Reconciliation of segments to income statement and balance sheet

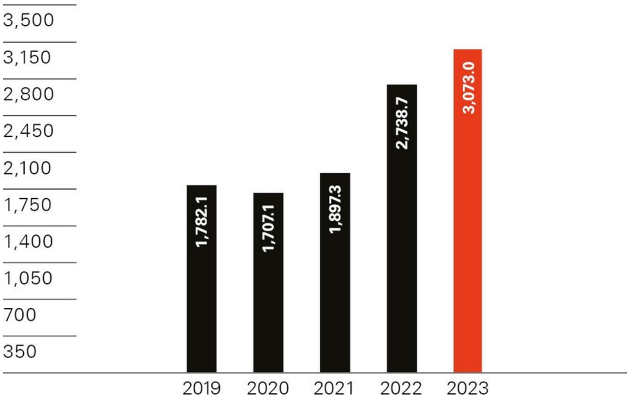
Income statement	Notes	2023	2022
Operating profit (EBIT)		**358.6**	330.3
Financial result	2.6	–8.3	6.4
Share of profit from associates/joint ventures		1.9	1.1
Earnings before tax		**352.2**	337.8

Assets			
Operating assets		**2,220.2**	2,276.4
+ Cash and cash equivalents	4.1	227.5	221.5
+ Short-term derivative financial instruments	4.7	2.1	1.2
+ Financial assets	4.2	97.0	75.1
Assets		**2,546.8**	2,574.2

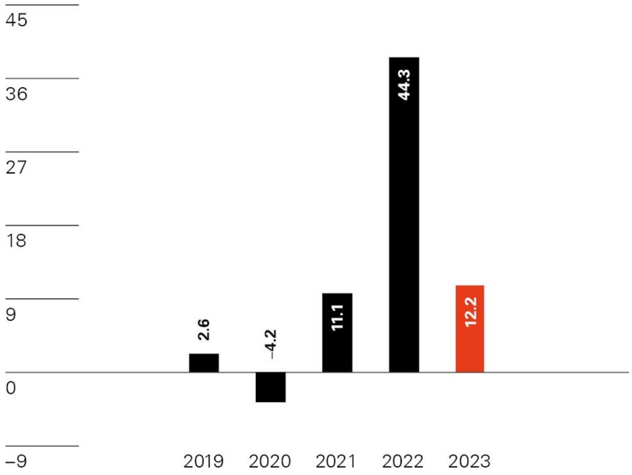
Liabilities and equity			
Operating liabilities		**491.5**	565.0
+ Current borrowings	4.3	36.7	27.2
+ Other non-current payables		6.8	6.4
+ Long-term borrowings	4.3	636.1	672.0
Liabilities		**1,171.1**	1,270.6
Equity (Net assets)		**1,375.7**	1,303.6

2.2 Net sales

Net sales
In CHF million



Growth of net sales
In %



	2023	2022	+/–%
Third–party sales	3,090.8	2,746.1	12.6
Other items	–17.8	–7.4	
Net sales	**3,073.0**	2,738.7	12.2

Third–party sales increased by 12.6% (PY 45.1%). The growth due to changes in the scope of consolidation amounts to 14.6% (PY 37.9%). Based on a like-for-like view and ignoring foreign currency effects, sales increased by 2.1% (PY 9.1%). The currency translation effect amounts to –4.1% (PY –1.9%).

Sales does not comprise interests, user fees or dividends.

Sales of goods and services are recognized when the risks and rewards have been transferred to the customer, which is the point of shipping or billing or when services are rendered. Cash discounts and rebates granted to customers are treated as a reduction of sales.

2.3 Other operating income

	2023	2022
Revenue from services	21.8	19.9
Lease income	1.0	0.8
Own-built machinery and capitalized own work	11.8	15.0
Gain on disposals of assets	3.3	2.0
Total	**37.9**	37.7

In 2020, the SFS Group started a project for the upgrade of the ERP system to SAP S/4HANA. The project was continued in 2023. A part of the project was completed in 2022 and capitalized in intangible assets, the remaining part of the project is expected to be completed in 2025. The related own work is capitalized.

2.4 Personnel expenses

	2023	2022
Wages and salaries	654.5	577.7
Profit sharing	9.5	11.5
Social security expenses	147.3	131.6
Other employment expenses	18.3	16.3
Total	**829.6**	737.1

In 2023, personnel expenses are not reduced by any contributions from government support programs and internal measures worldwide (PY CHF 6.4 million).

Share-based payments
The members of the Board of Directors and Group Executive Board receive a variable compensation in the form of shares of SFS Group AG. The shares rewarded must be held for at least three years. The expenses amounting to CHF 1.5 million (PY CHF 1.7 million) of these shares represent the share price on the day they are granted and are charged to the income statement under the line item "Personnel expenses".

In addition, SFS maintains a share purchase program for selected employees. Usually, every other year shares of SFS Group AG are sold to Board of Directors and key management members as well as specialists at a discount, which is charged to personnel expenses. The last share purchase program took place in 2023.

2.5 Other operating expenses

	2023	2022
Tools, energy, maintenance	165.2	167.7
Selling and distribution	171.3	153.1
Other operating expenses	125.3	104.2
Total	**461.8**	425.0

Other operating expenses include operating lease expenses amounting to CHF 34.2 million (PY CHF 31.8 million). The total expenses for research and development recognized during the reporting period amount to CHF 60.8 million (PY CHF 53.1 million). The main items responsible for those costs include the fields development, tools, sampling and preparation for large–scale production. They are included in several expense line–items in the income statement.

Development costs are only capitalized in case the future income covers the capitalized amount and if the other criteria required by Swiss GAAP FER are met. The requirements for capitalization according to Swiss GAAP FER have not been met for items in other operating expenses in the current reporting period as well as in the prior year.

2.6 Financial result

	2023	2022
Interest expenses	–20.1	–9.4
Financial expenses	**–20.1**	–9.4
Interest income	1.9	1.2
Foreign exchange gains on financial investments	9.9	14.6
Financial income	**11.8**	15.8
Financial result	**–8.3**	6.4

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets. All other borrowing costs are recognized in financial expenses in the period in which they incurred.

2.7 Income taxes

	2023	2022
Current income tax expense	87.5	72.5
Deferred tax expense (+)/income (–)	–3.8	–5.3
Income taxes	**83.7**	67.2
Reconciliation		
Earnings before tax	352.2	337.8
Expected tax rate	14.3%	14.3%
Expected income tax expense	**50.4**	48.3
Variance in tax rates	38.4	17.6
Impact of change in tax rate on deferred taxes	–5.0	–1.4
Items not subject to tax	–1.7	6.4
Changes in tax loss carryforwards	–0.1	–0.4
Adjustments in respect of prior years and other items	1.7	–3.3
Income taxes	**83.7**	67.2
Effective tax rate	**23.8%**	19.9%

The income tax expense includes taxes which have been paid and accrued based on the profits of the taxable entities. These are calculated based on the relevant tax rates in the different countries. The reconciliation summarizes the individual reconciliation calculations which have been prepared based on the applicable tax rates of the respective tax jurisdictions. The expected income tax has been calculated based on the future expected tax rate of 14.3% (PY 14.3%) and corresponds to the maximum tax rate for legal entities in the canton of St.Gallen.

In December 2021, the OECD published the Pillar Two model rules to introduce a global minimum tax of 15% for multinational companies with consolidated revenues of more than EUR 750 million. Meanwhile, relevant elements of Pillar Two legislation have been substantively enacted in many jurisdictions in which SFS operates including Switzerland. Such legislation will be effective for SFS Group's financial year 2024. SFS Group has performed assessments of its potential exposure to Pillar two income taxes. If the Pillar Two model rules, in particular the Transitional CBCR Safe Harbor rules, would have been applicable in periods in relation to which the assessments were performed, the profits of SFS Group would not have been expected to be materially impacted by the Pillar Two rules. SFS Group continues to monitor the development of the Pillar Two rules and its impact on the group.

3 Capital employed

"Capital employed" consists of operating assets less operating liabilities. Operating assets include all assets directly attributable to the segments such as receivables, inventories, prepaid expenses, property, plant and equipment, intangible assets and deferred tax assets. Operating liabilities comprise all liabilities directly attributable to the segments such as accrued liabilities, pension benefit obligations, provisions and deferred tax liabilities.

3.1 Trade receivables

	2023	2022
From third parties	463.7	418.2
From associates/joint ventures	0.3	0.4
From related parties	0.2	0.2
Valuation allowances	–5.7	–6.1
Total	**458.5**	412.7

Aging analysis	**2023**	2022
Not due	379.4	330.6
Overdue 1 to 30 days	59.0	59.4
Overdue 31 to 90 days	17.9	22.1
Overdue more than 91 days	7.9	6.7
Trade receivables (gross)	**464.2**	418.8
Valuation allowances	–5.7	–6.1
Trade receivables (net)	**458.5**	412.7

Current receivables are valued at par value. The valuation allowances are determined based on the maturity structure and identifiable credit risks of trade receivables.

3.2 Other current receivables

	2023	2022
VAT and withholding tax	16.8	21.8
Receivables from supplier rebates	41.1	42.9
Other receivables	26.4	38.4
Short-term derivative financial instruments	2.0	1.2
Total	**86.3**	104.3

3.3 Inventories

	2023	2022
Raw materials	55.0	65.6
Consumables	11.5	12.5
Work in progress	84.1	100.7
Finished goods incl. trading goods	485.5	537.0
Valuation allowances	–85.2	–85.2
Total	**550.9**	630.6

Inventories are generally valued at acquisition cost or at production cost or – if this is lower – at the net realizable value. The cost of goods comprises raw materials, direct labor, other direct costs and related production overheads based on normal operating capacity utilization. Cash discounts from suppliers are deducted from the acquisition costs.

Necessary valuation allowances are based on the individual valuation of single items. The inventory quantity of each item is generally compared to the annual consumption over the last twelve months. The first annual consumption of stock is assessed recoverable by 100%. If the quantity of inventory is higher than annual consumption, the excess inventory for the second annual consumption is written down to 50% of the value. All inventory above two years annual consumption is completely written off. Items added to the product range during the last 18 months prior to the balance sheet date are defined as new products and are not revalued.

In addition, the average sales price less cost to sell is compared to the inventory value of the individual inventory items. If the sales price less cost to sell is lower than the inventory value, a provision in the amount of the difference is recognized and disclosed in the valuation allowances.

3.4 Property, plant and equipment

	Undeveloped property	Land and buildings	Machines and equipment	Assets under construction	Total
Cost as at 01/01/2022	6.5	680.5	1,140.3	68.2	1,895.5
Changes in scope of consolidation	13.8	162.9	101.0	9.6	287.3
Additions	–	46.8	52.6	49.8	149.2
Disposals	–	–14.6	–36.2	–0.2	–51.0
Reclassifications	–	9.9	30.3	–41.6	–1.4
Exchange differences	–0.5	–18.8	–26.6	–0.8	–46.7
Cost as at 12/31/2022	19.8	866.7	1,261.4	85.0	2,232.9
Changes in scope of consolidation	–	–	0.3	–	0.3
Additions	–	22.3	64.3	74.9	161.5
Disposals	–	–1.3	–22.7	–	–24.0
Reclassifications	–	10.7	36.7	–48.6	–1.2
Exchange differences	–0.8	–35.8	–61.1	–4.7	–102.4
Cost as at 12/31/2023	**19.0**	**862.6**	**1,278.9**	**106.6**	**2,267.1**
Accumulated depreciation as at 01/01/2022	–	–386.1	–807.4		–1,193.5
Changes in scope of consolidation	–	–	–	–	–
Depreciation	–	–27.9	–82.6	–	–110.5
Disposals	–	14.6	36.5	–	51.1
Reclassifications	–	0.0	0.0	–	0.0
Exchange differences	–	6.1	15.4	–	21.5
Accumulated depreciation as at 12/31/2022	–	–393.3	–838.1	–	–1,231.4
Depreciation	–	–31.1	–85.9	–	–117.0
Disposals	–	0.7	22.3	–	23.0
Exchange differences	–	11.8	38.4	–	50.2
Accumulated depreciation as at 12/31/2023	**–**	**–411.9**	**–863.3**	**–**	**–1,275.2**
Net book value as at 01/01/2022	6.5	294.4	332.9	68.2	702.0
Net book value as at 12/31/2022	19.8	473.3	423.4	85.0	1,001.5
Net book value as at 12/31/2023	**19.0**	**450.7**	**415.6**	**106.6**	**991.9**

Property, plant and equipment are recognized in the balance sheet at acquisition cost or production cost less depreciation. Value-added expenditures, which lead to an extension of useful life or increased production capacity, are capitalized. Interest expenses incurred when the asset was under construction, are included in the historical costs, if material. Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives, as follows:

Buildings	Years
Buildings	20–33
Infrastructure	10–15

Machinery and equipment	
Machinery	5–15
Furniture, fittings and equipment	5–10
Vehicles	3–8
IT hardware	3–5

Based on its unlimited useful life, land is capitalized at acquisition cost and is not depreciated.

The assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized through profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. Government grants related to assets are offset against the acquisition costs of the asset concerned, as long as SFS Group has no repayment obligation.

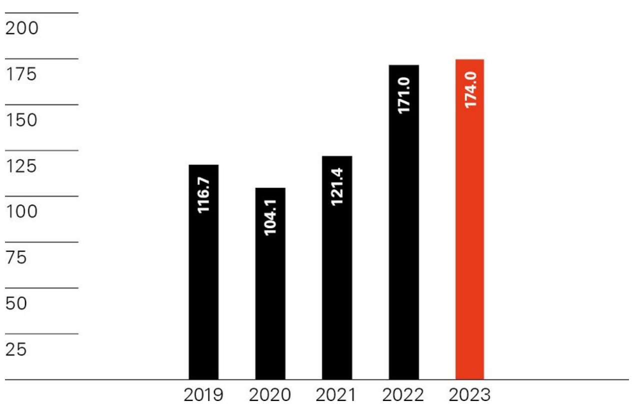
The book value of assets under construction includes down payments to suppliers of CHF 26.9 million (PY CHF 29.1 million).

In order to collateralize borrowings, assets amounting to CHF 60.5 million (PY CHF 71.9 million) have been pledged with CHF 42.3 million (PY CHF 53.3 million), of which CHF 38.7 million (PY CHF 50.5 million) have been drawn.

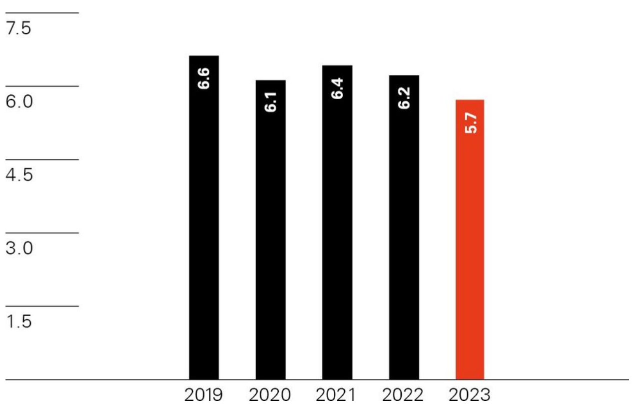
The financial commitments for contracted purchases of property, plant and equipment as well as for assets under construction amount to CHF 86.8 million (PY CHF 113.1 million).

The following charts show the additions to property, plant and equipment as well as intangible assets from the notes 3.4 and 3.5.

Additions property, plant and equipment and intangible assets
In CHF million



Additions property, plant and equipment and intangible assets
In % net sales



3.5 Intangible assets

	Software	Software in development	Building rights, patents	Total
Cost as at 01/01/2022	77.4	18.3	1.3	97.0
Changes in scope of consolidation	5.8	–	8.3	14.1
Additions	5.0	11.1	5.7	21.8
Disposals	–0.8	–	–0.2	–1.0
Reclassifications	17.0	–13.2	–	3.8
Exchange differences	–0.7	–	–0.4	–1.1
Cost as at 12/31/2022	103.7	16.2	14.7	134.6
Additions	3.8	3.8	4.9	12.5
Disposals	–0.3	–	0.0	–0.3
Reclassifications	4.8	–	–	4.8
Exchange differences	–1.6	0.0	–1.3	–2.9
Cost as at 12/31/2023	**110.4**	**20.0**	**18.3**	**148.7**
Accumulated amortization as at 01/01/2022	–68.3	–	–0.3	–68.6
Amortization	–5.5	–	–1.8	–7.3
Disposals	0.7	–	–	0.7
Reclassifications	–2.4	–	–	–2.4
Exchange differences	0.7	–	0.0	0.7
Accumulated amortization as at 12/31/2022	–74.8	–	–2.1	–76.9
Amortization	–6.7	–	–3.7	–10.4
Disposals	0.3	–	0.0	0.3
Reclassifications	–3.7	–	–	–3.7
Exchange differences	1.0	–	0.4	1.4
Accumulated amortization as at 12/31/2023	**–83.9**	**–**	**–5.4**	**–89.3**
Net book value as at 01/01/2022	9.1	18.3	1.0	28.4
Net book value as at 12/31/2022	28.9	16.2	12.6	57.7
Net book value as at 12/31/2023	**26.5**	**20.0**	**12.9**	**59.4**
Intangible assets generated internally	5.3	11.1	–	16.4
Purchased intangible assets	21.2	8.9	12.9	43.0

Intangible assets are recognized in the balance sheet at acquisition cost or production cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the costs over the assets' estimated useful lives, as follows:

	Years
Customers, brands, technology	3–5
Software	3–10
Building rights (maximum)	50
Patents	3–5

Intangible assets generated internally can only be recognized as an asset if they meet all of the following conditions at the time of the initial recognition: They are identifiable, controlled by SFS, they will yield a measurable benefit over several years, expenses can be recognized and measured separately and it is likely that the resources needed to complete the intangible assets are available or will be made available.

The intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized through profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

The financial commitments for contracted intangible assets amount to CHF 2.1 million (PY CHF 3.9 million) in 2023.

3.6 Theoretical statement of changes in goodwill

Goodwill related to acquisitions is offset against equity at acquisition date. The effects of theoretical capitalization and amortization over five years are shown in the table below. If a contract is concluded, transaction costs are part of the acquisition costs. Earnout payments are offset against equity as well. As goodwill is immediately offset against equity at acquisition date, an impairment of goodwill would not impact the income statement, but the theoretical impact would be shown in the theoretical statement of changes in goodwill.

	2023	2022
Balance as at 01/01/2023	584.7	132.8
Acquisitions	8.9	486.9
Exchange differences	–39.2	–35.0
Balance as at 12/31/2023	554.4	584.7
Accumulated amortization 01/01/2023	–158.6	–78.6
Amortization	–112.1	–83.4
Exchange differences	17.8	3.4
Accumulated amortization 12/31/2023	–252.9	–158.6
Theoretical value of goodwill as at 12/31/2023	**301.5**	**426.1**
Equity according to balance sheet	1,375.7	1,303.6
Theoretical value of goodwill	301.5	426.1
Theoretical shareholders' equity as at 12/31/2023	**1,677.2**	**1,729.7**
Net income	268.5	270.6
Amortization of goodwill	–112.1	–83.4
Theoretical net income	**156.4**	**187.2**

Theoretical goodwill is derecognized in the table above as soon as it is fully amortized.

3.7 Trade payables

	2023	2022
Against third parties	186.9	202.6
Total	**186.9**	202.6

Trade payables are recognized in the balance sheet at par value.

3.8 Other current payables

	2023	2022
VAT and other liabilities	52.0	58.8
Tax liabilities	40.5	35.8
Liabilities from ABCP program	–	31.3
Total	**92.5**	125.9

In 2021 Hoffmann Group signed a framework contract in order to sell and assign trade receivables to a third–party service provider (Asset Backed Commercial Paper program; ABCP program). Therefore part of trade receivables of Hoffmann Group were sold on a biweekly basis. The payment receipts of trade receivables not yet transferred to the third–party service provider during the period between the last date of sale of trade receivables and the next date of sale were part of other current payables. The framework contract was terminated in 2023.

3.9 Pension benefit obligations

SFS Group maintains pension plans in several countries. The pension plans are mostly legal entities or foundations that are financially independent from the SFS Group. They are compliant with local requirements and the employees and SFS usually fund the plans in equal parts.

The economic impact of the pension plans on SFS Group is reassessed annually. The valuation of a surplus or deficit is based on the plan's financial statement in accordance with Swiss GAAP FER 26 (Swiss plans) or based on an established method in the respective jurisdiction (non-Swiss plans). In the case of a surplus, an economic benefit exists if it is permitted and intended to use the surplus to decrease the employer contributions, to reimburse it to the employer based on local law or to use it beyond the statutory benefits for another economic benefit of the employer. Surpluses which SFS Group can use as contributions at any time are recognized as assets in SFS Group's balance sheet. In the case of a deficit, an economic obligation exists if the conditions for recognizing a provision are met. The change from the previous year in economic benefit and economic obligation is recognized (together with the expenses relating to the business period) as personnel expenses in the result of the period.

Swiss plans

Employees of the SFS Group in Switzerland are insured against the risks of old age, death and disability with the SFS Pension Fund based on the Federal Law on Occupational Retirement, Survivors', and Disability Pension Plans (OPA). The SFS Pension Fund is a foundation which is legally separated from the SFS Group. As per 31 December 2023, the SFS Pension Fund has an expected coverage ratio according to the OPA 111.2% (PY 108.3%). The pension liabilities and actuarial reserves are calculated based on a technical interest rate of 1.5% (PY 1.5%) using the life expectancy table BVG 2020 (PY BVG 2020). The trustees of the SFS Pension Fund decided to reduce the conversion rate gradually to 5.2% until 2024 in order to ensure the financial stability of the Fund. The determination of the economic impact on the SFS Group is based on the preliminary financial statements of the SFS Pension Fund and the Patronage Fund.

Non-Swiss plans

For non-Swiss plans, external actuarial reports are used to determine the economic impact on SFS Group. Depending on the mix of insured persons (employees, retirees), the present value of benefit obligations is calculated using an interest rate of 3.1% to 4.7% (PY 3.4% to 4.9%).

Employer contribution reserve (ECR)	Nominal value 12/31/2023	Waiver of use 2023	Balance sheet 12/31/2023	Accumulation 2023	Balance sheet 12/31/2022	Result from ECR in personnel expenses 2023	Result from ECR in personnel expenses 2022
Patronage Fund	21.4	–	21.4	0.7	20.7	–0.7	–0.3
SFS Pension Fund	1.4	–	1.4	0.0	1.4	–0.0	–
Total	**22.8**	**–**	**22.8**	**0.7**	**22.1**	**–0.7**	**–0.3**

An economic benefit is capitalized in SFS Group's balance sheet coming from uncommitted employer contribution reserves as well as from the Patronage fund's non-committed funds. It is intended to use the surplus to decrease the employer contributions.

Economic benefit/economic obligation and pension benefit expenses	Surplus/ deficit 12/31/2023	Economic share of the entity 12/31/2023	12/31/2022	Change to prior year	Contribution concerning 2023	Pension benefit expenses within personnel expenses 2023	2022
Patronage Fund	2.0	2.0	0.0	2.0	–	–2.0	4.8
Pension Funds							
without surplus/deficit	–	–	–	–	32.7	32.7	29.1
with deficit	–2.6	–2.6	–2.9	0.3	–	–0.1	–0.4
without own assets	–9.4	–9.4	–10.5	1.1	–	–0.5	–1.8
Total	**–10.0**	**–10.0**	**–13.4**	**3.4**	**32.7**	**30.1**	**31.7**

Pension Funds "without surplus/deficit" include the SFS Pension Fund. At balance sheet date, no non-committed funds exist. Therefore, neither an economic benefit nor an economic obligation is capitalized in SFS Group's balance sheet. Furthermore, foreign contribution-based plans are included in this category.

Pension Funds "with deficit" include plans of which benefit obligations exceed the plan's assets. As of December 31, 2023, this is the case for one plan in Germany (PY one) and one plan in France (PY one).

Pension Funds "without own assets" include five plans in Germany (PY six), one plan in France (PY one), one plan in Italy (PY one) and one plan in Mexico (PY one). The economic obligations of these plans are recognized in SFS Group's balance sheet as provisions if the conditions for recognizing a provision are met.

3.10 Provisions

	Anniversaries, severance payments	Other provisions	Total
Balance as at 01/01/2022	8.5	4.1	12.6
Changes in scope of consolidation	0.8	1.0	1.8
Additions	1.8	1.8	3.6
Used amounts	–0.9	0.0	–0.9
Unused amounts reversed	–0.6	–0.7	–1.3
Exchange differences	–0.5	0.1	–0.4
Balance as at 12/31/2022	9.1	6.3	15.4
Additions	1.7	0.3	2.0
Used amounts	–1.1	–0.1	–1.2
Unused amounts reversed	–0.3	–0.7	–1.0
Exchange differences	–0.8	–0.2	–1.0
Balance as at 12/31/2023	**8.6**	**5.6**	**14.2**
of which non-current	8.6	5.6	14.2

Various countries are obliged to recognize provisions as the employees are entitled to receive severance payments following the termination of employment. These provisions are disclosed in the "Anniversaries, severance payments" column. The "Other provisions" column contains provisions for warranty claims and business risks. Obligations arising from product liability are covered by the SFS Group's insurance policies. Provisions for warranty claims are recognized based on historical experience and amount to CHF 2.3 million (PY CHF 2.6 million). Provisions for specific business risks amount to CHF 3.3 million (PY CHF 3.7 million).

A provision is recognized when SFS Group has a present legal or constructive obligation as a result of past events, the outflow of resources becomes probable and the amount of the outflow can be estimated reliably. The valuation of provisions is based on SFS Group's best estimate at the balance sheet date.

3.11 Deferred tax assets (–)/liabilities (+)

Net deferred tax balances	12/31/2023	12/31/2022
Deferred tax assets	–43.8	–45.4
Deferred tax liabilities	61.1	64.8
Total	**17.3**	19.4

Movement in net deferred tax balances	2023	2022
Balance as at 01/01/2023	19.4	27.7
Changes in scope of consolidation	–0.3	–1.5
Charged (+)/credited (–) to income statement	–3.8	–5.0
Charged (+)/credited (–) to equity	0.1	–1.1
Exchange differences	1.9	–0.7
Balance as at 12/31/2023	**17.3**	19.4

Current tax liabilities arising from the taxable profit of the reporting period are accrued for, irrespective of when they are due for payment. Deferred tax assets and liabilities are recognized on all temporary differences arising between the carrying amount of an asset or liability in the statement of financial position according to Swiss GAAP FER and its tax base.

The deferred taxes are determined using local tax rates that have been enacted by the balance sheet date and are expected to apply when the deferred tax items are realized or settled. Deferred tax liabilities arising from future distribution of retained earnings are not recognized when the Group is able to control the timing and a reversal of the temporary difference is unlikely.

SFS does not recognize deferred tax assets and liabilities in relation to Pillar Two income taxes.

The table below shows the tax loss carryforwards:

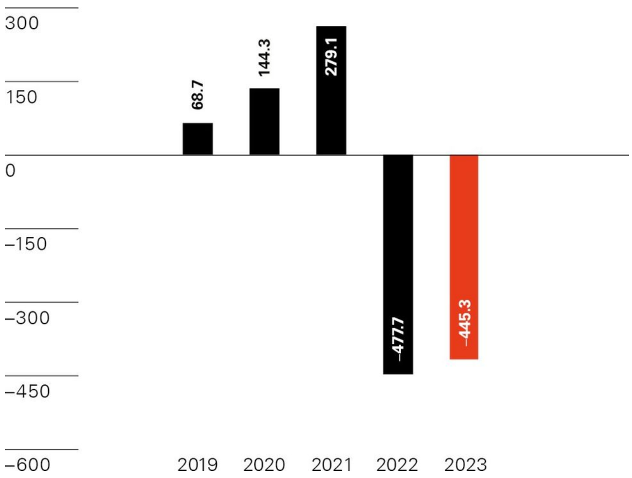
		Recognized		Unrecognized
Tax loss carryforwards	**2023**	2022	**2023**	2022
Expiry <3 years	2.0	–	–	–
Expiry within 3–7 years	1.3	1.5	4.3	–
Expiry >7 years	5.2	5.8	28.3	37.5
Total	**8.5**	7.3	**32.6**	37.5

Deferred tax assets are recognized for tax loss carryforwards and on other temporary differences to the extent that is expected to be realizable within the next five years.

4. Financing and risk management

This chapter describes the management of the capital structure and its financial risks. The aim is to optimize profits in relation to equity plus net debt, to secure liquidity and to minimize currency risks.

Net cash (+)/debt (–)
In CHF million



4.1 Cash and cash equivalents

	2023	2022
Cash at bank and on hand	164.5	204.3
Current bank deposits	63.0	17.2
Total	**227.5**	221.5

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments. Due to the short-term maturities of the cash equivalents, the carrying amount is equal to the fair value of these assets. In order to qualify as a cash equivalent, the original maturity of the instrument must be 90 days or less.

4.2 Financial assets

	2023	2022
Loans to third parties	4.1	3.7
Investments	14.8	14.7
Assets from employer contribution reserves	22.8	22.1
Economic benefit from pension plans	2.0	–
Derivative financial instruments	50.3	32.0
Other financial assets	3.0	2.6
Total	**97.0**	75.1

Marketable securities and financial assets are measured at market value, if available, and non-realized gains and losses are recognized through profit or loss. In absence of a market value, marketable securities and financial assets are measured at acquisitions costs less any impairment. Investments include investments in associates, joint ventures and immaterial subsidiaries which are not included in the scope of consolidation.

In connection with the financing of the Hoffmann SE acquisition and the corresponding issuance of two bonds with a volume of CHF 400 million (refer to note 4.3), SFS Group has entered into two cross-currency-swaps (CHF/EUR) with the same volume and maturity (refer to note 4.7). The cross-currency-swaps (designated as hedging instruments) are used to hedge the foreign currency exposure which arises from the translation of net investments in foreign entities (designated as hedged items) into the Group's presentation currency. Changes in the fair values of the cross-currency-swaps (net investment hedges) are recognized in equity and reversed through profit and loss upon disposal of the entity. As of December 31, 2023, the fair values of the cross-currency-swaps amount to CHF 50.3 million (PY CHF 32.0 million).

4.3 Borrowings

	2023 CHF million	**2023 Interest**	2022 CHF million	2022 Interest
Bank borrowings	20.9	4.0%	10.5	1.1%
Other current borrowings	15.8	4.4%	16.7	0.5%
Current borrowings	**36.7**	**4.2%**	27.2	0.7%
of which EUR	24.1	3.1%	27.2	0.7%
of which USD	12.6	6.3%	–	–
Bonds	400.0	See below	400.0	See below
Bank borrowings	223.0	3.8%	241.1	1.0%
Non-current borrowings from third parties	13.1	1.2%	30.9	1.1%
Non-current borrowings	**636.1**	**2.2%**	672.0	1.1%
of which CHF	400.0	1.2%	400.0	1.2%
of which EUR	236.1	3.9%	272.0	1.0%
of which other currencies	0.0	0.0%	–	–
Total borrowings	**672.8**	**2.3%**	699.2	1.1%

Bonds

Nominal value in CHF million	**Interest rate**	**Term**	**Expiration at nominal value**
250.0	1.00%	2022–2025	06/06/2025
150.0	1.45%	2022–2027	06/08/2027

In connection with the financing of the Hoffmann SE acquisition, SFS Group issued two bonds with a volume of CHF 400 million in June 2022. Bonds are recognized in the balance sheet at par value. Deviations from the par value in the case of below or above-par issues are offset with the emission costs and recognized as accruals and deferrals and afterwards reversed on a straight-line basis over the term of the bonds.

The financial liabilities have the following maturities:

2023 Cash outflows	**Total**	In 3 months	In 4–12 months	In 13–24 months	Later
Borrowings	672.8	6.4	30.3	258.2	377.9
Interest payments	50.4	3.8	11.1	12.4	23.1
Total 12/31/2023	**723.2**	**10.2**	**41.4**	**270.6**	**401.0**

2022 Cash outflows	Total	In 3 months	In 4–12 months	In 13–24 months	Later
Borrowings	699.2	3.4	23.8	25.6	646.4
Interest payments	27.4	1.9	5.5	7.2	12.8
Total 12/31/2022	726.6	5.3	29.3	32.8	659.2

Syndicated loan
A loan contract was negotiated with five banks in August 2014. Due to the acquisition of Hoffmann SE in 2022, the existing syndicated loan contract was prematurely renewed and two additional banks were included in the syndicate. After exercise of the first extension option, the contract term is still five years and ends on May 10, 2028. The committed and uncollateralized revolving credit line amounts to CHF 600 million until May 10, 2027, and afterwards CHF 500 million until May 10, 2028 and is used at the end of 2023 to 31.6% (PY 32.8%). It may be increased by a maximum amount of an additional CHF 100 million and it may be extended once by one year, provided the lenders agree to the request of SFS Group. The option to increase the maximum amount can be used up to three months before the final maturity date.

The syndicated loan includes normal commercial terms and conditions. The variable interest yield is linked to the financial key ratio "leverage ratio". The smaller this key ratio, the lower the interest margin. The financial covenant has been met in all subsequent periods:

	Threshold
Leverage Ratio: Net senior debt/EBITDA	maximum 2.50×

4.4 Leasing

Finance leases are capitalized at the start of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. They are amortized over the period of the lease. The related leasing obligations are recognized as liabilities. In the reporting period as well as in the previous year, no material finance leases existed.

Lease payments from operating leases are recognized through profit or loss during the period of the lease. If a contract is terminated early, a provision is made for the full amount owed less income realized from subleasing.

Future aggregate minimum lease payments	**2023**	2022
Due <1 year	39.8	44.7
Due between 1–5 years	91.0	80.2
Due >5 years	193.5	206.5
Total	**324.3**	331.4

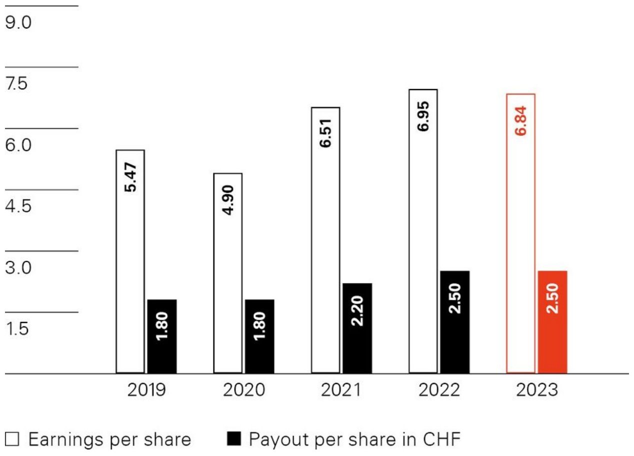
4.5 Off-balance sheet transactions

	2023	2022
Debt guarantees	0.2	0.7
Guarantee obligations	11.1	12.3
Other non-recognizable commitments	325.7	292.2
Total	**337.0**	305.2

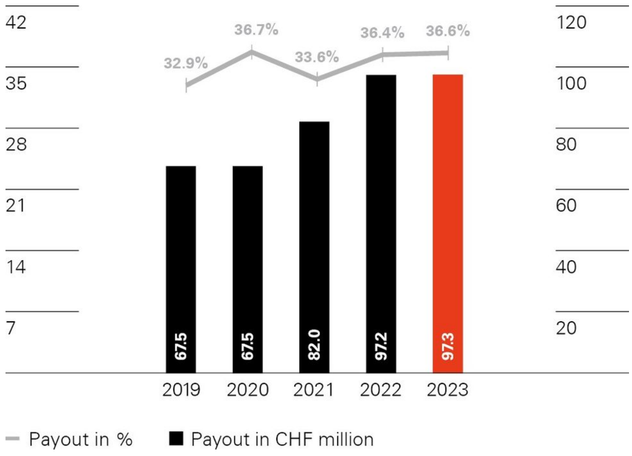
Off-balance sheet transactions consist mainly of debt guarantees, guarantee obligations, liens in favor of third parties and long-term rental contracts. Intercompany items are eliminated. Off-balance sheet transactions are assessed on the basis of the likelihood and the amount of the potential future liabilities and are disclosed above.

4.6 Equity and earnings per SFS share

Earnings and payout per share
In CHF



Payout
In %, In CHF million



A payout for the financial year 2023 of CHF 2.50 (PY CHF 2.50) per registered share, amounting to a total of CHF 97.3 million (PY CHF 97.2 million), will be proposed at the Annual General Meeting of SFS Group AG on April 24, 2024. The payout from retained earnings and the statutory capital reserve will be realized and accounted in the books after the approval of the Annual General Meeting.

	2023	2022
Weighted average number of outstanding shares	38,886,854	38,365,076
Net income attributable to SFS shareholders	266.0	266.7
Earnings per share (in CHF) basic and diluted	**6.84**	6.95

As of December 31, 2023, 38,900,000 (PY 38,900,000) registered shares at CHF 0.10 are issued and outstanding. The earnings per share are the result of dividing net income entitled to the owners of SFS Group by the weighted average number of shares in issue and outstanding during the year. As of balance sheet date there exists no authorized capital (PY CHF 20,000), no conditional capital (PY none) and no capital band. There are no dilutive effects (PY none). Statutory and legal reserves that may not be distributed amount to CHF 65.7 million (PY CHF 60.4 million) as of December 31, 2023.

Share capital and treasury shares

	Quantity	**Transaction price (Ø) in CHF**	**Purchase cost (Ø) in CHF million**
Balance as at 01/01/2022	58,064	128.3	7.4
Purchases	172,264	120.3	20.7
Disposals (acquisitions)	–200,000	121.0	–24.5
Sale	–17,500	86.0	–2.1
Balance as at 12/31/2022	12,828	119.0	1.5
Purchases	25,000	102.0	2.6
Sale	–24,422	106.0	–2.7
Balance as at 12/31/2023	**13,406**	**102.0**	**1.4**

In connection with the financing of the Hoffmann SE acquisition the share capital of SFS Group AG was increased in 2022 by 1,400,000 shares with a nominal value of CHF 0.10 per share. The premium on the issuance of shares amounted to CHF 169.2 million.

The share capital of SFS Group AG constitutes the share capital of the SFS Group. The consideration paid for treasury shares is deducted from the equity and separately disclosed. The profit or loss realized by sales of treasury shares are recognized as a reduction of capital reserves, net of any related income taxes. Part of the purchase price of Hoffmann SE in 2022 was paid by transferring 200,000 treasury shares with a fair value of CHF 24.5 million. As of December 31, 2023, SFS Group companies hold 13,406 shares (PY 12,828) and the SFS Patronage Fund holds 0 shares (PY 41,247) in SFS Group AG.

There exist no obligations to repurchase treasury shares disposed of.

4.7 Derivative financial instruments

					Contract value	Market value
Forward foreign exchange contracts 2023	CHF	EUR	USD	CNY	JPY	CHF
EUR sale/CHF purchase	54.1	–57.1	–	–	–	1.7
CHF sale/EUR purchase (FX-Swap)	–2.1	2.2	–	–	–	0.0
USD sale/CHF purchase	14.4	–	–16.8	–	–	0.5
USD sale/CNY purchase	–	–	–39.8	277.8	–	–0.2

Other derivative financial instruments 2023						
Cross-Currency-Swap EUR sale/CHF purchase	250.0	–238.4	–	–	–	30.5
Cross-Currency-Swap EUR sale/CHF purchase	150.0	–143.0	–	–	–	19.8

					Contract value	Market value
Forward foreign exchange contracts 2022	CHF	EUR	USD	CNY	JPY	CHF
EUR sale/CHF purchase	46.0	–45.9	–	–	–	1.1
CHF sale/EUR purchase (FX-Swap)	–6.4	6.5	–	–	–	0.0
CHF sale/USD purchase (FX-Swap)	–4.6	–	5.0	–	–	0.0
USD sale/CHF purchase	14.5	–	–15.0	–	–	0.9
USD sale/CNY purchase	–	–	–53.5	362.0	–	–0.8
USD sale/JPY purchase	–	–	–0.2	–	31.1	0.0

Other derivative financial instruments 2022						
Cross-Currency-Swap EUR sale/CHF purchase	250.0	–238.4	–	–	–	19.4
Cross-Currency-Swap EUR sale/CHF purchase	150.0	–143.0	–	–	–	12.6

The SFS Group uses derivative financial instruments to reduce the risks from interest and foreign currency fluctuations on business and financial transactions. To hedge foreign currency exposures, usually cash flow hedges are used. To reduce volatility in the income statement, changes in the fair value of derivatives are recognized in equity. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects the income statement or the future cash flow is no longer expected to occur. Derivatives in the current and previous financial year were exclusively held for the purpose of currency hedging.

The SFS Group also uses derivative financial instruments to hedge the foreign currency exposure which arises from the translation of net investments in foreign entities (designated as hedged items) into the Group's presentation currency. Changes in the fair values of the net investment hedges are recognized in equity and reversed through profit and loss upon disposal of the entity. In connection with the financing of the Hoffmann SE acquisition in 2022 and the corresponding issuance of two bonds with a volume of CHF 400 million (refer to note 4.3), SFS Group has entered into two cross-currency-swaps (CHF/EUR) with the same volume and maturity as the bonds. These cross-currency-swaps (designated as hedging instruments) are used to hedge the foreign currency exposure which arises from the translation of net investments in foreign entities (designated as hedged items) into the Group's presentation currency.

4.8 Exchange rates

		Balance sheet		Income statement	
	Unit	**2023**	2022	**2023**	2022
China	CNY 100	11.795	13.382	12.702	14.200
EU	EUR 1	0.926	0.985	0.972	1.005
United Kingdom	GBP 1	1.066	1.110	1.117	1.180
USA	USD 1	0.838	0.923	0.899	0.955

5 Group structure

This chapter provides an overview of the Group structure. Changes and related detailed information are explained. Transactions with related parties are also disclosed.

5.1 Changes in scope of consolidation

Acquisition of subsidiaries	**2023**	2022
Cash and cash equivalents	–	25.2
Trade receivables	–	373.3
Inventories	1.0	203.7
Other current assets	–	73.6
Property, plant and equipment	0.3	287.3
Intangible assets	–	14.1
Other non-current assets	0.2	58.7
Current liabilities	–0.1	–385.1
Non-current liabilities	–	–73.3
Acquired net assets	**1.4**	**577.5**
Goodwill offset against equity	8.9	486.9
Purchase price incl. acquisition cost	**10.3**	**1,064.4**
Non-cash part of purchase price	–	–520.1
Cash and cash equivalents	–	–25.2
Consideration in cash flow statement	**10.3**	**519.1**

2023
As of July 1, 2023, the assets of the business concerning fasteners and other products of Connective Systems & Supply, Inc. (CSS) were acquired in an asset deal. In organizational terms, this business unit of the company based in Denver (US) was incorporated into Triangle Fastener Corporation (TFC). This business unit of CSS generated sales of USD 15 million in 2022 with around 20 employees. Contract clauses do not include any contingent consideration (earnout).

2022
As of May 1, 2022, SFS Group acquired 100% of Hoffmann SE. Hoffmann was incorporated into the SFS organization as an individual division with the name “D&L International” within the Distribution & Logistics segment. Headquartered in Munich (Germany), Hoffmann SE has around 3,000 employees and is on site in over 50 countries. In 2021, Hoffmann generated sales of approximately EUR 1.0 billion. 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. The transaction did not include Contorion, the eCommerce subsidiary of Hoffmann SE, which is geared toward a different customer segment. The Russian subsidiary of Hoffmann is also not included in the scope of consolidation. Contract clauses do not include any contingent consideration (earnout).

5.2 Group companies

Subsidiaries

Country	Registered office	Name of the company	Participation in % 2023	2022	Currency	Share capital (in local currency 1,000)	Activities
China	Nantong	Unisteel Technology (China) Co., Ltd.	100.0	100.0	CNY	606,040	V, P
	Shanghai	Unisteel Fastening Systems (Shanghai) Co., Ltd.	–	100.0	CNY	100,688	L
		SFS Group (Shanghai) Co., Ltd.	100.0	100.0	CNY	14,263	DL
		Hoffmann Quality Tools Trading Co., Ltd.	100.0	100.0	CNY	77,069	V
Costa Rica	La Aurora Heredia	Tegra Medical Costa Rica S.A.	100.0	100.0	CRC	1	V, P
Germany	Achim	Hoffmann GmbH	100.0	100.0	EUR	512	V
	Essen	Hoffmann Essen Qualitätswerkzeuge GmbH	100.0	100.0	EUR	100	V
	Göppingen	Hoffmann Göppingen Qualitätswerkzeuge GmbH	100.0	100.0	EUR	30	V
	Mörfelden-Walldorf	GESIPA Blindniettechnik GmbH	–	100.0	EUR	5,000	V, P
	Munich	Hoffmann Auslands-Beteiligungs GmbH	100.0	100.0	EUR	25	H
		Hoffmann Engineering Services GmbH	100.0	100.0	EUR	25	DL
		Hoffmann Group Immobilien GmbH	100.0	100.0	EUR	25	DL
		Hoffmann GmbH Qualitätswerkzeuge	100.0	100.0	EUR	512	V
		Hoffmann SE	100.0	100.0	EUR	2,550	H, DL
		Hoffmann IT & General Services GmbH	100.0	100.0	EUR	25	DL
		Hoffmann Group System GmbH	100.0	100.0	EUR	100	DL
		Proserve Vertriebs- und Beratungs GmbH	100.0	100.0	EUR	26	H
		Simple System GmbH	100.0	100.0	EUR	26	V
	Nuremberg	Hoffmann Nürnberg GmbH Qualitätswerkzeuge	100.0	100.0	EUR	625	V
		Hoffmann Supply Chain GmbH	100.0	100.0	EUR	75	DL
		Hoffmann Supply Management GmbH & Co. KG	100.0	–	EUR	75	DL
		Supply Chain Verwaltungs GmbH (former Hoffmann Asset Management GmbH)	100.0	100.0	EUR	25	DL
	Oberursel	SFS Group Germany GmbH	100.0	100.0	EUR	5,000	V, P
	Reutlingen	Garant Productions GmbH	100.0	100.0	EUR	25	P
	Schramberg	Ludwig Hettich Holding GmbH & Co. KG	51.0	51.0	EUR	2,500	H
		Ludwig Hettich Verwaltungs-GmbH	51.0	51.0	EUR	26	H
		HECO Schrauben GmbH & Co. KG	51.0	51.0	EUR	1,230	V, P
Denmark	Copenhagen	Hoffmann Danmark ApS	100.0	100.0	DKK	125	V
	Roskilde	Jevith A/S	100.0	100.0	DKK	500	V
Estonia	Tallinn	SFS Group Finland Oy Eesti Filiaal	100.0	100.0	EUR	n/a	V
Finland	Nummela	SFS Group Finland Oy (former SFS intec Oy)	100.0	100.0	EUR	84	V
France	Drusenheim	Hoffmann France SAS	100.0	100.0	EUR	500	V
	Lyon	Simple System SAS	–	100.0	EUR	10	L
	Saint-Projet	HECO France Sarl	51.0	51.0	EUR	8	V
	Valence	SFS Group SAS	100.0	100.0	EUR	3,078	V, P
United Kingdom	Leeds	SFS Group Fastening Technology Ltd.	100.0	100.0	GBP	2,000	V, P
	London	Hoffmann UK Quality Tools Ltd.	100.0	100.0	GBP	5,973	V

India	Pune	Hoffmann Quality Tools India Pvt. Ltd.	100.0	100.0	INR	528,750	V
		SFS Group India Pvt. Ltd.	99.7	99.7	INR	46,654	V, P
Italy	Pordenone	SFS Group Italy S.r.l. unipersonale (former SFS intec S.r.l. unipersonale)	100.0	100.0	EUR	10,000	V, P
	Vigonza	Hoffmann Italia S.p.A.	100.0	100.0	EUR	500	V
Canada	Dundas	SFS Group Canada Inc. (former SFS intec Inc.)	100.0	100.0	CAD	4,000	V, P
Malaysia	Johor Bahru	Unisteel Technology (M) Sdn Bhd	100.0	100.0	USD	1,372	V, P
	Subang Jaya	Hoffmann Quality Tools (Malaysia) Sdn Bhd	100.0	100.0	MYR	16,024	V
Mexico	Puebla	Hoffmann Quality Tools Mexico S. de R.L. de C.V.	100.0	100.0	MXN	9,150	V
	Querétaro	SFS Group Fastening Technology Mexico S.A.	100.0	100.0	MXN	50	V
Netherlands	Borne	Hoffmann Quality Tools B.V.	100.0	100.0	EUR	37	V
	Helmond	SFS Group the Netherlands B.V. (former Guardian B.V.)	100.0	100.0	EUR	18	V, P
Norway	Frogner	SFS Group Norway AS	100.0	100.0	NOK	2,030	V
Austria	Korneuburg	SFS Group Austria GmbH	100.0	100.0	EUR	146	V, P
	Zell am Moos	Hoffmann Austria Qualitätswerkzeuge GmbH	100.0	100.0	EUR	35	V
Poland	Poznan	SFS Group Sp. z o.o.	100.0	100.0	PLN	11,937	V
Portugal	Lisbon	Hoffmann Iberia Quality Tools S.L.	100.0	100.0	EUR	n/a	V
	Malveira	SFS Group Fastening Technology (Iberica), S.A.U. Sucursal em Portugal	100.0	100.0	EUR	n/a	V
Romania	Bucharest	Hoffmann Industrial Tools S.R.L.	100.0	100.0	RON	10	V
	Campia Turzii	HECO Schrauben S.r.l.	51.0	51.0	RON	12,737	P
Sweden	Strängnäs	SFS Group Sweden AB	100.0	100.0	SEK	200	V, P
Switzerland	Emmenbrücke municipality of Emmen	Allchemet AG	100.0	100.0	CHF	340	V
	Hallau	Stamm AG	100.0	100.0	CHF	500	V, P
	Heerbrugg municipality of Widnau	SFS Group International AG	100.0	100.0	CHF	5,400	H
		SFS Group Schweiz AG	100.0	100.0	CHF	12,550	V, P, DL
Singapore	Singapore	Hoffmann Quality Tools Asia Pacific Pte. Ltd.	100.0	100.0	SGD	12,865	V
		Unisteel Technology Limited	100.0	100.0	USD	340,443	V
Slovakia	Bratislava	Hoffmann Qualitätswerkzeuge SK s.r.o.	100.0	100.0	EUR	7	V
Slovenia	Ljubljana	Hoffmann kvalitetna orodja d.o.o.	100.0	100.0	EUR	500	V
Spain	Madrid	Hoffmann Iberia Quality Tools S.L.	100.0	100.0	EUR	50	V
	Sondika-Bizkaia	SFS Group Fastening Technology (Iberica), S.A.U.	100.0	100.0	EUR	975	V
Taiwan	Kaohsiung	Unisteel Technology Limited Taiwan Branch	100.0	100.0	NTD	n/a	DL
Czech Republic	Ejpovice	Hoffmann Qualitätswerkzeuge CZ s.r.o.	100.0	100.0	CZK	100	V
	Turnov	SFS Group CZ s.r.o.	100.0	100.0	CZK	205,000	V, P
Turkey	Torbali-Izmir	SFS Group TR San. ve Tic. A.Ş. (former SFS intec Baglanti Teknolojileri Sanayi ve Ticaret A.S.)	95.1	95.1	TRY	23,109	V, P
		SFS Group Pazarlama A.S.	95.1	95.1	TRY	100	V
Hungary	Budapest	Hoffmann Hungary Quality Tools Kft.	100.0	100.0	HUF	3,000	V
	Janossomorja	SFS Group Hungary Kft.	100.0	100.0	HUF	412,500	V, P
USA	Franklin, MA	Tegra Medical, LLC	100.0	100.0	USD	137,839	V, P
		Tegra Medical CR, LLC	100.0	100.0	USD	–	H
	Knoxville, TN	Hoffmann Quality Tools USA, Inc.	100.0	100.0	USD	6,000	V

	Pittsburgh, PA	Triangle Fastener Corporation	100.0	100.0	USD	1	V
	Watertown, CT	Truelove & Maclean, Inc.	100.0	100.0	USD	1	V, P
	Wyomissing, PA	SFS Group USA, Inc.	100.0	100.0	USD	37,750	V, P

DL = Services, P = Production, V = Sales, H = Holding, L = in Liquidation

The closing date of all companies, except of Hoffmann Quality Tools India Pvt. Ltd., is December 31.

2023
Hoffmann Asset Management GmbH was renamed Supply Chain Verwaltungs GmbH. SFS intec Oy was renamed SFS Group Finland Oy. SFS intec S.r.l. unipersonale was renamed SFS Group Italy S.r.l. unipersonale. SFS intec, Inc. was renamed SFS Group Canada Inc. Guardian B.V. was renamed SFS Group the Netherlands B.V. SFS intec Baglanti Teknolojileri Sanayi ve Ticaret A.S. was renamed SFS Group TR San. ve Tic. A.Ş.

GESIPA Blindniettechnik GmbH was merged into SFS Group Germany GmbH. Simple System SAS was merged into Simple System GmbH. Unisteel Fastening Systems (Shanghai) Co., Ltd. was merged into Unisteel Technology (China) Co., Ltd.

Hoffmann Supply Management GmbH & Co. KG was established with a share capital of CHF 0.075 million.

2022
SFS intec AS was renamed SFS Group Norway AS. Indo Schöttle Auto Parts Pvt. Ltd. was renamed SFS Group India Pvt. Ltd. SFS intec GmbH was renamed SFS Group Germany GmbH. SFS intec AB was renamed SFS Group Sweden AB.

MBE Moderne Befestigungselemente GmbH and SFS intec Beteiligungen GmbH & Co. KG were merged into SFS Group Germany GmbH.

SFS intec AG and SFS Group Schweiz AG were merged into SFS unimarket AG, which was renamed SFS Group Schweiz AG. Furthermore, Unisteel International Pte Ltd was liquidated.

Joint ventures

			Shareholding in %			Share capital in (1,000)	
Country	Registered office	Name of the company	**2023**	2022	Currency		Activities
China	Tianjin	Sunil SFS intec Automotive Parts (Tianjin) Co., Ltd	50.0	50.0	CNY	212,483	V, P

5.3 Transactions with related parties
Transaction with related parties are generally conducted based on usual market conditions.

Business relationships with related parties
Business transactions with members of the Board of Directors and of the Group Executive Board as well as related companies are summarized in the table below:

	2023	2022
Sales of goods and services	3.0	3.5
Purchases of goods and services	1.2	0.9
Receivables	0.2	0.2
Payables	0.1	–

The sales of goods and services mainly include IT, HR and finance services to companies owned by the founding families.

Business relationship with pension funds
SFS Group charges CHF 0.6 million (PY CHF 0.6 million) in connection with the administration of the SFS pension fund and the patronage fund. Further business relationships with the pension fund include expenses of CHF 0.3 million (PY CHF 0.4 million).

Business relationships with associates and joint ventures

	2023	2022
Sales of goods and services	0.5	2.0
Receivables	0.3	0.4
Bank guarantees	11.1	12.3

6 Events after the balance sheet date

SFS is not aware of any events that occurred after the balance sheet date that could have a material impact on the consolidated financial statements for the financial year ended December 31, 2023.

The consolidated financial statements of the SFS Group were approved by the Audit Committee and the Board of Directors on March 6, 2024, and are subject to final approval at the Annual General Meeting of shareholders, which will take place on April 24, 2024.

Report of the statutory auditor

to the General Meeting of SFS Group AG

Heerbrugg, municipality of Widnau

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SFS Group AG and its subsidiaries (the Group), which comprise the consolidated income statement, and the consolidated balance sheet as at 31 December 2023, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 123 to 156) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 17.6 million

We concluded full scope audit work at sixteen Group companies in nine countries. We further, concluded a review at a Group company and specified procedures at seven further Group companies.

Our activities cover Group companies that account for 83% of the group's net sales and 83% of its assets.

As key audit matter, the following area of focus has been identified:

Valuation of inventories

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 17.6 million
Benchmark applied	Profit before income taxes
Rationale for the materiality benchmark applied	We chose profit before income taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 0.880 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We designed the scope of our audit in order to cover the significant subsidiaries with a full scope audit or review. For the other companies, we relied on the results of the completed statutory audits and on analyses of significant changes. In particular, for these companies we checked the reconciliation of the statutory financial statements to Swiss GAAP FER. Where audits were perofrmed by component auditors, we ensure that, as Group auditor, we were adequately involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. This involvement included communicating the risks identified at Group level, specifying the materiality levels to be used, detailed audit instructions, holding meetings and reviewing the reports for the interim and final audits of the relevant subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Key audit matter	How our audit addressed the key audit matter
Inventories as at 31 December 2023 amount to CHF 550.9 million. This represents 21.6% of total assets. We consider the valuation of inventories a key audit matter. In particular, the following risks exist in connection with the valuation of inventories by management: • Inventories are not stated at the lower of average acquisition or production cost or – if this is lower – at the net realizable value (lower of cost or market value principle: assessment of the lover value from acquisition and production costs on the one hand and the net realizable value on the other hand). • Write-downs for obsolescent inventory or stock that exceeds the usual sales volume (e.g. slow moving or excess inventory) are inadequate. Further details regarding inventories can be found in note 3.3.	We performed the following audit procedures: • Sample-based testing of whether inventories were stated at acquisition or production costs in accordance with Swiss GAAP FER. We compared the acquisition costs used for the valuation of raw materials, supplies and consumables, and purchased finished goods with the latest purchase prices or other evidence. We tested the additional costs included in the production costs of semi-finished and finished goods, in particular using overhead recovery variance analysis or alternative methods. • Sample-based testing of whether the lower of acquisition or production cost and net realisable value has been applied. • Sample-based testing of the mathematical correctness and appropriateness of Management's calculation of write-downs of obsolescent inventory. • Testing whether the determined write-downs for obsolescent inventory or stock have been correctly recorded in the accounts. On the basis of our audit procedures, we consider Management's valuation of the inventories to be appropriate.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERT-suisse's website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Gianluca Galasso	André P. Kueffer
Licensed audit expert Auditor in charge	Licensed audit expert

St. Gallen, 6 March 2024

Financial Report

Financial statements SFS Group AG

Balance sheet

Assets in CHF million	Notes	12/31/2023	12/31/2022
Cash and cash equivalents		20.5	19.9
Other current receivables from Group companies		1.8	5.4
Prepayments and accrued income		0.2	0.4
Current assets		**22.5**	25.7
Derivative financial instruments		50.3	32.0
Financial assets from Group companies		1,651.0	1,645.1
Investments		119.1	119.1
Non-current assets		**1,820.4**	1,796.2
Assets		**1,842.9**	1,821.9

Liabilities and equity in CHF million	Notes	12/31/2023	12/31/2022
Interest-bearing borrowings from Group companies		22.1	24.4
Deferred income and accrued expenses		7.6	2.9
Current liabilities		**29.7**	27.3
Derivative financial instruments		50.3	32.0
Bonds	8	400.0	400.0
Interest-bearing borrowings from Group companies		251.9	284.4
Non-current liabilities		**702.2**	716.4
Share capital		3.9	3.9
Statutory capital reserve		132.1	180.7
Other capital reserve		–1.0	–0.9
Statutory retained earnings		1.9	1.9
Voluntary retained earnings		275.1	275.1
Treasury shares		–1.4	–1.5
Profit carryforward		570.5	527.9
Net income		129.9	91.2
Total equity*		**1,111.0**	1,078.2
Liabilities and equity		**1,842.9**	1,821.9

*2022 includes rounding differences of CHF 0.1 million.

Income statement

Income in CHF million	2023	2022
Investment income	110.0	95.0
Financial income	54.4	42.6
Total income	**164.4**	137.6

Expenses in CHF million		
Administration expense	–0.6	–2.0
Financial expenses	–30.5	–44.4
Total expenses	**–31.1**	–46.4
Net income before taxes	**133.3**	91.2
Direct taxes	–3.4	–0.0
Net income	**129.9**	91.2

Notes to the financial statements SFS Group AG

Notes

1 Accounting policies
The present financial statements have been prepared in accordance with the regulations on commercial accounting and reporting given in the Swiss Code of Obligations. Securities (marketable securities with a stock exchange price) as well as derivative financial instruments are recognized at fair value. All other assets are stated at historical cost less necessary impairments.

2 Number of employees
The company does not have any employees (PY none).

3 Investments
The SFS Group AG is incorporated and domiciled in Heerbrugg, municipality of Widnau/SG, Switzerland and owns the following investments:

		2023		2022
	Share capital	Participation[1]	Share capital	Participation[1]
SFS Group International AG, Heerbrugg, municipality of Widnau, Switzerland	5.4	100%	5.4	100%
SFS Group Schweiz AG, Heerbrugg, municipality of Widnau, Switzerland	12.6	100%	12.6	100%

[1]Each share represents one voting right

The significant indirect shareholdings are disclosed in note 5.2 of the consolidated financial report.

4 Share capital
The share capital is divided into 38,900,000 registered shares (PY 38,900,000 registered shares) each with a par value of CHF 0.10. No conversion and option rights have been issued (PY none).

As of December 31, 2023, SFS Group Schweiz AG holds 13,406 treasury shares (PY 12,828). In the reporting period 25,000 treasury shares (PY 172,264) were purchased at an average transaction price of CHF 102.0 (PY CHF 120.3) and 24,422 treasury shares (PY 17,500) were disposed of at an average transaction price of CHF 106.0 (PY CHF 86.0) due to share-based compensation or employee share purchase programs. In 2022, additional 200,000 treasury shares were disposed of due to the acquisition of Hoffmann SE.

5 Board of Directors' and Group Executive Board's shareholdings
The following tables provide information with regard to the shareholdings of the Board members:

Board of Directors	**Number of shares 12/31/2023**	Number of shares 12/31/2022
Thomas Oetterli, Chair, non-executive, independent member	11,840	10,820
Peter Bauschatz, non-executive, independent member	1,560	1,060
Nick Huber, non-executive member*	117,232	116,212
Urs Kaufmann, non-executive, independent member	12,840	11,820
Bettina Stadler, non-executive member* until April 2023	n/a	393,960
Manuela Suter, non-executive, independent member	2,040	1,280
Fabian Tschan, non-executive member* since April 2023	2,687,033	n/a
Jörg Walther, non-executive, independent member	7,720	6,700
Total	**2,840,265**	541,852

*Member family shareholders

Shares, granted during the reporting period, are disclosed in the compensation report.

Group Executive Board	Number of shares 12/31/2023	Number of shares 12/31/2022
Jens Breu, Chief Executive Officer	33,870	31,370
Arthur Blank, Head of Construction division	16,235	15,485
Volker Dostmann, Chief Financial Officer	2,571	1,363
Walter Kobler, Head of Industrial division, Head of Medical division	24,415	23,555
Urs Langenauer, Head of Riveting division	5,091	4,691
George Poh, Head of Electronics division	50,567	49,197
Iso Raunjak, Head of Distribution & Logistics Switzerland division	1,913	1,153
Martin Reichenecker, Head of Distribution & Logistics International division	1,830	560
Alfred Schneider, Head of Automotive division	19,655	19,055
Claude Stadler, Head of Corporate Services*	393,716	393,266
Total	**549,863**	539,695

*Member family shareholders

Shares, granted during the reporting period, are disclosed in the compensation report.

6 Statutory capital reserve

The disclosed statutory capital reserve of SFS Group AG amounts to CHF 132,122,251.35 (PY CHF 180,741,326.35). The increase of CHF 169,192,076.35 in 2022 was due to the premium on the issuance of shares in connection with the financing of the Hoffmann SE acquisition. Based on a resolution of the Annual General Meeting 2023, the statutory capital reserve was distributed to the shareholders in the amount of CHF 48,619,075.00. The Federal Tax Administration (FTA) has not approved CHF 12,858,791.85 of the statutory capital reserve (capital expenses resulting from the IPO 2014 as well as from the capital increase 2022). In this context, the SFS Group AG is still of the opinion that the share premium before deduction of the IPO and capital expenses qualify to the full extent as a statutory capital reserve.

7 Contingent liabilities

Apart from the warranty obligations there are no contingent liabilities.

	12/31/2023	12/31/2022
Guarantee obligations to Group companies in favor of third parties	651.3	641.8
Guarantee obligations to related parties in favor of third parties	11.1	12.3
of which used	210.5	205.6

8 Bonds

Nominal value in CHF million	Interest rate	Term	Expiration at nominal value
250.0	1.00%	2022–2025	06/06/2025
150.0	1.45%	2022–2027	06/08/2027

In connection with the financing of the Hoffmann SE acquisition, SFS Group issued two bonds in June 2022. The total volume amounts to CHF 400 million. Bonds are recognized in the balance sheet at nominal value. Deviations from the nominal value in the case of below or above-par issues are offset with the emission costs and recognized as accruals and deferrals and afterwards reversed on a straight-line basis over the term of the bonds.

9 Events after the balance sheet date

SFS is not aware of any events that occurred after the balance sheet date that could have a material impact on the financial statements for the financial year ended December 31, 2023.

Proposed appropriation of retained earnings and the statutory capital reserve

The Board of Directors proposes to the Annual General Meeting of shareholders to pay out a total of CHF 2.50 (PY CHF 2.50) per registered share with a nominal of CHF 0.10 per share.

Proposed appropriation of retained earnings
Payment from retained earnings **CHF 1.25** (PY 1.25) per registered share with a nominal of CHF 0.10 per share.

Retained earnings in CHF million	12/31/2023	Decision AGM 12/31/2022
Profit carryforward	570.5	527.9
Net income	129.9	91.2
Earnings available for distribution	700.4	619.1
Payout from retained earnings*	**–48.6**	–48.6
Carryforward to retained earnings	651.8	570.5

*The dividend is based on the issued share capital as at December 31, 2023. No dividends will be distributed to treasury shares held by SFS Group AG.

Proposed appropriation of the statutory capital reserve
Payment from the statutory capital reserve **CHF 1.25** (PY 1.25) per registered share with a nominal of CHF 0.10 per share.

Statutory capital reserve in CHF million	12/31/2023	12/31/2022
Carryforward of statutory capital reserve	132.1	11.5
Changes of statutory capital reserve	–	169.2
Payout from statutory capital reserve*	**–48.6**	–48.6
Carryforward to statutory capital reserve	83.5	132.1

*The dividend is based on the issued share capital as at December 31, 2023. No dividends will be distributed to treasury shares held by SFS Group AG.

Due to the presentation in millions, rounding differences may arise for the value “Carry forward to retained earnings”.

Report of the statutory auditor

to the General Meeting of SFS Group AG

Heerbrugg, municipality of Widnau

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SFS Group AG (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 162 to 167) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 5.5 Mio.
Benchmark applied	Total equity
Rationale for the materiality benchmark applied	We chose total equity as the benchmark because, in our view, it is an appropriate benchmark for materiality considerations relating to a holding company.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the financial statements.

We further confirm that the proposed appropriation of available earnings and the proposed appropriation of statutory capital reserves complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Gianluca Galasso	André P. Kueffer
Licensed audit expert Auditor in charge	Licensed audit expert

St. Gallen, 6 March 2024

Information on the publication

Explanation regarding alternative performance measurements
In addition to financial key figures defined by general accounting principles, SFS Group uses alternative performance measurements. For SFS it is of strategic importance to generate value added for all stakeholders: Customers, vendors, employees, shareholders and the community. Return on investment is a highly condensed key figure to measure value added. A comprehensive corporate management of the group requires additional operational key figures: organic sales growth, operating profit (EBIT) adjusted margin and Operating Free Cash Flow. These key figures help to steer the organization and to monitor strategic implementations.

Return on Invested Capital (ROIC)
This key figure measures the return on invested capital as a percentage. ROIC illustrates how efficiently the company's resources are used. If ROIC exceeds weighted average cost of capital, SFS Group creates value added. The mid-term target is >10%. The key figure relates the operating profit adjusted after tax (EBIT adjusted after tax) to the invested capital. The invested capital is based on the equity at year end before goodwill offset, less net financial assets. A standard tax rate of 17.5% is applied.

In CHF million	**2023**	2022	2021	2020	2019
Equity at year end	1,375.7	1,303.6	1,450.4	1,278.2	1,237.2
+ Goodwill offset against equity	1,518.5	1,509.6	1,022.7	1,015.6	984.7
– Net cash/+ net debt	445.3	477.7	-279.1	-144.3	-68.7
Invested capital	**3,339.5**	3,290.9	2,194.0	2,149.5	2,153.2
Operating profit (EBIT) adjusted	358.6	353.2	298.6	225.3	239.1
– Tax 17.5%	–62.8	–61.8	–52.3	–39.4	–41.8
Operating profit (EBIT) adjusted after tax	**295.8**	291.4	246.3	185.9	197.3
ROIC	**8.9%**	8.9%	11.2%	8.6%	9.2%

Return on Capital Employed (ROCE)
Like ROIC, this key figure is an indicator for the profitability in relation to capital employed. In contrast to ROIC, goodwill offsets and taxes are not taken into account. ROCE relates the operating profit (EBIT) adjusted to the average capital employed. The capital employed is calculated based on the average of the last twelve months.

In CHF million	**2023**	2022	2021	2020	2019
Ø Working capital	962.2	896.1	701.6	603.0	615.8
– Ø Cash and cash equivalents	–220.6	–228.3	–235.1	–146.2	–147.8
+ Ø Tangible and intangible assets	1,063.4	940.7	729.2	721.2	723.1
– Ø Net deferred tax liabilities and provisions	–46.1	–50.9	–52.1	–44.1	–56.2
Ø Capital employed	**1,758.9**	1,557.6	1,143.6	1,134.0	1,134.9
Operating profit (EBIT) adjusted	**358.6**	353.2	298.6	225.3	239.1
ROCE	**20.4%**	22.7%	26.1%	19.9%	21.1%

Organic sales growth

All segments, divisions and management are measured by their contribution to growth. Organic sales growth is a key figure which measures the top-line growth compared to the previous year. To increase transparency and comparability, currency impacts and changes in scope are excluded from third–party sales. The result is the organic sales growth as illustrated in the Financial overview in the management review section of the Annual Report.

Operating profit (EBIT) adjusted and EBIT margin adjusted

SFS uses the operating profit (EBIT) to assess the earnings situation and operational success. EBIT margin relates the operating profit to net sales and illustrates if the operating business is led successfully. The operating profit adjusted and hence EBIT margin adjusted are calculated excluding one-off effects. This increases comparability and transparency for a performance measurement over time. One-off effects are non–recurring items that adulterate the validity and comparability of the key figure.

In CHF million	**2023**	2022	2021	2020	2019
Operating profit (EBIT)	358.6	330.3	301.7	227.4	236.3
+ Amortization of inventory step-up related to purchase price allocation of Hoffmann SE acquisition and first-time intra-segment profit elimination in inventory (D&L segment)	–	22.9	–	–	–
– Book gain on disposal of non-operating assets	–	–	–3.1	–2.1	–14.3
+ Relocation cost CN-Nantong	–	–	–	–	17.1
Operating profit (EBIT) adjusted	**358.6**	353.2	298.6	225.3	239.1
Net sales	3,073.0	2,738.7	1,897.3	1,707.1	1,782.1
EBIT margin adjusted	**11.7%**	12.9%	15.7%	13.2%	13.4%

Operating Free Cash Flow

It is very important to SFS to finance capital expenditures (mainly for buildings, machines, equipment and information systems infrastructure) needed for organic growth with own funds. Operating Free Cash Flow is used as a key figure to determine cash generation. The key figure measures the ability to convert operational success into cash inflows. This enables to finance day-to-day operations (working capital) and necessary investments in operating assets from SFS Group's own business. Sustainable operating profitability and effective net working capital management have a great impact on Operating Free Cash Flow generation. To increase comparability, acquisitions of subsidiaries are not taken into account.

In CHF million	**2023**	2022	2021	2020	2019
Cash flow from operating activities	313.4	287.9	324.5	296.4	277.6
– Purchases of					
property, plant and equipment	–161.5	–149.2	–104.6	–98.4	–114.5
intangible assets	–12.5	–21.8	–16.8	–5.7	–2.2
Operating Free Cash Flow	**139.4**	116.9	203.1	192.3	160.9

The registered shares of the SFS Group AG of CHF 0.10 each have been listed on the SIX Swiss Exchange AG since May 7, 2014. The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since 2017.

	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Number of registered shares (in 1,000)	38,900	38,900	37,500	37,500	37,500
Number of shares ranking for dividend (in 1,000)	38,900	38,900	37,500	37,500	37,500
Weighted average number of outstanding shares (in 1,000)	38,887	38,365	37,460	37,500	37,500
Number of shareholders	8,881	8,691	7,910	7,825	8,353
Stock exchange quotation (in CHF)					
Year high	128.80	140.90	143.00	106.90	97.00
Year low	87.90	80.90	103.90	58.85	68.60
Year-end price	104.20	87.50	126.20	105.00	93.10
Share key data					
Earnings per share in CHF	6.84	6.95	6.51	4.90	5.47
Distribution per share in CHF	2.50	2.50	2.20	1.80	1.80
Payout ratio in % of net income	36.6	36.4	33.6	36.7	32.9
Price/earnings ratio (year-end price)	15.2	12.6	19.4	21.4	17.0
Market capitalization					
In CHF million (year-end price × number of shares ranking for dividend)	4,053.4	3,403.8	4,732.5	3,937.5	3,491.3
As a % of net sales	131.9	124.3	249.4	230.7	195.9
As a % of equity	294.7	261.1	326.3	308.1	282.2

Agenda

31st Annual General Meeting of SFS Group AG
Wednesday, April 24, 2024

Publication of half-year results 2024
Thursday, July 18, 2024

Investor Day
Thursday, September 5, 2024

Stock information

Security no.
23.922.930

ISIN
CH 023 922 930 2

SIX Swiss Exchange AG
SFSN

Reuters
SFSN.S

Bloomberg
SFSN SW

Fact Set
SFSN-CH

Imprint

Annual Report 2023
The Annual Report is available in German and English. The German language version of the full Annual Report is the only legally binding version.

Exclusion of liability
This Annual Report includes forward looking statements. These statements reflect the SFS Group's current assessment of market conditions and future events. The statements are therefore subject to risks, uncertainties and assumptions. Unforeseen events may lead to deviations of the actual results from the forecasts and esti- mates made in this presentation and in other published information. To this extent, all forward looking statements in this Annual Report are subject to such limitations.

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23