



Annual Report

**2019/20**

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# Shaping Electrical Power

The Schaffner Group is a global leader in solutions that ensure the efficient and reliable operation of power electronic systems by shaping electrical power. The Group's portfolio includes EMC filters, power magnetic components, power quality filters and the related services. For the automobile industry, Schaffner develops and manufactures components for antennas for keyless authentication systems, as well as filter solutions for hybrid and electric vehicles and their charging infrastructure. Schaffner components are also deployed in electronic motor controls, rail technology applications, machine tools and robots, electrical infrastructure, power supplies for electronic devices, and wind power and photovoltaic systems. Headquartered in Switzerland, Schaffner serves its customers globally through its engineering and manufacturing centers in Asia, Europe and North America.

# At a glance

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Order intake

**167.0**

in CHF million

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Net sales

**171.7**

in CHF million

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EBIT

**4.7**

in CHF million

**2.7%**

of net sales

---

Net profit

**2.7**

in CHF million

**1.6%**

of net sales

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Free cash flow

**-0.4**

in CHF million

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Equity ratio

**44.5%**

of total assets

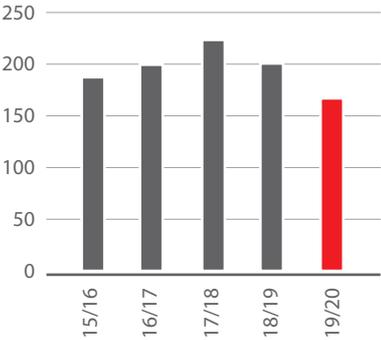
# Key financials

Group	In CHF '000	2019/20	2018/19	2017/18
Order intake		166,975	200,674	223,450
<b>Net sales</b>		<b>171,736</b>	<b>197,387</b>	<b>221,521</b>
<b>Operating profit (EBIT)</b>		<b>4,670</b>	<b>9,803</b>	<b>17,158</b>
In % of net sales		2.7	5.0	7.7
<b>Net profit for the period</b>		<b>2,715</b>	<b>7,207</b>	<b>9,392</b>
In % of net sales		1.6	3.6	4.2
<b>Free cash flow</b>		<b>-437</b>	<b>6,253</b>	<b>518</b>
Total assets		128,119	141,879	148,480
Shareholders' equity		56,951	63,227	59,018
Equity ratio in %		44.5	44.5	39.7
<b>Number of employees (headcount)</b>		<b>2,180</b>	<b>2,422</b>	<b>2,825</b>
<b>Segments</b>	In CHF '000	2019/20	2018/19	2017/18
<b>EMC division</b>				
Order intake		95,371	104,348	116,653
Segment sales		94,906	106,923	115,896
Segment EBIT		9,556	15,165	17,788
In % of segment sales		10.1	14.2	15.3
<b>Automotive division</b>				
Order intake		31,519	39,439	49,025
Segment sales		32,796	38,511	49,022
Segment EBIT		-2,857	2,548	11,303
In % of segment sales		-8.7	6.6	23.1
<b>Power Magnetics division</b>				
Order intake		40,085	56,887	57,772
Segment sales		44,034	51,952	56,604
Segment EBIT		2,002	-3,311	-6,782
In % of segment sales		4.5	-6.4	-12.0
<b>Share</b>		2019/20	2018/19	2017/18
Number of shares		633,828	634,231	634,326
Earnings per share (EPS)	in CHF	4.28	11.36	14.81
Shareholders' equity per share	in CHF	89.55	99.42	92.80
Repayment of excess share premium, per share	in CHF	1.00 <sup>1</sup>	2.50	6.50
Dividend per share	in CHF	1.00 <sup>1</sup>	2.50	0
Total distribution per share	in CHF	2.00 <sup>1</sup>	5.00	6.50

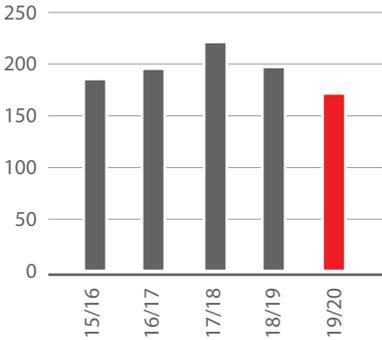
<sup>1</sup> Subject to approval by the Annual General Meeting on 12 January 2021.

# Key financials

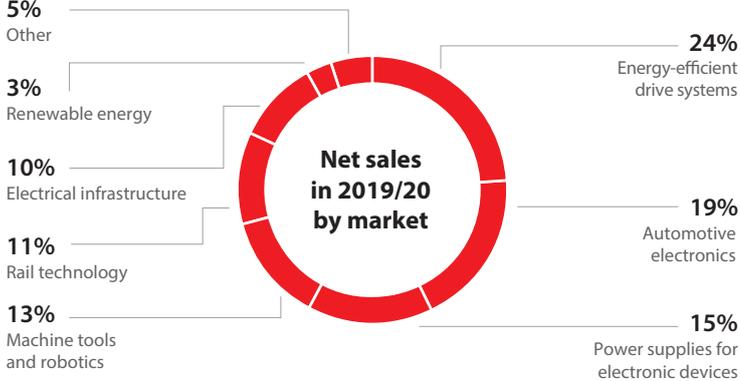
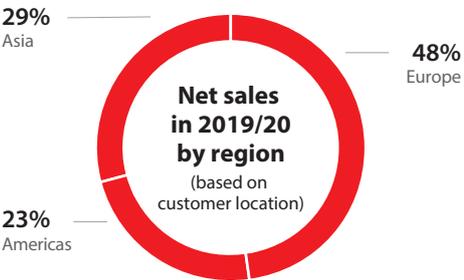
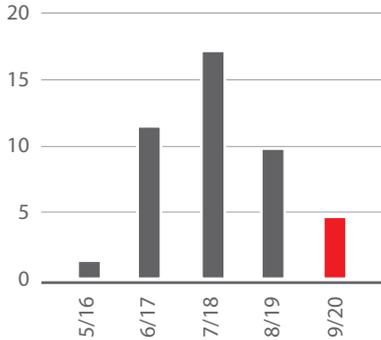
**Order intake**  
in CHF million



**Net sales**  
in CHF million



**Operating profit (EBIT)**  
in CHF million



# Dear shareholder,

The Schaffner Group had an unprecedented fiscal year. The Covid-19 pandemic placed a severe strain on the world economy and on Schaffner's business. Yet Schaffner acquitted itself well thanks to prompt cost-saving measures. Considering the challenging environment, the Group achieved respectable results for the year with net sales of CHF 171.7 million and EBIT of CHF 4.7 million. Investment in strategically significant projects was consistently maintained.

As communicated in the 2019/20 half-year report, Schaffner already faced declining demand in key markets in the first quarter of the fiscal year, which begins in October. This pre-existing situation involved especially the industrial market and the automobile industry, above all in Asia and Europe. The recovery emerging at the beginning of the fiscal second quarter was abruptly halted by the outbreak of the Covid-19 pandemic and the lockdowns in China from the end of January, and in much of Europe from the beginning of March. While the third quarter was marked by consolidation at a low level, demand picked up again in the fourth quarter in most markets. Particularly the automobile industry, which earlier had suffered the most severe slump, showed good renewed momentum.

Schaffner introduced cost reduction measures early, in the first quarter, and then redoubled them as the Covid-19 situation unfolded. Resources at the plants and other sites were managed through work sharing (short-time work schemes), hiring freezes, early retirements, the reduction of overtime and of temporary employees. Departing staff members were not replaced. However, capacity in research and development and in process engineering was deliberately maintained without cutbacks. The activities in the Power Quality business were comprehensively reviewed with the aim of improving profitability. Going forward, this product group of the EMC division will focus on strategic key accounts. Overall, the Schaffner Group's headcount of 2,180 employees at the end of fiscal year 2019/20 was about 10% below the year-earlier staffing level. Staff costs decreased to the same extent.

The Board of Directors and Executive Committee of the Schaffner Group waived part of their compensation for fiscal 2019/20, thus also personally doing their part to reduce costs.

**Even during the most challenging periods of the year under review, the Schaffner Group maintained its ability to deliver at all times, while observing strict safety measures for employees.**

Even during the most challenging periods of the year under review, the Schaffner Group maintained its ability to deliver at all times, while observing strict safety measures for employees. Just as consistently, the investment activities were continued, albeit with a focus on strategically important initiatives such as electromobility development projects with automobile manufacturers; less critical capital expenditures were lowered from the first quarter onward. Relative to net sales, R&D expenditure was higher than in the previous year. This testifies to two things: The Schaffner Group is determined to consolidate and expand its position in existing core markets. And true to its strategy, Schaffner intends to seize opportunities arising in related market segments or as a result of new technological developments.



**Urs Kaufmann**  
Chairman of the Board of Directors  
**Marc Aeschlimann**  
Chief Executive Officer

### **Improved operating profit in second half of year**

For the extraordinary fiscal year 2019/20, the Schaffner Group is reporting net sales of CHF 171.7 million, or 13.0% less than in the prior year. Besides the demanding market conditions, exchange rate movements also were unfavorable. In local currencies, the decline in sales was thus significantly smaller, at 9.1%. New orders in the fiscal year amounted to CHF 167.0 million, corresponding to a decrease of 16.8% and a book-to-bill ratio of 0.97.

**The swiftly initiated cost cuts brought a substantial profitability improvement in the second half of the year.**

With EBIT of CHF 4.7 million (prior year: CHF 9.8 million), the Schaffner Group delivered a respectable earnings result under the circumstances. The swiftly initiated cost cuts brought a substantial profitability improvement in the second half of the year. The EBIT margin for the fiscal year came in at 2.7%. The Group's net profit for the period was CHF 2.7 million, versus CHF 7.2 million in the prior year. Earnings per share measured CHF 4.28.

Free cash flow was slightly negative at a deficit of CHF 0.4 million, due not least to the substantial level of investment. The Schaffner Group remains very soundly financed. The shareholders' equity of CHF 57.0 million corresponds to a high equity ratio of 44.5%. Despite the challenging economic environment, liquidity was ensured at all times.

### **EMC division**

At the beginning of fiscal 2019/20, the EMC division (divisions are also referred to here as segments) was confronted with weaker momentum in the industrial market sector and with destocking by distribution partners. The improvement in demand at the start of the second quarter was cut short by the outbreak of the coronavirus crisis. An exception was the growing demand for EMC filters in the medical equipment space, particularly for use in ventilators. Some customers, fearing possible supply chain disruptions, even ordered greater quantities than usual. The EMC division maintained its readiness to deliver throughout this period. From the third quarter, the one-off influences described gave way to a normalization, leading to a better second half of the year.

In total, the EMC division had net sales of CHF 94.9 million, off 11.2% from the prior year. On a local-currency basis, the decrease was 7.1%. Segment EBIT reached CHF 9.6 million, for an EBIT margin of 10.1%. Including the one-time costs for the restructuring of the Power Quality business, and despite lower sales, the EMC division was able to hold its EBIT margin in the double digits.

### Automotive division

The markets of the Automotive division were subject to enormous fluctuation during the fiscal year: Following a fiscal first quarter in which the crisis in the global automobile industry already worsened, demand came to a near standstill in the second and third quarters after the eruption of the Covid-19 pandemic. Worldwide, new-car dealerships were closed, supply chains were interrupted, and manufacturers had to stop their production lines. For some model series, production was discontinued early. The fourth quarter was marked by a strong recovery, especially in the electromobility sector. These opposing trends resulted in net sales of CHF 32.8 million for fiscal 2019/20, 14.8% less than in the prior year. Excluding exchange rate effects, the decline was 11.4%. The segment EBIT result was negative at a loss of CHF 2.9 million due to the depressed volume combined with high expenditures for winning and implementing new projects.

**Good progress was made in executing the Automotive division's strategy of establishing EMC filter solutions for electromobility as a second pillar alongside the successful business of antennas for keyless authentication systems.**

Good progress was made in executing the Automotive division's strategy of establishing EMC filter solutions for electromobility as a second pillar alongside the successful business of antennas for keyless authentication systems. Schaffner is involved in several development projects for e-mobility platforms. The share of the division's sales accounted for by EMC solutions for electric vehicles was greatly increased to over 25%. In the reporting period the Automotive division won orders worth more than CHF 80 million over several years – a multiple of its annual sales.

### Power Magnetics division

The business performance of the Power Magnetics division in 2019/20 was shaped by numerous postponements of rail projects in China and Europe. In the USA, the division succeeded in winning its first major order in the railroad sector. The project, for a commuter train on the East Coast, will run over the next three years and already contributed to sales in the year under review.

Despite a good project pipeline, sluggish investment also prevailed in the Power Magnetics division's other markets, and orders were delayed. This, coupled with a focus on projects offering good margins, led to a significant 15.2% decline in sales to CHF 44.0 million. In local-currency terms, the decrease was 11.3%. The division nevertheless worked efficiently in the reporting period: Thanks to sweeping cost reduction efforts, Power Magnetics, after the prior year's loss, was able to return to profitability with segment EBIT of CHF 2.0 million.

### Dividend

For fiscal year 2019/20, the Board will propose to shareholders at the Annual General Meeting on 12 January 2021 to make a distribution of CHF 2.00 per share, which represents 47% of the Group's net profit. The planned distribution consists of an ordinary dividend of CHF 1.00 per share from retained earnings and a distribution (exempt from withholding tax) of CHF 1.00 from the distributable share premium reserve.

**For fiscal year 2019/20, the Board of Directors will propose a distribution of CHF 2.00 per share.**

After nine years on the Board of Directors of Schaffner Holding AG, Georg Wechsler has decided not to stand for re-election at the next Annual General Meeting. The Board would like to thank him for his years of capable and committed service and wishes him all the best for the future.

The Board will propose to shareholders at the Annual Meeting to elect Andrea Tranel as a new Board member. Andrea Tranel is a finance professional with a strong track record and relevant industry experience. She has been Chief Financial Officer of the Aargau energy service provider AEW Energie AG since 2017. Before, she was Head of Corporate Controlling and Deputy CFO of Swiss Federal Railways (SBB) and CFO of Schneider Electric in Switzerland. Andrea Tranel holds a Master degree in business administration and economics from the University of Hohenheim (Stuttgart).

**The Group continues to place a strong emphasis on operational flexibility in order to be able to react with maximum agility to changing market conditions.**

### Outlook

In the first few months of the current fiscal year, Schaffner was able to continue the positive trend seen towards the end of the 2019/20 reporting period. While electric mobility continued to provide positive momentum, orders from industrial customers also picked up. Investment activities in major projects in the railway and energy sectors remained cautious.

The further trajectory of the Covid-19 pandemic and its impact on the Schaffner Group's target markets continues to be a question mark. Thanks to the measures taken and the resulting adjusted structure, Schaffner has started the new fiscal year with lower over-head costs, which will have a positive impact on profitability. The Group continues to place a strong emphasis on operational flexibility in order to be able to react with maximum agility to changing market conditions.

Against this backdrop, Schaffner will provide a more specific outlook for fiscal year 2020/21 at the time of the presentation of the half-year results. For the medium term, Schaffner's targets are unchanged at organic growth of about 5% per year and an EBIT margin in the range of 8% to 10%.

### Strategic review of Power Magnetics division

Following the successful turnaround of the Power Magnetics division, the Board of Directors has decided to conduct a strategic review of this business. In an open-ended process during this fiscal year, the review will explore not only the operational further development of the Power Magnetics division but also a possible divestment.

### Thank you

A big thank-you is due, first of all, to Schaffner's staff all over the world. In the unprecedented year behind us, our employees have shown a degree of commitment to the company that deserves great respect and appreciation, and have helped to shoulder even difficult measures. We thank our customers for their close partnership and their confidence. And importantly, we extend our gratitude to you, our valued shareholder, for your loyalty in these challenging times.



**Urs Kaufmann**  
Chairman of the Board



**Marc Aeschlimann**  
Chief Executive Officer

# Business model and strategy

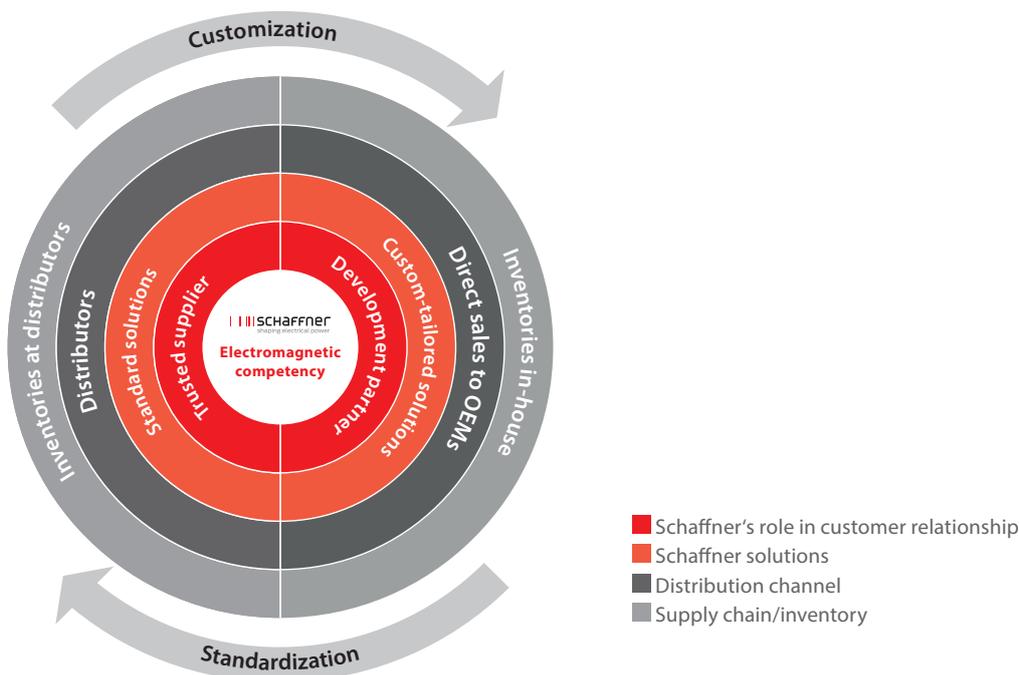
Schaffner adds value for customers by combining its leading expertise in electromagnetic compatibility with continuous innovation and local application support. The Group's business model has two, mutually reinforcing dimensions. The growth strategy is based on the existing strengths, while additionally targeting attractive market opportunities.

Building on its leading expertise in electromagnetic compatibility, the Schaffner Group is constantly pursuing innovation projects in its research and development centers. The resulting products, applications and solutions with superior customer benefits form the basis for Schaffner's reputation as market and technology leader. Manufacturing is carried out in the Group's own production and distribution facilities in Europe, Asia and North America. A globe-spanning network of distribution partners and local application centers ensures rapid product availability, customer proximity and local support.

## Business model

Schaffner's business model brings together two dimensions, which are rooted in the company's electromagnetic know-how and mutually cross-fertilize and reinforce each other:

In the first dimension, Schaffner is the preferred development partner to its customers. These, largely OEMs (original equipment manufacturers), rely on Schaffner for solutions tailored to their particular requirements and specifications. Schaffner develops the corresponding customized products and sells them directly to these customers. The inventory of such products which are required in varying quantities is held by Schaffner itself.



Often, customer-specific solutions that are suitable for broader application are developed into families of standard products, thus feeding the second dimension of the business model: As a reliable supplier, Schaffner sells standard products and solutions through its global network of distribution partners, who ensure high availability with their own warehousing facilities. With the broadest product range in the industry, Schaffner has entrenched its reputation as the market leader and leading innovator in the electromagnetic compatibility space. This high renown in turn prompts customers to choose Schaffner as the preferred development partner for solutions designed to their unique requirements.

### **Growth strategy**

Schaffner has formulated a growth strategy for its different business divisions that places the focus on existing strengths and on attractive market opportunities.

### **EMC division**

The EMC division's aim is to further expand its strong position in existing markets by increasing market penetration and continuing to evolve its product portfolio. In addition, with novel technologies and solutions, the EMC division is moving into growth markets adjacent to the existing core business and thus expanding it.

One example of this expansion into new growth markets that border on the core business are solutions for smart grids. Schaffner's products ensure proper communication between smart meters equipped with power line communication (PLC) technology, and the power company's data center. The market potential is considerable: By 2024, about 80 million to 100 million PLC smart meters will have been installed in Europe.

### **Automotive division**

In addition to the existing business of antennas for keyless authentication systems, the Automotive division is building a second pillar in the form of EMC filter solutions for electromobility. E-mobility will grow strongly in the coming years and electric vehicles, whether fully electric or hybrid, require diverse EMC filter solutions for trouble-free operation.

Schaffner is involved in a number of development projects for e-mobility platforms and is ideally positioned to play a significant role in this market. This is due both to its leading EMC filter expertise, and the already well-established customer relationships developed with OEM manufacturers and tier 1 suppliers through its antenna activities. In parallel with the growth strategy in the e-mobility sector, Schaffner will continue to expand the antenna business by introducing new designs.

### **Power Magnetics division**

The Power Magnetics division successfully completed the turnaround in fiscal year 2019/20. The principal aim now is to further strengthen the business in the core markets of rail and energy supply, with projects that yield attractive margins. In addition, the focus is on the expansion of business segments in renewable energy as well as in heating, ventilation and air conditioning, by addressing demanding customer requirements with high-performing solutions.

# EMC division

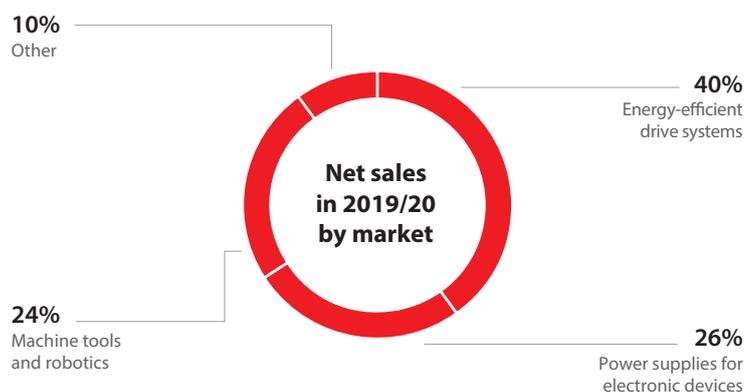
The results of the EMC division, the world market leader in EMC filters, stood up well in a demanding economic environment. Including one-time costs, the EBIT margin was maintained in the double-digit range despite lower sales. The strategic development initiatives continued unabated and brought their first successes.

## Business activity

The EMC division develops and manufactures electromagnetic compatibility (EMC) filters and power quality filters, which protect power electronic systems against interference from the electricity grid and ensure their reliable operation. The division offers the widest range of customized and standard products on the market. A global network of distributors and of Schaffner's own distribution centers ensures rapid product availability. In addition, the EMC division maintains numerous service and application centers in order to be close to customers worldwide.

## Market

The EMC division is the world's leading maker of EMC filters, with a market share in the 30% range. The key markets include energy-efficient drive systems, power supply systems for electronic systems, as well as machines and robotics. Other applications are in medical technology, data centers, rapid charging systems for electric vehicles, and the growing market for LED lamps. In the year under review, most target markets were adversely affected by the pandemic-induced crisis. Exceptions were EMC filters in the medical sector, such as for ventilators. Demand for EMC solutions for rapid charging systems in Europe also proved robust. The EMC division generates 56% of its sales in Europe, 30% in Asia and 14% in the Americas.



## Financials

In CHF million, except %	2019/20	2018/19	2017/18
Order intake	95.4	104.3	116.7
Segment sales	94.9	106.9	115.9
Segment EBIT	9.6	15.2	17.8
Segment EBIT margin	10.1%	14.2%	15.3%

## Business performance

As a result of the slowdown in the industrial market, destocking by distribution partners and the impact of the Covid-19 pandemic, the EMC division registered an 11.2% decrease in net sales to CHF 94.9 million in fiscal year 2019/20. Excluding exchange rate effects, the reduction was 7.1%. New orders declined by 8.6% to CHF 95.4 million. Thanks to prompt cost reduction initiatives and the introduction of work sharing (short-time working), the EMC division achieved segment EBIT of CHF 9.6 million, corresponding to an EBIT margin of 10.1%. After one-off costs for the restructuring of the Power Quality business unit, the EBIT margin was slightly below the prior year's level.

## Innovation

Besides the further development of existing products and solutions, in 2019/20 the EMC division maintained the development expenditures for strategic projects. The aim is to expand into market segments adjacent to the existing core business through new products and solutions. Growth potential exists, for example, in solutions for the rapidly growing LED lighting and smart grid markets. Schaffner has expanded its product family for LED applications and advanced the development of new active solutions for smart grids that ensure correct communication between the smart meter and the power company's data center. The first installations in smart grids, planned for the 2020 calendar year, have been delayed as a result of Covid-19.

**IEC inlet filter for medical applications to class II ME standard**



**LCL filter for regenerative applications**



**1-phase filter for LED lighting applications**



# Automotive division

The Automotive division did not escape the slump in the global automobile industry in fiscal 2019/20. Significantly lower sales and high expenses for the implementation of recently won projects led to negative EBIT. However, the strong increase in demand in the fiscal fourth quarter, new major orders totaling more than CHF 80 million over a period of several years, and the participation in a number of development projects for new e-mobility platforms underscore the division's potential.

## Business activity

The Automotive division develops and manufactures custom-tailored EMC filter solutions for hybrid and electric vehicles as well as antennas for keyless authentication systems. The EMC filters prevent electromagnetic interference in the on-board power electronics and ensure the trouble-free operation of the vehicle. The antennas are used for keyless authentication for locking systems, electronic immobilizers and other convenience features in vehicles.

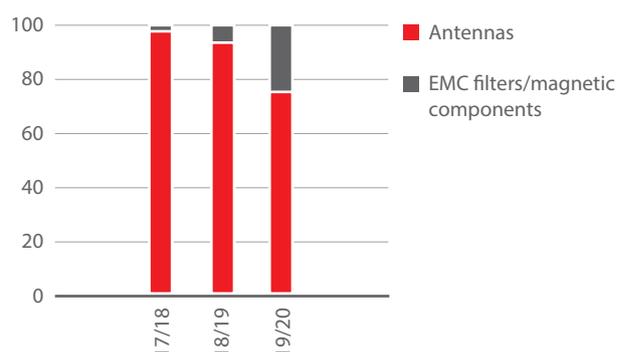
## Market

The Automotive division is one of the world's two leading suppliers of antennas for vehicle keyless authentication systems. In the rapidly growing market for e-mobility, too, Schaffner is exceedingly well positioned. This is by virtue both of its comprehensive EMC filter expertise, and the ability to build on well-established customer relationships with leading automobile manufacturers and system suppliers thanks to Schaffner's antenna business. The Automotive division is a partner in various development projects for e-mobility platforms of the future, and the share of EMC filters in segment sales, which has grown strongly in 2020, will continue to rise. Due partly to the growth in the electric mobility sector, Europe's share of the division's sales increased from 41% in the prior year to 63%. Twenty-seven percent of Automotive sales are generated in Asia and 10% in the Americas.



## Net sales by product group

in %



## Financials

In CHF million, except %	2019/20	2018/19	2017/18
Order intake	31.5	39.4	49.0
Segment sales	32.8	38.5	49.0
Segment EBIT	-2.9	2.6	11.3
Segment EBIT margin	-8.7%	6.6%	23.1%

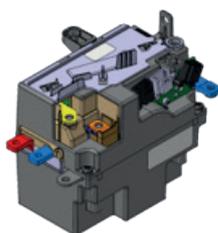
### Business performance

In the Automotive division, fiscal year 2019/20 was dominated by the crisis in the global automotive industry, which was exacerbated by the Covid-19 pandemic and only gave way to a recovery in the fiscal fourth quarter. In this environment, net sales for the year came to CHF 32.8 million, down 14.8% from the prior year. In local currencies, the sales decrease was 11.4%. Schaffner had immediately introduced numerous cost-cutting measures. Nevertheless, the very weak capacity utilization in the plants and high costs for winning and implementing new projects led to negative segment EBIT, at a deficit of CHF 2.9 million.

### Innovation

In the year under review, the Automotive division invested extensively in its product pipeline of EMC filter solutions for electromobility and antennas for keyless authentication systems. The division is involved in promising development projects for e-mobility platforms of leading automobile manufacturers and system suppliers. During the fiscal year, Automotive won major new orders that will make a positive contribution to the division's earnings in one to three years' time. These advances and successes illustrate the great potential of this business.

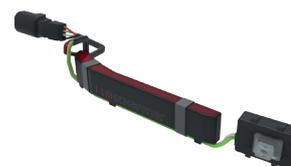
**HV battery filter for plug-in hybrid cars**



**EMI choke for 48V vehicle system**



**Door handle module for passive entry applications**



# Power Magnetics division

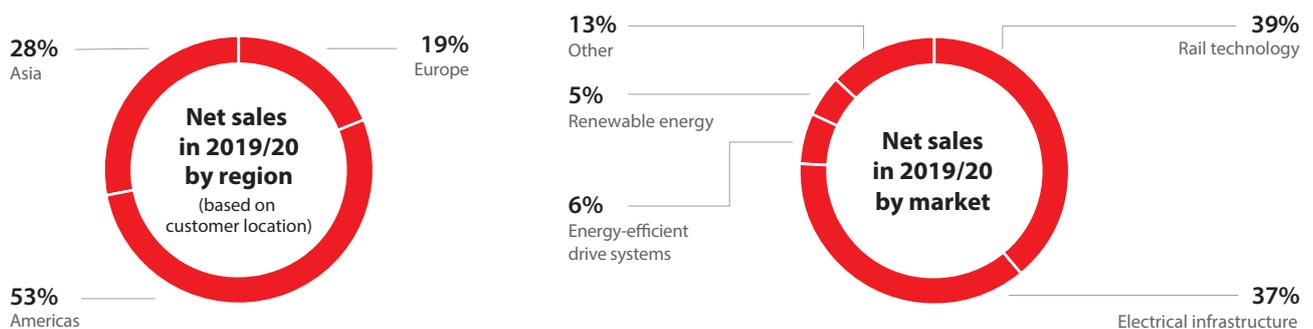
Sales in the Power Magnetics division in fiscal 2019/20 were held back by postponements of rail projects and general buyer reluctance in other markets. Through a focus on higher-margin projects and efficient execution, the division overcame the effect of lower sales volumes to achieve the earnings turnaround.

## Business activity

The Power Magnetics division is a global supplier of components designed to ensure the reliable operation of power electronic systems, and builds customized transformers. Schaffner's solutions safeguard high levels of energy conversion efficiency and assure optimum adaptation of the systems to electricity grids. The division offers customers outstanding expertise in design, construction, simulation and testing. A geographic organizational structure for sales, engineering and manufacturing ensures that Power Magnetics is always in close proximity to customers and their needs.

## Market

The main markets served by the Power Magnetics division include rail technology, energy supply, the heating, ventilation and air conditioning sector, and renewable energy sources, such as wind power. The division has a strong customer base featuring leading international companies. It derives 53% of its sales from the Americas. Notably, in fiscal 2019/20, Power Magnetics won its first major rail project in the USA for a commuter train. The division generates 28% of its sales in Asia and 19% in Europe.



## Financials

In CHF million, except %	2019/20	2018/19	2017/18
Order intake	40.1	56.9	57.8
Segment sales	44.0	52.0	56.6
Segment EBIT	2.0	-3.3	-6.8
Segment EBIT margin	4.5%	-6.4%	-12.0%

### Business performance

As a result of many postponements of rail projects in Europe and Asia and cautious investment activity in other markets due to Covid-19, the Power Magnetics division recorded a 15.2% reduction in sales to CHF 44.0 million. Excluding exchange rate effects, the decrease was 11.3%. By focusing on projects with good margins, further increasing efficiency in the plants and comprehensively reducing costs, the division achieved its turnaround after the prior year's loss, with segment EBIT of CHF 2.0 million in 2019/20, representing an EBIT margin of 4.5%.

### Innovation

The most important innovation in fiscal 2019/20 was the development and construction of the world's first 5 MVA medium-frequency transformer for direct current (DC) networks. The dimensions of this very compact transformer are about 20 times smaller than in previous systems, which opens up new areas of application. In this era of the transition toward a low-carbon, sustainable energy supply, the demand for highly efficient power transmission is growing. Direct current transmission will play an important role in this. Schaffner is working with well-known partners worldwide on numerous projects for various applications of DC networks.

Reactor-transformer combination for railway application



5 MVA medium-frequency transformer for medium-voltage DC networks



30-pulse medium-voltage transformer for high-performance drives for pumps



# Sustainability

Sustainable practices are a high priority for the Schaffner Group. Its corporate culture is marked by a holistic approach, based on honesty, respect, fairness and a sense of social responsibility as a global company. With innovative spirit and engineering excellence, Schaffner supports the efficient and reliable use of electrical energy. Systematic quality, health and environmental management ensure that international standards are met or exceeded.

As an active member of the UN Global Compact, the corporate sustainability initiative that has been joined by a total of more than 12,000 companies and other organizations from over 160 countries, Schaffner is committed to honoring the ten principles of the Compact, which address human rights, labor, the environment and anti-corruption. These principles form an integral part of all employment contracts. Schaffner expects its employees to be accountable for their actions, to treat people, society and the environment respectfully and to act with integrity. Schaffner's manufacturing and logistics centers apply an environmental management system that meets the international ISO 14001 standard. The operating facilities also fulfil the requirements of ISO 45001. This international standard for health and safety management systems allows the systematic improvement of workplace safety and serves the enhanced protection of employees' health. The latest relevant report (Communication on Progress) of Schaffner Holding AG is available at:  
[www.unglobalcompact.org/participation/report/cop/create-and-submit/active/417024](http://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/417024)

In addition, the Schaffner Group has adopted the Code of Conduct of the Responsible Business Alliance (RBA), the leading industry coalition of its kind. This Code is a set of social, environmental and ethical industry standards for implementing sustainable processes in supply chains. Schaffner is committed to ensuring safe working conditions, respectful and dignified treatment of employees and sustainable manufacturing processes, in the entire value chain. The RBA Code of Conduct can be viewed at:  
[www.responsiblebusiness.org/standards/code-of-conduct](http://www.responsiblebusiness.org/standards/code-of-conduct)

Schaffner also supports the Conflict Minerals Act for the protection of human rights in the mining industry, particularly in the extraction of ore to produce tin, tantalum, tungsten and gold in conflict regions. More information can be found at:  
[www.business-humanrights.org/en/conflict-peace/conflict-minerals](http://www.business-humanrights.org/en/conflict-peace/conflict-minerals)

On the basis of the Schaffner Anti-Corruption Policy, Schaffner has established a Business Ethics Committee. Internal tips about anti-corruption and compliance violations can be submitted to it. These reports are reviewed and processed by an impartial team consisting of the Head of Global Human Resources and two members of the Executive Board, currently the Chief Financial Officer and the Head of Global Quality. No such tips were received in fiscal year 2019/2020. The notification office for whistleblower tips can be reached at:  
[ethics@schaffner.com](mailto:ethics@schaffner.com)

## **Commitment of the Executive Committee**

The Executive Committee of the Schaffner Group actively supports the efforts to improve sustainability. The relevant key performance indicators are regularly reported to the Executive Committee. It discusses the results and takes corresponding action as part of a continuous process of improvement.

## Social performance

### Personnel policy

People make the difference: In its role as an employer, the Group pursues a socially responsible and progressive personnel policy. Schaffner promotes the diversity of employees in its international organization and supports them in the intercultural collaboration at work. With production centers on three continents, cross-cultural cooperation is practiced as a day-to-day reality at Schaffner. At the Swiss headquarters in Luterbach alone, people from 14 different nations work together and bring their unique perspectives to the work process. Language courses in German and English foster employee integration and facilitate cohesive work across international borders.

Schaffner is also engaged in furthering cooperation between generations and brings together employees of all age groups. Young learners with their high digital affinity introduce new perspectives in this collaboration, while older colleagues are able to share their comprehensive knowledge and experience.

As a forward-looking and fair employer, Schaffner supports the compatibility of career and family life through family-friendly working conditions. Schaffner accommodates the social trend of a changing division of responsibilities within the family through a range of programs for female and male employees, including offering paternity leave and flexible part-time schedules. This enables fathers to participate equally in family care.

### Employee development

Schaffner pursues active employee development, and expects employees to engage in their personal development and do their part to keep pace with the Group's dynamic evolution. In turn, the Group is committed to supporting employees in their professional growth. Amid the digital transformation of business, the need to ensure continued employability is gaining in importance. Individual training and development goals are set together with the employees, who are supported in these objectives with funding, time, or both.

## Employee health and workplace safety

Schaffner conscientiously promotes employee health and workplace safety. Regular compliance checks are carried out at the Group sites. The results are analyzed and, as part of the continual advancement of workplace safety and employee health, the findings are used in setting the health and safety objectives both for the Group and the individual sites. Schaffner maintains an occupational health management system, for which a focus topic is chosen each year. The injury rate at the plants was further reduced in fiscal year 2019/20 compared with the year-earlier period. Continuous training and investment in safety measures thus brought the expected improvements.

Amid the Covid-19 pandemic, Schaffner experienced a hard lockdown at the Shanghai plant in February. The Chinese New Year holidays were extended for two weeks throughout China. For the gradual resumption of operations, strict measures were introduced for detecting the disease and preventing possible infections at work. With the insights gained in China, measures were immediately taken at the other plants and sites to minimize the risk and spread of any infections. This included ensuring the necessary distancing in the workplace, the move to home offices, taking production employees' temperature before and after their shift, and training employees in hygiene protocols and in safe behavior both at and outside of work. Working from home was introduced early on worldwide and proved feasible from day one with almost no technical problems. A survey of employees showed a high level of satisfaction with the home office solution and made it clear that collaboration using digital tools worked well.

At the Group's largest production plant, in Thailand, the completely new building was opened, replacing the one heavily damaged by fire in December 2017. It now houses the entire manufacturing operations of the Automotive division, as well as the administrative departments. The building, which features a "spirit house", important in Thai culture, was consecrated and opened by monks according to local custom, with the participation of the staff. When designing the spaces, lean principles were followed in planning the material flow and optimizing the production environment for high efficiency in the plant. Given all the efforts to also design the building with the staff's well-being in mind, it is no surprise that employees feel comfortable and safe there; they are provided with ergonomic work stations, more recreation areas and two spacious cafeterias.

### Sharing of value generated

Schaffner employees receive a significant share of the value generated by the Group. In fiscal year 2019/20, Schaffner's value generation amounted to CHF 69 million. Of this total, 87% was directly or indirectly paid to employees and 1% went to the public sector in the form of corporate income tax. Two percent is available for distribution to shareholders (subject to their approval at the Annual General Meeting) and 9% remain in the company as depreciation, amortization and retained earnings.

### Environmental performance

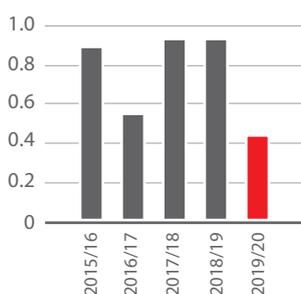
#### Energy consumption and CO<sub>2</sub> emissions

Schaffner is progressively making the operating business along its whole value chain more effective and efficient. A particular focus of these efforts is on reducing energy consumption in and CO<sub>2</sub> emissions from its business activities. In this way, Schaffner contributes to the reduction of climate-harming greenhouse gas emissions. Overall, the Schaffner Group's energy costs amount to less than 1% of its sales.

In the development of new products, the use of materials and processes responsible for the production of greenhouse gases is avoided to the extent possible. For example, in the EMC and Automotive divisions, filters were marked with labels instead of ink, thus reducing the use of solvents to a minimum. The Schaffner Group's transformer plant in the USA offers customers the capability to rewind old transformers on the existing structure and thus extend their service life. The old copper is collected and recycled.

#### Work-related lost time accident rate

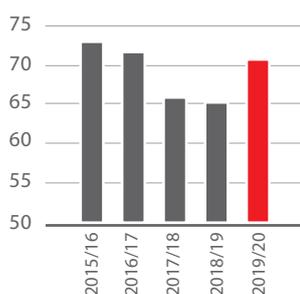
LTA/250,000h<sup>2</sup>



<sup>2</sup> For the fiscal year from October to September.

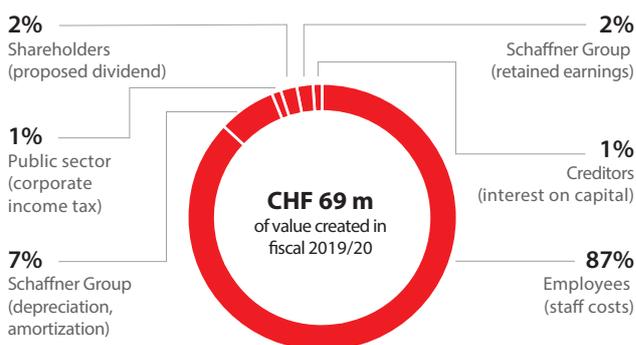
#### Energy consumption

KWh per CHF '000 of sales<sup>1</sup>



<sup>1</sup> July to June.

#### Sharing of value generated in 2019/20



With moves to new buildings at two of its sites, Schaffner also further lowered CO<sub>2</sub> emissions: In Luterbach, the staff moved into the new head office premises at the end of August 2019. The new building is heated primarily with energy from groundwater. The geothermal probes required for this can also be used to cool the technical facilities as needed. Some of the electricity for the operation of the building is supplied by an efficient solar power system.

Total energy consumption fell in the past fiscal year, due in part to the Covid-19-driven decrease in production. However, owing to the plants' low capacity utilization, the energy requirements of buildings and infrastructure relative to production were higher. Energy consumption in relation to production volume therefore rose despite strong control efforts. In addition, over a period of four months in Thailand, manufacturing was done in parallel in the new building and in the rented temporary premises.

The global presence of the Schaffner Group, with production centers in Asia, Europe and the USA, substantially reduces transport costs. For the transport needs that do arise, the share of air freight is continually and systematically lowered in favor of sea freight, which allows a further decrease in CO<sub>2</sub> emissions (per unit of weight and distance). Due to high de-

mand amid the Covid-19 pandemic, there is limited available capacity for sea freight. As a result, for time-critical orders, air freight often had to be used in order to maintain customer service, thus leading to an increase in CO<sub>2</sub> emissions. Air freight from China to Europe was gradually replaced with rail transport by the summer. Here too, capacity bottlenecks regularly lead to a switch to air freight.

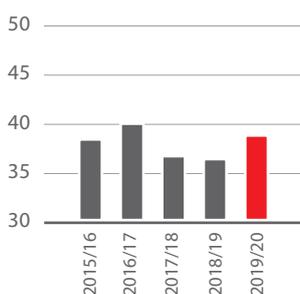
The amount of CO<sub>2</sub> emitted in connection with business travel fell sharply in fiscal 2019/20. Beginning in February, visits to the plants were no longer possible due to travel restrictions.

#### Water consumption and waste

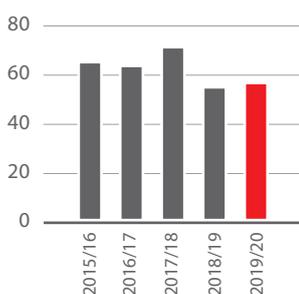
The demand for drinking water at the plants fell compared to the prior year due to a lower number of employees. Relative to production volume, however, consumption was flat.

The amount of waste generated in the plants was reduced by about one-quarter in the year under review compared to one year earlier. The proportion of hazardous waste rose slightly. A large part of it can be recycled. Such recyclable, so-called secondary materials were returned to the material cycle.

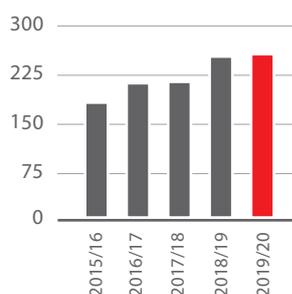
**CO<sub>2</sub> emissions from production**  
Kg per CHF '000 of sales<sup>1</sup>



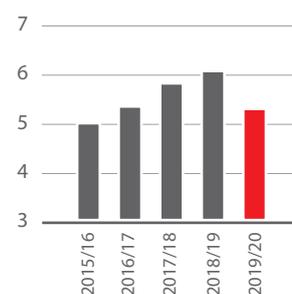
**CO<sub>2</sub> emissions from transport**  
Kg per CHF '000 of sales<sup>1</sup>



**Water consumption**  
L per CHF '000 of sales<sup>1</sup>



**Waste generation**  
Kg per CHF '000 of sales<sup>1</sup>



<sup>1</sup> July to June.

# Information for investors

## Key share data for Schaffner Holding AG

Key share data		2019/20	2018/19	2017/18
Number of shares (par value of CHF 32.50)		635,940	635,940	635,940
Weighted average number of shares outstanding (entitled to dividend)		633,828	634,231	634,326
Earnings per share (EPS)	in CHF	4.28	11.36	14.81
Shareholders' equity per share	in CHF	89.55	99.42	92.8
Repayment of excess share premium per share	in CHF	1.00 <sup>1</sup>	2.50	6.50
Dividend per share	in CHF	1.00 <sup>1</sup>	2.50	0
Total distribution per share	in CHF	2.00 <sup>1</sup>	5.00	6.50
<b>Share price<sup>2</sup></b>				
High for year	in CHF	231	330	355
Low for year	in CHF	122	190	277
At end of year	in CHF	181	203	343
<b>Market capitalization<sup>2</sup></b>				
High for year	in CHF million	147	210	226
Low for year	in CHF million	78	121	176
At end of year	in CHF million	115	129	218

<sup>1</sup> Subject to approval by the Annual General Meeting on 12 January 2021.

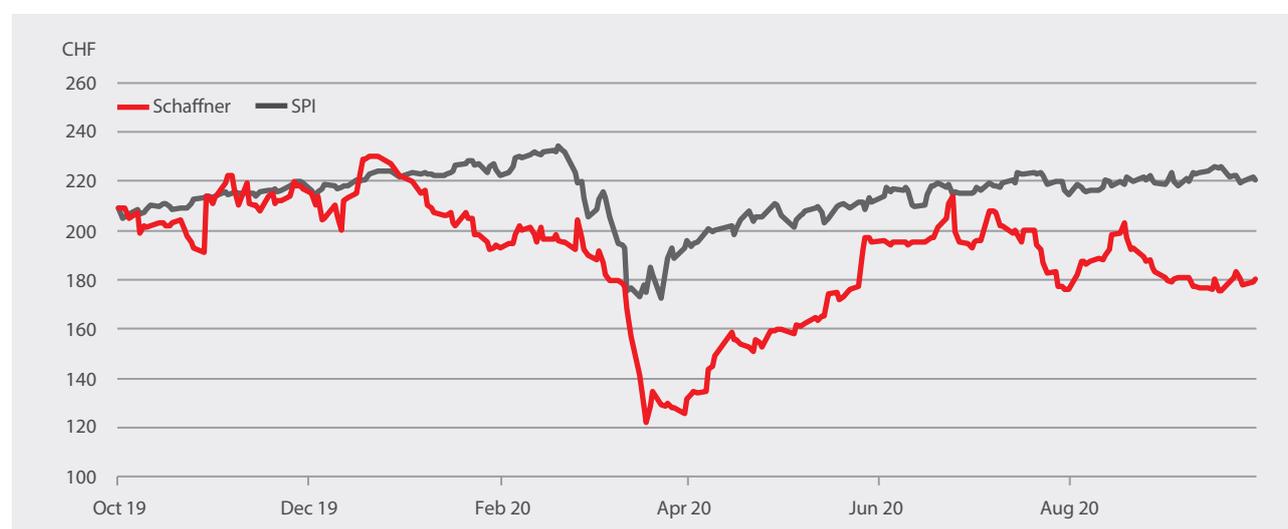
<sup>2</sup> Period: Fiscal year from 1 October to 30 September. Source: Bloomberg.

The registered shares of Schaffner Holding AG are listed on the SIX Swiss Exchange and traded in its main market segment.

<b>Swiss security number:</b>	906209	<b>Telekurs ticker:</b>	SAHN
<b>ISIN:</b>	CH 0 009 062 099	<b>Index membership:</b>	SPI, SPI Extra, SPI ex SLI, Swiss All Shares Index

## Share price

Share price performance on the SIX Swiss Exchange during fiscal year 2019/20 (1 October 2019 to 30 September 2020) relative to the Swiss Performance Index (SPI), based on the daily closing price.



### Dividend policy

Schaffner Holding AG pursues an earnings-based dividend policy, distributing 40% to 50% of a fiscal year's net profit to shareholders. For fiscal year 2019/20 the Board will propose at the Annual General Meeting on 12 January 2021 to make a total distribution of CHF 2.00 per share.

### Shareholders

At 30 September 2020, there were 1,129 shareholders registered with voting rights in the share register of Schaffner Holding AG. Of the total issued shares, 0.5% were held by Schaffner Holding AG as treasury shares.

An overview of the shareholder structure of Schaffner Holding AG at the balance sheet date, showing those shareholders who reported holding 3% or more of the voting rights, is presented in the corporate governance report on page 28.

### Financial calendar

12 January 2021	25th Annual General Meeting
6 May 2021	Publication of half-year report 2020/21
7 December 2021	Publication of annual report 2020/21
11 January 2022	26th Annual General Meeting

### Investor relations contacts

Schaffner Holding AG

Investor relations and media office: c/o Dynamics Group AG

Edwin van der Geest, +41 43 268 32 30 or +41 79 330 55 22

Thomas Balmer, +41 43 268 32 34 or +41 79 703 87 28

investor-relations@schaffner.com

### Share register contact

Aktienregister Schaffner Holding AG

c/o ShareCommService AG

Europastrasse 29

8152 Glattbrugg

+41 44 809 58 53

# Corporate governance

## 2019/20

# Corporate governance

## 1 Basis of the corporate governance report

This corporate governance report of Schaffner Holding AG (“the Company”) describes the Schaffner Group’s principles of leadership and control, based on the Directive on Information Relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange. Unless indicated otherwise, the information in this report for fiscal year 2019/20 is as at 30 September 2020 or for the year then ended. This corporate governance report substantially follows the current guidelines and recommendations of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse, the Swiss business federation. The principles and rules of corporate governance are set out in the Articles of Association and the Organizational Regulations (German name: Organisationsreglement) of Schaffner Holding AG, which, like all of the Company’s relevant corporate governance documents, can be found at:

[www.schaffner-ir.com/corporate-governance/articles-of-association-organizational-regulations/](http://www.schaffner-ir.com/corporate-governance/articles-of-association-organizational-regulations/)

## 2 Governance-related events in fiscal year 2019/20

### 2.1 Resolutions of the most recent Annual General Meeting

At the 24th Annual General Meeting (AGM) of Schaffner Holding AG on 14 January 2020, shareholders re-elected the existing Board members Philipp Buhofer, Urs Kaufmann, Gerhard Pegam and Georg Wechsler as members of the Board of Directors for the term ending at the conclusion of the next AGM. The existing board member Suzanne Thoma did not stand for re-election. Urs Kaufmann was re-elected as the Chairman of the Board of Directors for the term ending at the conclusion of the next AGM and, together with Philipp Buhofer, was appointed as a member of the Nomination and Compensation Committee. Shareholders at the 24th AGM also reappointed the lawyer and notary Wolfgang Salzmann as the independent proxy for a further fiscal year and re-elected BDO AG, Solothurn, as the external auditors for fiscal year 2019/20. As well, the AGM approved the distribution of an ordinary dividend of CHF 2.50 per share entitled to dividends, and the distribution of CHF 2.50 per share from the distributable share premium reserve. The AGM adopted the compensation report for fiscal year 2018/19 in a consultative vote. For the compensation of the Board of Directors, shareholders approved a maximum aggregate amount of CHF 500 thousand for the period to the 25th AGM, which will be held on 12 January 2021. For the compensation of the Executive Committee for fiscal year 2020/21, shareholders approved a maximum aggregate amount of CHF 3,500 thousand. The minutes of the 24th Annual General Meeting of Schaffner Holding AG (in German only) can be accessed on the Schaffner Group’s website under the Annual General Meeting tab found at: [www.schaffner-ir.com/annual-general-meeting/documentation/](http://www.schaffner-ir.com/annual-general-meeting/documentation/)

### 2.2 Changes on the Board of Directors in the year under review

Georg Wechsler informed the Board of Directors that he will not stand for re-election as a member of the Board of Directors of Schaffner Holding AG at the next Annual General Meeting on 12 January 2021. The Board will propose to shareholders at the Annual Meeting to elect Andrea Tranel as a new Board member.

### 2.3 Changes on the Executive Committee in the year under review

Max Bänziger, who was Chief Operating Officer (COO) of the Schaffner Group, left the company on 31 January 2020. The responsibilities of the COO function have been assumed on an interim basis by Martin Köppel, Head of Global Quality at the Schaffner Group. As former head of production in Luterbach, Martin Köppel has extensive experience in operations.

## 3 Group structure and significant shareholders

### 3.1 Group structure

#### 3.1.1 Group operating structure

The Schaffner Group has a divisional organizational structure, with the three segments EMC, Automotive and Power Magnetics. The reporting to the Executive Committee follows this structure.

The chart below shows the Group's operating structure at 30 September 2020:

<b>Annual General Meeting</b>
<b>Board of Directors</b>
Risk and Audit Committee, Nomination and Compensation Committee
<b>Executive Committee</b>
Group functions
<b>EMC division, Automotive division, Power Magnetics division</b>

The Chief Executive Officer has responsibility for the operational management of the Schaffner Group. He is also the head of the Executive Committee, which is the top echelon of the Group's operational management. The management of the Schaffner Group is provided by the Board of Directors and (through the Board's delegation of authority) by the Chief Executive Officer and the Executive Committee. The division of responsibilities between the Board, the Chief Executive Officer and the Executive Committee is described in this corporate governance report from page 34 in section 5.5, from page 37 in section 5.6 and from page 40 in section 6.

The Executive Committee had the following structure at 30 September 2020:

Executive Committee	
<b>Marc Aeschlimann</b>	Chief Executive Officer
<b>Christian Herren</b>	Chief Financial Officer
<b>Martin Lütenegger</b>	Executive Vice President
<b>Guido Schlegelmilch</b>	Executive Vice President
<b>Daniel G. Zeidler</b>	Executive Vice President

More information about the Executive Committee is provided from page 40 in section 6 of this corporate governance report.

#### 3.1.2 Listed companies

The Schaffner Group maintains an international presence through its own subsidiaries and a network of independent distributors. The parent company of the Schaffner Group is Schaffner Holding AG, whose shares are traded on the SIX Swiss Exchange.

Schaffner Holding AG is the only Group company listed on a stock exchange.

Schaffner Holding AG is a public limited company incorporated in Switzerland and has its registered office in Luterbach. At 30 September 2020, the share capital consisted of 635,940 ordinary registered shares with a total nominal value of CHF 20,668,050.

Registered office	4542 Luterbach, Switzerland
Listing exchange and regulatory standard	SIX Swiss Exchange, Swiss Reporting Standard
Swiss security number (Valor)	906209
ISIN	CH 0 009 062 099
Ticker symbol	SAHN
Nominal value per share	CHF 32.50

Key share data for Schaffner Holding AG is provided on page 23 of this annual report.

### 3.1.3 Non-listed Group companies

The directly and indirectly held companies consolidated in the Group accounts of Schaffner Holding AG are shown on page 92 of this report in the notes to the consolidated financial statements.

### 3.2 Significant shareholders

At 30 September 2020, there were 1,129 shareholders registered with voting rights in the share register of Schaffner Holding AG (prior year: 1,170). Of the issued shares, 0.5% were held by Schaffner Holding AG as treasury shares (prior year: 0.5%). At 30 September 2020, shares of unregistered owners amounted to 10.6% of the issued shares (prior year: 15.2%).

According to the information available to the Board of Directors, the following shareholders held 3% or more of the share capital and voting rights of Schaffner Holding AG on the balance sheet date.

Shareholder	Equity interest
Shareholder group BURU Holding AG <sup>1</sup>	24.3%
UBS Fund Management (Switzerland) AG	10.4%
J. Safra Sarasin Investmentfonds AG	9.8%
Mirabaud – Equities Swiss Small and Mid	4.6%
Matter Group AG <sup>2</sup>	3.0%
Kähli Holding AG	3.0%

<sup>1</sup> Beneficial owners: Philipp Buhofer, Elisabeth Buhofer-Rubli, Martin Buhofer, Marc Buhofer, Annelies Häcki-Buhofer, Roger Lombard, Jörg Wolle.

<sup>2</sup> Beneficial owner: Thomas Matter.

In connection with the disclosure obligations under stock exchange law for shareholders whose share of voting rights reaches, rises above or falls below certain thresholds, the following shareholders filed notifications with Schaffner Holding AG and SIX Swiss Exchange AG in fiscal year 2019/20.

30 June 2020	Kähli Holding AG: Exceeded 3% of voting rights
16 May 2020	UBS Fund Management (Switzerland) AG: RoPAS (CH) Institutional Fund - Equities Switzerland exceeded 5% of voting rights
22 April 2020	Thomas Matter: Exceeded 3% of voting rights
6 March 2020	Credit Suisse Funds AG: CS (CH) Small Cap Switzerland Equity Fund fell below 3% of voting rights
5 March 2020	Credit Suisse Funds AG: CS (CH) Small Cap Switzerland Equity Fund exceeded 3% of voting rights
14 February 2020	JPMorgan Chase & Co: Fell below 3% of voting rights
14 February 2020	JPMorgan Chase & Co: Exceeded 3% of voting rights

Further information on significant shareholders is provided on page 96 in the notes to the company financial statements of Schaffner Holding AG. As well, a current list of significant shareholders is available on the website of the SIX Swiss Exchange at:

[www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/](http://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/)

### 3.3 Cross-shareholdings

There were no cross-shareholdings between Schaffner and other publicly traded companies.

## 4 Capital structure

### 4.1 Issued share capital

Schaffner Holding AG has an issued share capital of CHF 20,668,050, consisting of 635,940 registered shares with a nominal value of CHF 32.50 per share. The issued shares are fully paid. Each share carries one vote at the General Meeting. All shares not held by the Company or by one of its subsidiaries carry dividend and voting rights.

### 4.2 Authorized unissued capital

#### 4.2.1 Authorized capital for equity-based compensation

Schaffner Holding AG at 30 September 2020 did not have unissued authorized capital designated for use in equity compensation plans (such capital is referred to in German as "bedingtes Kapital").

#### 4.2.2 Other authorized capital

Schaffner Holding AG at 30 September 2020 did not have other unissued authorized capital (i.e., authorized capital for purposes other than equity-based compensation; in German: "genehmigtes Kapital").

### 4.3 Changes in equity in the last three fiscal years

The Annual General Meetings on 18 January 2018 (for fiscal year 2016/17) and 15 January 2019 (for fiscal 2017/18) each passed a resolution to distribute CHF 6.50 per share (exempt from withholding tax) to shareholders in the form of a repayment of excess share premium. For fiscal year 2018/19, the Annual General Meeting on 14 January 2020 passed a resolution to distribute a dividend of CHF 2.50 per share as well as a repayment (exempt from withholding tax) of excess share premium of CHF 2.50 per share.

The changes in share capital, in share premium, in retained earnings and in the other components of consolidated equity are presented in detail in the consolidated financial statements, on page 63 of this annual report 2019/20. The comparative information on changes in equity for the three prior years is found on page 58 of the consolidated financial statements in the annual report 2018/19, on page 60 of the annual report 2017/18 and page 59 of the annual report 2016/17. The past annual reports can be found on the website of the Schaffner Group at:

[www.schaffner-ir.com/reports/archiv/](http://www.schaffner-ir.com/reports/archiv/)

### 4.4 Shares and participation certificates

#### 4.4.1 Shares

The 635,940 issued shares of Schaffner Holding AG have a nominal value of CHF 32.50 per share. Each share carries one vote and is entitled to dividends.

Subject to provisions (i), (ii) and (iii) below, the shares are issued in uncertificated form and maintained as book-entry securities.

Transfers of or dispositions regarding book-entry securities, including the granting of interests therein as collateral, are subject to the Swiss Federal Act on Book-Entry Securities. If uncertificated shares are transferred by assignment, the transfer is valid only if notified to the Company.

(i) Shares maintained as book-entry securities may be withdrawn from the custody system by the Company.

(ii) Shareholders are not entitled to printing and delivery of certificates (physical securities) or to conversion of registered shares issued in one form into another form. The Company may, however, at any time print and deliver certificates (single share certificates, collective certificates or global certificates) or convert uncertificated or certificated shares into another form, and may cancel issued certificates that are returned to the Company. Shareholders that are registered in the share register may at any time request a certification of ownership of their shares from the Company.

(iii) By amending the Articles of Association, the General Meeting of shareholders may at any time convert registered shares into bearer shares, or vice versa.

#### **4.4.2 Participation certificates**

There were no participation certificates of Schaffner Holding AG at 30 September 2020 (participation certificates, or "Partizipationsschein" in German, essentially are a type of preference share).

#### **4.5 Dividend right certificates**

Schaffner Holding AG had not issued any dividend right certificates as of 30 September 2020 (dividend right certificates, or "Genussschein" in German, essentially are preference shares for related parties).

#### **4.6 Restrictions on transferability and nominee registration**

Registered shares of Schaffner Holding AG may be acquired by all legal or natural persons. The purchase of Schaffner shares is subject to registration restrictions concerning the recognition and registration of share purchasers, and of nominees, as voting shareholders. These restrictions are specified in detail in the Share Registration Regulation of Schaffner Holding AG. The Share Registration Regulation was issued by the Board of Directors in reliance on sections 685a and 685d et seq. of the Swiss Code of Obligations and article 6 of the Articles of Association, and is available under the "Annual General Meeting" tab on the Schaffner Group website at:

[www.schaffner-ir.com/annual-general-meeting/annual-general-meeting/](http://www.schaffner-ir.com/annual-general-meeting/annual-general-meeting/)

##### **4.6.1 Recognition of share purchasers as voting shareholders**

Shareholders or beneficial owners are deemed to be those persons registered in the Company's share register. In accordance with article 6 para. 3 of the Articles of Association of Schaffner Holding AG, purchasers of shares are upon their request recorded as voting shareholders in the share register by the Board of Directors if the purchasers expressly state that they have acquired and will hold the shares for their own account. Recognition as a shareholder with voting rights thus requires that the shareholder in question bears the economic risk incident to ownership of the shares to be registered. In reliance on article 6 para. 3 of the Articles of Association and the recognition requirements derived from it, applicants (purchasers holding legal title to the shares) are thus not recognized as voting shareholders if they have acquired, and are holding, the shares as a result of a securities lending transaction or similar transaction that gives them legal ownership without the associated economic risk.

#### 4.6.2 Registration of share purchasers

For each registration in the share register as a voting shareholder, a personally signed registration application or a registration authorization must be on file at the respective SIX SIS AG custodian bank, containing the complete following information:

- › For individuals: Last name, first name, nationality, and address
- › For legal entities: Entity name, registered office, and address

Every registration in the share register requires evidence of the acquisition of full legal title to the shares or evidence of the establishment of beneficial ownership, and always requires an express declaration that the shares were acquired and are held by the applicant in the applicant's own name and for the applicant's own account.

In the case of registration applications by shareholders holding the shares for their own account where the applicant has reported holding 3% or more of the voting rights of Schaffner Holding AG, the registration is not performed until the Company has received a complete disclosure notification by the applicant pursuant to section 120 of the Financial Market Infrastructure Act (also referred to in German as FinfraG). If the disclosure notification meets the legal requirements (i.e., contains the legally required information about the beneficial owner), the applicant (i.e., the acquired stock) is registered in the share register as having voting rights. If the disclosure notification is not made within the 20-day deadline specified in section 685g of the Swiss Code of Obligations, or is incomplete, the application for registration with voting rights is denied and the shareholder (i.e., the acquired stock) is registered in the share register as non-voting.

#### 4.6.3 Registration of nominees

Persons who do not expressly declare in their registration application that they hold the shares for their own account are classified as nominees. In accordance with article 6 para. 4 of the Articles of Association, by default any single nominee is registered in the share register as holding voting shares only up to a maximum of 5% of the Company's share capital recorded in the Swiss commercial register of companies. Above this limit of 5%, the Board of Directors registers shares of nominees in the share register as voting shares only if:

- (i) the nominee discloses to the Company the names, addresses and Company shareholdings of the persons for whose account the nominee holds 0.5% or more of the share capital registered in the commercial register, and
- (ii) an agreement exists between the nominee and the Company which specifies the nominee's position and the details of the nominee's notification obligations.

The registrar (the company retained to operate the share register) is responsible for sending the nominee agreement to the respective nominee and collecting the information to be disclosed. If complete disclosure is not made by the 20-day deadline specified in section 685g of the Swiss Code of Obligations, or if no nominee agreement is concluded between the Company and the nominee within this period, the nominee is registered in the share register as non-voting in respect of these shares. To the extent permitted by law, the Board of Directors is authorized to enter into agreements with nominees regarding reporting obligations. On a case-by-case basis, the Board may approve exceptions to the nominee rules.

Where legal entities or groups with joint legal status are related to one another by capital, voting rights, management or in some other manner, they are deemed collectively to constitute a single purchaser. This also applies to all natural persons, legal entities or groups with joint legal status that by agreement, as a syndicate or in any other way act in a coordinated manner with a view to circumventing the nominee rules. The Company may void registrations in the share register with retroactive effect from the date of registration if they were based on false information given by the purchaser. The purchaser must be informed of the deletion immediately.

Registered non-voting shareholders and registered non-voting nominees cannot exercise the voting rights associated with the shares nor exercise other rights related to the voting rights. However, they are not restricted in exercising any of their other shareholder rights, including pre-emptive rights. At the General Meeting the shares registered as non-voting are treated as unrepresented (see section 685 f (2) and (3) of the Swiss Code of Obligations).

The registration restrictions described above also apply to shares bought or subscribed through the exercise of pre-emptive rights, options or conversion rights.

At 30 September 2020, 10.6% (prior year: 15.2%) of all issued shares were unregistered or were registered as non-voting shares.

## 4.7 Convertible bonds and options

### 4.7.1 Convertible bonds

There are no outstanding convertible bonds of Schaffner Holding AG.

### 4.7.2 Share option plans

The share option plan for upper management and members of the Board of Directors of the Schaffner Group (the Employee Share Option Plan) expired on 21 November 2018. At 30 September 2020, Schaffner Holding AG no longer had a share option plan.

## 5 Board of Directors

### 5.1 Members of the Board

The Articles of Association require the Board of Directors of Schaffner Holding AG to have between three and seven members.

On 30 September 2020, the Board of Directors consisted of four, non-executive members. In the three years prior to the reporting period (fiscal years 2016/17, 2017/18 and 2018/19), none of these Board members were members of Schaffner's Executive Committee or of the management of a subsidiary, and none had or have material business relationships with the Schaffner Group. The members of the Board of Schaffner Holding AG are thus independent within the meaning of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse, the Swiss business federation.

At 30 September 2020, the Board of Directors of Schaffner Holding AG had the following members:

**Urs Kaufmann**, Chairman, Swiss citizen, born 1962, member of the Board since 2017

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Degree in Engineering, Federal Institute of Technology (ETH), Zurich; Senior Executive Program, IMD, Lausanne  
 Since 2017 is Chairman of the Board of Directors of Huber+Suhner AG, Herisau. Became a Board member of Huber+Suhner AG in 2014 and, from 2014 to 2017, was the Designated Representative of its Board. From 2002 to 2017 was CEO of Huber+Suhner AG, having joined its Executive Committee in 2001. Previously held various management positions in the same group. From 1987 to 1993 worked as project manager, production manager and sales manager at Zellweger Uster AG in Switzerland and the USA.

**Philipp Buhofer**, Vice Chairman, Swiss citizen, born 1959, member of the Board since 2017

**Degree in Business Administration, Lucerne University of Applied Sciences (HWV), Horw**

Since 1997 has been an independent entrepreneur and member of boards of directors. From 2002 to 2003 was Designated Representative and Chairman of the Board of Directors of EPA AG, Zurich, from 1997 to 2001 was a member of its Board of Directors, and from 1987 to 1997 was a member of its Executive Committee. From 1984 to 1987 was Manager of Purchasing and Marketing for Metro International, Baar, Düsseldorf and Hong Kong.

**Gerhard Pegam**, Austrian citizen, born 1962, member of the Board since 2013

**Electrical Engineer, Klagenfurt Technical College, Austria**

From 2001 to beginning of 2012 was CEO of Epcos AG. From 2009 to 2012 was a member of the Board of Directors of Epcos parent company TDK-EPC Corp. From middle of 2011 to mid-2012 was a Corporate Officer of TDK Corporation, Japan, and from 2004 to 2012 was a member of the Board of ZVEI, the German Electrical and Electronic Manufacturers' Association. From 1999 to 2001 was COO of Epcos AG. Between 1982 and 1999 held various management positions at Epcos, Siemens and Philips.

**Georg Wechsler**, Swiss citizen, born 1956, member of the Board since 2012

**Degree in Business Administration; Swiss Certified Accountant**

From 1994 to January 2016 was CFO and member of the Group Executive Committee of Model Holding AG, Weinfelden. Previously worked in various roles for, among others, Zurmort Finanz AG, Zurich; Zellweger Uster AG, Uster; and KPMG Fides, Zurich.

Suzanne Thoma did not stand for re-election at the Annual General Meeting of Schaffner Holding AG on 14 January 2020.

The Secretary of the Board (since April 2019) is Christian Herren, CFO of the Schaffner Group. The Secretary is not a member of the Board.

## 5.2. External activities and interests

### **Philipp Buhofer**

Philipp Buhofer is Chairman of the Board of Cham Group AG, Cham; Chairman of the Board of Kardex AG, Zurich; member of the Board of Rapid Holding AG, Dietikon; Chairman of the Board of DAX Holding AG, Hagendorn; and Designated Representative of the Board of BURU Holding AG, Hagendorn.

### **Urs Kaufmann**

Urs Kaufmann is Chairman of the Board of Huber + Suhner AG, Herisau, a member of the Board of SFS Group AG, Heerbrugg, of Gurit Holding AG, Wattwil, of Vetropack Holding AG, Bülach, and of Müller Martini Holding AG, Hergiswil, and a member of the executive committees of Swissmem and the Swiss Employers Confederation.

### **Gerhard Pegam**

Gerhard Pegam is Vice Chairman of the Board of OC Oerlikon Corporation AG, Pfäffikon.

### **Georg Wechsler**

Georg Wechsler is a member of the Board of Swiss Casinos Holding AG, Zurich, of Swiss Casinos Zürich AG, Zurich, of Swiss Casinos Services AG, Zurich, of Mespas AG, Zurich, and of Sport und Event Holding AG, Berne.

### 5.3 Restrictions on positions outside the Group

Outside the Schaffner Group, a member of the Board of Directors may hold a maximum of five positions as a member of the highest-level governing or administrative body of other listed companies and a maximum of five positions as a member of such a body in non-listed legal entities within the meaning of section 12 para. 1 (1) OAEC.

For the purpose of this provision, positions (including employment positions) at companies controlled by the Company or positions/employment which the respective member of the Schaffner Board of Directors assumes in the capacity of member of the Board (e.g., at joint ventures or pension funds of the Schaffner Group or at companies in which the Company holds a significant non-consolidated interest) are not deemed to be positions/employment outside the Schaffner Group.

The following are counted as a single position for the purpose of this provision: positions/employment at mutually related companies outside the Schaffner Group, dual roles, and positions which are assumed in the capacity of a member of the top governing or administrative body or executive management of a legal entity outside the Schaffner Group (e.g., positions at joint ventures or pension funds of that legal entity or at companies in which that legal entity holds a significant non-consolidated interest).

### 5.4 Board elections and terms

The members of the Board of Schaffner Holding AG are annually elected individually by the General Meeting. Board members may be re-elected for consecutive terms. Board members must be shareholders of the Company and be less than 70 years of age on the day of their election or re-election.

The General Meeting annually elects the Chairman of the Board of Directors and, individually, each member of the Nomination and Compensation Committee (who must be members of the Board), and the independent proxy. Their term of office ends at the conclusion of the next Annual General Meeting.

### 5.5 Internal organization

Except for the election of the Board Chairman and the members of the Nomination and Compensation Committee by the General Meeting, the Board of Directors constitutes itself in its first meeting of each term, in accordance with article 15 of the Articles of Association. The Board may appoint a Vice Chairman from among its members, who assumes the Chairman's responsibilities when the latter is unavailable. The Board designates its Secretary, who need not be a member of the Board.

#### 5.5.1 Division of responsibilities within the Board

Urs Kaufmann has been the Chairman of the Board of Directors, and Philipp Buhofer has been the Vice Chairman, since the 2017 Annual General Meeting. Urs Kaufmann also chairs the Nomination and Compensation Committee. The Risk and Audit Committee is chaired by Georg Wechsler. The Board has no other standing committees or designated positions.

#### 5.5.2 Composition, purpose and responsibilities of Board committees

The Board of Directors of Schaffner Holding AG maintains the Board committees detailed below. Their principal purpose is to provide decision support to the Board in special subject areas. The Board's duties and powers always remain with the full Board.

The Board committees are made up solely of non-executive members of the Board. The committees brief the Board on their conclusions and proposals at the ordinary Board meetings. However, in urgent matters they inform the Chairman of the Board or the Chief Executive Officer even outside scheduled meetings. Outside the ordinary Board meetings, the Board committee members also work directly with members of the Executive Committee (which is the Group's top echelon of operational management and is not a Board committee). New committees may be formed at any time as required.

The term of office of committee members normally coincides with their term as Board members.

#### 5.5.2.1 Nomination and Compensation Committee

The Nomination and Compensation Committee has the following general responsibilities:

- › Establishment and periodic review of the Schaffner Group's compensation policy and principles, performance criteria and performance targets, periodic review of the implementation of the foregoing items, and submission of proposals and recommendations to the Board of Directors
- › Preparation of all relevant decisions of the Board of Directors with respect to compensation of the members of the Board of Directors and the Executive Committee, submission of proposals to the Board regarding the nature and amount of the annual compensation of the members of the Board of Directors and Executive Committee, and preparation of the proposal to the General Meeting for the respective maximum aggregate amount
- › Submission of proposals to the Board for the list of potential recipients of performance-related compensation and for setting the annual performance targets for this compensation
- › Development of equity incentive plans, and submission of proposals to the Board with respect to the selection of plan participants and the granting of shares, the issue price and vesting or holding periods under equity incentive plans
- › Decision-making or decision support in accordance with legal requirements or provisions of the Articles of Association
- › Staff promotions to the Executive Committee
- › New hiring or dismissal of Executive Committee members; in the case of new hiring, members of the Nomination and Compensation Committee participate in the evaluation of prospective staff

The Board of Directors may assign further duties to the Nomination and Compensation Committee in the areas of compensation, human resources and related matters. The Board sets out the organization, procedures and reporting modalities of the Nomination and Compensation Committee in the Organizational Regulations (a document known in German as "Organisationsreglement" that sets out the Company's governance structure and policies).

#### Membership of the Nomination and Compensation Committee

The Risk and Audit Committee is made up of two or more Board members elected to the committee by the General Meeting. The Board of Directors elects the chair of the committee.

Members at 30 September 2020	Since AGM
<b>Urs Kaufmann, committee chairman</b>	2017
<b>Philipp Buhofner</b>	2018

The Nomination and Compensation Committee convenes as often as business requires, and at least twice per year. The committee may invite other Board members, Executive Committee members and specialists to its meetings as required. Generally the meetings are attended by the Chief Executive Officer and Chief Financial Officer as well as the Head of Corporate Human Resources. The Head of Corporate HR is not a member of the Executive Committee. Additional persons may be asked to attend, at the discretion of the committee chair.

However, the other members of the Board of Directors and the members of the Executive Committee do not attend the meetings or the phases of the meetings in which their own compensation is discussed.

#### 5.5.2.2 Risk and Audit Committee

The Risk and Audit Committee acts solely in an advisory capacity. It assists the Executive Committee in handling financial matters and risk management. At the same time, on behalf of the Board of Directors, the Risk and Audit Committee monitors performance especially in the following areas of responsibility of the Executive Committee:

- › Appropriateness and validity of the Group's accounting
- › Consolidated annual financial statements
- › Analysis of the various risks to which the Schaffner Group is exposed
- › Organization and processes of the system of internal control
- › Organization and processes of risk management
- › Tax planning
- › Financial part of the rolling forecast
- › Other major responsibilities of the finance department

The Risk and Audit Committee, on behalf of the Board, receives the audit reports of the external independent auditors on the company financial statements and consolidated financial statements and presents the reports to the Board for review and comment. The committee regularly briefs the Board on the results of its verification activities and submits the necessary proposals for courses of action to the Board Chairman for consideration by the Board.

#### Membership of the Risk and Audit Committee

The Risk and Audit Committee consists of two or more Board members elected to the committee by the General Meeting. The Board of Directors elects the chair of the committee. The majority of the committee's members, and especially its chairman, should have experience in finance and accounting and be independent.

Members at 30 September 2020	Since AGM
<b>Georg Wechsler, committee chairman</b>	2012
<b>Philipp Buhofer</b>	2017
<b>Gerhard Pegam</b>	2013

The Risk and Audit Committee meets as often as business requires, and generally at least twice per year. Every member may request a meeting. The Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer usually attend the meetings. At the discretion of the committee chairman, additional persons may be asked to attend, particularly representatives of the auditors.

#### 5.5.3 Procedures of the Board and of its committees

Meetings of the Board of Directors are called by the Chairman or Vice Chairman or, if both are unavailable, by another Board member. The Board convenes as often as business requires or when a Board member requests it, but not less than once per quarter. Board meetings are normally called in writing, stating the agenda items. The agenda is set by the Chairman, who also includes items proposed by the Executive Committee. Board meetings are called at least ten days before the meeting date. In urgent matters, the requirement for written notice and/or for ten days' notice can be waived, in which case this must be noted in the minutes of the meeting.

The Board of Directors has a quorum when the majority of its members are in attendance for oral discussions and votes. Members may also attend by telephone or via electronic media (for example, videoconferencing). Resolutions are passed by a simple majority of votes. In the event of an equality of votes, the chairman of the meeting has a second or casting vote. For the purpose of resolutions concerning capital increases, the Board has a quorum irrespective of the number of members present. Unless a member requests an oral discussion, the Board may also vote on its resolutions by written ballot (submitted by mail, fax or e-mail). In such a “postal” vote (also known as a written resolution), passage of a resolution requires the affirmative vote of the majority of all Board members. Postal votes and their outcome must be recorded in the minutes of the next meeting.

The Chairman of the Board (or if unavailable, his deputy) prepares and chairs the meetings of the Board. He is responsible for the proper calling and conducting of the meetings and for the timely and appropriate briefing of the Board members.

In the reporting period the Board met eight times. The following overview shows the individual Board members’ attendance at Board and Board committee meetings:

#### Attendance at meetings

	BD <sup>1</sup>	RAC <sup>1</sup>	NCC <sup>1</sup>
<b>Total number of meetings held</b>	8	2	2
<b>Urs Kaufmann, Chairman</b>	8	2 <sup>2</sup>	2
<b>Philipp Buhofer, Vice Chairman</b>	8	2	2
<b>Gerhard Pegam</b>	8	2	–
<b>Suzanne Thoma</b>	2	–	1
<b>Georg Wechsler</b>	7	2	–
<b>Meeting length</b>	180-480 min.	95-115 min.	90-120 min.
<b>Average length</b>	255 min.	105 min.	105 min.

<sup>1</sup> BD: Board of Directors; RAC: Risk and Audit Committee; NCC: Nomination and Compensation Committee.

<sup>2</sup> Urs Kaufmann attends the RAC meetings as an advisory member.

The Chief Executive Officer and Chief Financial Officer attend the ordinary meetings of the Board. For the discussion of specific matters, the Board calls on members of the Executive Committee, other management staff or external advisors to attend its meetings as required. In the year under review, no external advisors were called to any significant extent.

#### 5.6 Division of authority

The Board of Directors of Schaffner Holding AG is responsible for determining Group strategy. It reviews the Group’s over-arching plans and objectives and identifies internal and external risks and opportunities. Decisions on matters within the Board’s non-delegable and inalienable responsibilities defined in article 18 of the Articles of Association and section 716a of the Swiss Code of Obligations are reserved for the Board.

Schaffner Holding AG is the holding company for the Schaffner Group. As a consequence, the Board of Directors has the following responsibilities in particular:

- › Overall management of the Schaffner Group
- › Setting and approving the strategy and business planning of the Schaffner Group and supervising their implementation
- › Ensuring the efficiency (as necessary for implementation assurance) of accounting, financial controls, risk management and reporting
- › Appointment and removal of the Executive Committee and authorized signatories

- › Regular review of business activities
- › Approval of the decisions of the Executive Committee on the filing, defending or handling of lawsuits, administrative or arbitration proceedings, and on the settlement of litigation where the amount in dispute exceeds CHF 1,000 thousand
- › Decisions on matters not reserved for or transferred to another body by law, by the Articles of Association or by the Organizational Regulations
- › Formulation and preparation of resolutions for consideration by the General Meeting
- › Presentation to the General Meeting of nominations for the election of the Chairman and Vice Chairman of the Board, the members and chair of the Nomination and Compensation Committee, the independent proxy and the external auditors
- › Proposal to the General Meeting regarding the approval of compensation, that is, the respective maximum aggregate compensation of the whole Board of Directors for the term from the Annual General Meeting to the next AGM and of the whole Executive Committee for the fiscal year next following the AGM, in accordance with articles 24 and 25 of the Articles of Association
- › Setting the compensation of the individual Board members and Executive Committee members within the respective approved maximum aggregate amount
- › Approval of compensation of new Executive Committee members for a fiscal year for which the General Meeting has already approved the compensation or the maximum aggregate amount of compensation, in reliance on and within the limits of article 26 of the Articles of Association (“additional amount”)
- › Decisions on fixed compensation of the Board of Directors and Executive Committee, variable cash compensation and other compensation of the Executive Committee, and awards of shares of Schaffner Holding AG to the individual members of the Board and of the Executive Committee, subject to the provisions of the law, the Articles of Association and applicable regulations, and except inasmuch as decisions are reserved for the General Meeting
- › Approval for Executive Committee members to accept additional positions within the meaning of article 23 of the Articles of Association
- › Founding of subsidiaries, corporate mergers, and acquisition of business interests or their sale, their pledging as collateral or their liquidation
- › Entry by the Company into fundamentally new business activities, and material changes to the existing portfolio of businesses
- › Acquisition, mortgaging and sale of real estate
- › Establishment and closing of branch offices
- › Approval of the decisions of the Executive Committee in all matters outside the scope of day-to-day business (those matters not covered by the Authorization Policy) that could give rise to one-time obligations or commitments of more than CHF 500 thousand or to recurring obligations or commitments in an annual amount of more than CHF 250 thousand

To the extent consistent with the applicable legal provisions and the Articles of Association, the Board of Directors has delegated the operational management of the Schaffner Group to the Executive Committee, led by the Chief Executive Officer. The Chief Executive Officer (CEO) is responsible for the overall operational management of the Company. He has responsibility for the long-term success of the Group in line with the strategy set by the Board of Directors. The Chief Financial Officer has responsibility for financial, tax and capital management. He is also responsible for the transparency of the financial results and for ensuring high-quality, timely financial reporting.

## 5.7 Monitoring and control in respect of the Executive Committee

### Board of Directors

The Executive Committee provides the Board with a monthly written report on the Group's financial results. The reporting consists of the consolidated balance sheet, income statement, statement of changes in equity, a statement of changes in provisions, the cash flow statement, and commentary on the business performance of the Group and the divisions. The Board of Directors regularly discusses the monthly reports at its meetings. The Chief Executive Officer and Chief Financial Officer attend the meetings. The Executive Committee carries out a risk assessment at least once per year and reports on the findings to the Board of Directors. In this assessment the general risks are analyzed and rated. Monitoring-and-control points and processes are defined based on the risk assessment and are implemented by the respective process owners. The Board of Directors monitors the assessment of the Group's risks and verifies the implementation of risk management.

At its meeting on 5 May 2020 the Board of Directors, as part of ongoing risk management, assessed the business risks of the Schaffner Group and adopted the risk report and the measures set out in it. The subjects of focus in the year were pandemic risks, cyber security, warranty risks, the dependence on the global economic situation, and currency risks.

Other tools for the monitoring and control of the Executive Committee are the following:

- › Periodic communication of the Executive Committee's forecasts for revenue and for the key earnings and financial position data
- › Rolling forecast
- › Annual strategic analytical reviews of the Group and the divisions
- › A multi-year plan regularly updated by the Executive Committee
- › Special reports by the Executive Committee on significant investments, acquisitions and partnerships

The CEO keeps the Board informed of all significant events. He promptly informs the Chairman of the Board of any exceptional developments.

Even outside the Board meetings, beyond the monthly reporting by the Executive Committee, every member of the Board may request further information from individual members of the Executive Committee on the business performance and other important matters.

### Chairman of the Board

The Board Chairman regularly meets with the Chief Executive Officer and Chief Financial Officer to discuss current business performance and activities.

### Committees

Outside the ordinary Board meetings, the Board committee members also work directly with relevant members of the Executive Committee (which is the Group's top level of operational management and is not a Board committee).

### Internal audit

In view of the size of the company, the Schaffner Group elects not to maintain a dedicated internal audit function. Instead, focused internal special audits are conducted by units of the Schaffner Group, with the participation of external consultants when required. The results of these special audits are reported to the chairman of the Risk and Audit Committee.

## 6 Executive Committee

The responsibilities and powers of the Executive Committee are specified in the Organizational Regulations. Its main responsibilities are:

- › Operational management
- › Optimization of internal organization and processes
- › External representation of the Schaffner Group
- › Internal and external communication

Under the Articles of Association, the employment agreements of Executive Committee members must either have a fixed term of not more than one year, or be of indefinite duration with a notice period of not more than twelve months.

At 30 September 2020, the Schaffner Executive Committee had five members, who held the positions described below.

### Chief Executive Officer

The Chief Executive Officer (CEO) is responsible for the overall operational management of the Company. He has responsibility for the long-term success of the Group in line with the strategy set by the Board of Directors. The CEO is responsible in particular for:

- › Ensuring the implementation of the Board's decisions
- › Representing Schaffner Holding AG to the public and in important associations, institutions, etc.
- › Proposals to the Board of Directors, especially regarding strategy and financial targets, as well as regarding all business which requires Board approval under the Articles of Association, the Authorization Policy or the Organizational Regulations
- › Proposals to the Nomination and Compensation Committee for the nomination and removal of members of the Executive Committee
- › Proposals to the Nomination and Compensation Committee for the fixed compensation, variable cash compensation, other compensation, and awards of shares of Schaffner Holding AG, for the individual members of the Executive Committee
- › Linking Group strategy and operational management by performing the following duties:
  - › Formulation of Group strategy and Group policy, for presentation to and approval by the Board of Directors
  - › Ensuring the achievement of the strategic direction set by the Board
  - › Leadership of the Group's operational management, including balancing short-term targets with the needs of Group strategy
- › Preparation of the Group's financial plans, particularly the annual targets and medium-term planning, with accountability for the overall financial performance against the targets set by the Board of Directors
- › Leadership of the Executive Committee and the other positions reporting to the CEO
- › Management development for the Company and preparation of performance appraisals of the Executive Committee members for the attention of the Nomination and Compensation Committee
- › Ensuring the Group's adherence to internal policy and regulations and the Code of Conduct, and safeguarding compliance with the Articles of Association and applicable legal requirements
- › Communication between the Executive Committee and Board of Directors to ensure early and exact briefing of the Board

### Chief Financial Officer

The Chief Financial Officer (CFO) devises the framework for all strategic and operational controllership activities, ensures the Group's secure financing, optimizes its financing structure, and supports the Chief Executive Officer and the other Executive Committee members in all financial matters.

### Executive Vice Presidents

The Executive Vice Presidents (Executive VPs) are accountable for achieving the objectives within their respective areas of responsibility. These include, in particular, achieving a leading market position for the divisions (i.e., operating segments) under their management, as well as continuous innovation to support lasting competitiveness.

### 6.1 Responsibilities and members of the Executive Committee

The Executive Committee is the Group's highest-ranking operational management body and supports the Chief Executive Officer in fulfilling his role of managing the Group's activities. The Executive Committee is responsible for implementing the Group's strategy within the parameters set by the Board of Directors:

- › Active participation in the process of planning and implementing the Board-approved strategy
- › Efficient and effective fulfilment of the Executive Committee's main duties, with close cooperation between its members
- › Proposal and execution of strategic plans
- › Management of the Group functions of the individual Executive Committee members
- › All matters outside the scope of day-to-day business (those not covered by the Authorization Policy) that do not give rise to one-time obligations or commitments of more than CHF 500 thousand or to recurring obligations or commitments in an annual amount of more than CHF 250 thousand
- › Keeping of the accounting records in accordance with the law, the specific provisions of the accounting standards adopted by Schaffner Holding AG, and the Listing Rules of the SIX Swiss Exchange
- › Human resources policy, HR management and labor relations

The members of the Executive Committee are active participants in its consensus-oriented decision process. Decisions are made by consensus or, where no consensus can be reached, are made by the Chief Executive Officer with due regard to the views expressed by the Executive Committee's members.

At 30 September 2020, the Executive Committee of the Schaffner Group had the following members:

**Marc Aeschlimann**, CEO, Swiss citizen, born 1968

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Degree in Electrical Engineering, Federal Institute of Technology (ETH), Zurich; MBA, Marshall Business School, University of Southern California

With the Schaffner Group since 1 September 2017 as CEO. Previously CEO of R&S Group, CEO of Pfiffner Messwandler, and CEO of Franke Coffee Systems after various management positions at the Franke Group, including five years in China as Head of Food Service Systems for the Asia, Pacific & Middle East region. Earlier worked as a consultant at Helbling Management Consulting.

**Christian Herren**, CFO, Swiss citizen, born 1976

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MA in Management, University of Freiburg

With the Schaffner Group since 2007; from June 2009 was Head of Corporate Finance & Accounting and deputy CFO; from July 2016 to August 2017 served as interim CFO of the Schaffner Group. Before joining Schaffner, was Corporate Financial Controller for Straumann Group and worked in financial auditing at KPMG.

**Guido Schlegelmilch**, Executive VP, German citizen, born 1964

**Degree in Business Engineering and PhD, Darmstadt University of Technology**

Joined the Schaffner Group in February 2009 as Managing Director, Schaffner Deutschland. Since 1 October 2011 is Executive VP and Head of EMC division. Previously held various management positions at Philips Semiconductors and NXP Semi-conductors.

**Martin Lütenecker**, Executive VP, Swiss citizen, born 1969

**Degree in Mechanical Engineering, Federal Institute of Technology (ETH), Lausanne; Marketing Director Diploma, Berne University**

With the Schaffner Group since 1 November 2018 as Executive VP and Head of Automotive division. Previously held management positions in divisional management and market development at internationally operating companies in the automotive supplier industry, including as member of the Executive Board and Division Head at Sonceboz Automotive, Sonceboz, Switzerland, member of the Executive Committee and Head of Automotive division at Styner+Bienz Formtech, Berne, and member of the Executive Committee of JESA, Villars-sur-Glâne.

**Daniel G. Zeidler**, Executive VP, Swiss citizen, born 1972

**Degree in Industrial Management and Manufacturing, Federal Institute of Technology (ETH), Zurich; Executive MBA, University of St. Gallen**

With the Schaffner Group since 19 November 2018 as Executive VP and Head of Power Magnetics division. Previously was Managing Director of Trasfor SA and held various management positions at ABB, including General Manager of its Generator Circuit Breaker unit from 2011 to 2016.

COO Max Bänziger left the Schaffner Group on 31 January 2020. The responsibilities of the COO function have been assumed on an interim basis by Martin Köppel, Head of Global Quality at the Schaffner Group. As former head of production in Luterbach, Martin Köppel has extensive experience in operations.

## **6.2. External activities and interests**

The members of the Executive Committee do not hold any positions in governing or supervisory bodies of any significant organization, institution or foundation under private or public law. They have no permanent management or advisory positions in significant interest groups and hold no public or political office.

## **6.3 Restrictions on positions outside the Group**

Outside the Schaffner Group, a member of the Executive Committee may hold a maximum of two positions on the highest-level governing or administrative body of other listed companies and of non-listed legal entities within the meaning of section 12 para. 1 (1) OAEC; this limit is set out in section 2.4 para. 8 of the Organizational Regulations of Schaffner Holding AG.

For the purpose of this provision, positions (including employment positions) at companies controlled by the Company or positions/employment which the respective member assumes in the capacity of member of the Schaffner Executive Committee (e.g., at joint ventures or pension funds of the Schaffner Group or at companies in which the Company holds a significant non-consolidated interest) are not deemed to be positions/employment outside the Schaffner Group.

The following are counted as a single position for the purpose of this provision: positions/employment at mutually related companies outside the Schaffner Group, dual roles, and positions which are assumed in the capacity of a member of the top governing or administrative body or executive management of a legal entity outside the Schaffner Group (e.g., positions at joint ventures or pension funds of that legal entity or at companies in which that legal entity holds a significant non-consolidated interest).

Executive Committee members require the approval of the Board of Directors to accept positions/employment outside the Schaffner Group.

#### **6.4 Management contracts**

Schaffner Holding AG and its Group companies have no management contracts with third parties.

## **7 Compensation, share ownership and loans**

Information on compensation, shareholdings and loans of the Board of Directors and Executive Committee is provided in the compensation report of the Schaffner Group on pages 49 to 58 of this annual report

## **8 Shareholders' participation rights**

### **8.1 Voting rights restrictions and proxy voting**

At 30 September 2020, there were 1,129 shareholders registered in the share register. Each share of Schaffner Holding AG, with the exception of any shares held by the Company (treasury shares), carries one vote at the General Meeting of shareholders. There are no restrictions on voting rights.

Every shareholder with voting rights may have his shares represented by the independent proxy or by a proxy that the shareholder has appointed. The proxy need not be a shareholder.

Representation of shareholders requires the presentation of a written proxy (a written power of attorney). Recognition of these proxies is a matter for the Board of Directors. Shareholders may also use electronic means to issue proxy mandates and directions to the independent proxy.

In the notice of the General Meeting, the Board of Directors announces the record date (at which registration in the share register is required for participation in and voting at the meeting), and the details of the written and electronic proxies and instructions.

The General Meeting annually elects an independent proxy, whose term of office ends at the conclusion of the next Annual General Meeting. Re-election for consecutive terms is permitted. Natural persons, legal entities and partnerships are all eligible for election. If the Company does not have an independent proxy, the Board of Directors appoints one for the next General Meeting.

## 8.2 Quorums under the Articles of Association

Except as otherwise required by law or the Articles of Association, the General Meeting passes its resolutions and decides its elections by an absolute majority of the votes cast, excluding abstentions and blank and invalid votes. If an election is not completed in the first round and there is more than one candidate, a second round of voting is held, which is decided by a relative majority. In the event of an equality of votes, the chairman of the meeting has the casting vote. The Articles of Association of Schaffner Holding AG do not provide for quorums that go beyond the provisions of Swiss corporation law.

## 8.3 Calling of the General Meeting

The General Meeting is called by the Board of Directors no later than 20 days before the meeting date, by issuing a notice in the Company's official gazette for statutory notices. Notice of the meeting may additionally be sent by letter to all shareholders registered in the share register. In addition to the meeting date, hour and place, the notice must state the items of business to be discussed, the resolutions proposed by the Board of Directors and any proposed by shareholders that have requested a General Meeting or have put forward an item for discussion at the meeting.

Resolutions cannot be passed on matters that have not been announced in this manner, except for motions to call an Extraordinary General Meeting or to conduct a special audit.

Shareholders representing at least 10% of the share capital may submit a request – which is binding on the Company – to call an Extraordinary General Meeting. Such a request must be in writing and state the business to be discussed and the proposed resolutions.

## 8.4 Placing business on the General Meeting agenda

One or more shareholders who together represent at least 5% of the share capital, or shares with a nominal value of at least CHF 1,000,000, whichever is less, may by their written request have business placed on the agenda of a General Meeting. Such a written request must be received by the Company no later than 45 days before the General Meeting.

## 8.5 Registration in the share register

In accordance with article 6 para. 1 of the Articles of Association, Schaffner Holding AG maintains a share register. The Company may outsource the operation of the share register to a company specializing in such services (a registrar). At present the share register is operated by ShareCommService AG, based in Glattbrugg, Switzerland. The manager of the share register is the Chief Financial Officer (CFO) of the Company. In matters concerning the share register, the CFO reports to the Chairman of the Board. The Chairman and the Chief Executive Officer receive regular reports on the shareholder structure (including share deregistrations above a certain size of shareholding). The Board of Directors annually receives a report on the shareholder structure.

The Share Registration Regulation of Schaffner Holding AG sets out the details of the rules governing registration in the share register, including particularly the related authority structure, the maintenance of the share register, and the monitoring of the shareholdings recorded in it. The Share Registration Regulation was issued by the Board of Directors in reliance on sections 685a and 685d et seq. of the Swiss Code of Obligations and article 6 of the Articles of Association. The Regulation can be viewed under the "Annual General Meeting" tab on the website at:  
[www.schaffner-ir.com/annual-general-meeting/annual-general-meeting/](http://www.schaffner-ir.com/annual-general-meeting/annual-general-meeting/)

Further information regarding restrictions on transferability and nominee registrations is given from page 30 of this corporate governance report in section 4.6.

Shares for which the requirements (as set out in the Share Registration Regulation or in any amendments thereto) for registration as a voting shareholder are not, or no longer, fulfilled are registered in the share register as non-voting shares.

These registration restrictions also apply to shares bought or subscribed through the exercise of options, pre-emptive rights or conversion rights.

The authority structure for the approval of shareholder registrations in the share register is as follows:

- › Registration applications for up to 5,000 shares per transaction that clearly meet or clearly do not meet the requirements for registration as a voting shareholder or nominee: Approval by the registrar (the company commissioned to operate the share register)
- › Applications for registration as a nominee: Approval by the registrar
- › Registration applications for more than 5,000 shares per transaction, and all other transactions which do not clearly meet the requirements for registration as a voting shareholder or voting nominee, or in which there is uncertainty: Approval by the manager of the share register
- › All registration applications of shareholders or groups of shareholders that hold the shares for their own account and have reported holding 3% or more of the voting rights of Schaffner Holding AG: Approval by the manager of the share register

Exceptional cases can at any time be referred for approval to the Chairman or, if absent, to the Vice Chairman of the Board.

The Board may, after hearing the affected party, void (delete) the party's registration in the share register as a voting shareholder, retroactively to the date of registration, if the registration was the result of false information supplied by the purchaser, and instead register the affected party as a non-voting shareholder. Registrations can also be deleted (or reclassified as non-voting) when a registered shareholder refuses to provide the requested information or fails to provide requested documentation (of beneficial ownership, etc.) despite prior warning. The authority to decide on deleting or reclassifying the registration of a voting shareholder or nominee or on terminating the relationship with a nominee rests with the Chairman of the Board of Directors. The purchaser must be informed of the deletion immediately.

Under article 13 para. 4 of the Articles of Association, in the notice of the General Meeting the Board of Directors announces the record date at which registration in the share register is required for participation in and voting at the meeting, and thereby indicates the length of the period for which the share register will be closed. The record date for registration is generally the fifth trading day before the day of the General Meeting. Accordingly, the closure of the share register is generally in effect from the fourth trading day before the day of the General Meeting until and including the day of the General Meeting.

Deletions from the share register can be made during the closure. Thus, despite the closure, a share seller is struck from the share register to the extent of the shares sold, if the sale is reported to the Company or to the manager of the share register during the closure. An admission ticket for the General Meeting already issued in the seller's name is automatically rendered void by the deletion from the share register. In the event of the partial sale of a shareholding, the delivered admission ticket must be exchanged at the registration desk on the day of the General Meeting. The invitation to the General Meeting shall note this requirement.

## 9 Change-of-control clauses and takeover defenses

### 9.1 Requirement to make a public tender offer

The Articles of Association of Schaffner Holding AG contain neither an opting-up nor an opting-out clause. Therefore, any person or entity acquiring one-third (33 ⅓%) or more of the voting rights of Schaffner Holding AG must, under section 135 para. 1 of the Financial Market Infrastructure Act, make a public tender offer for all remaining shares.

### 9.2 Clauses on changes of control

In either of the following two cases, the participants in the Schaffner Holding AG Restricted Share Plan (RSP) and Long-Term Incentive Plan (LTIP) have the right to immediately sell any and all of their shares without regard to the holding periods:

- › If any person or entity directly or indirectly acquires sufficient shares in the Company to become obligated under section 135 para. 1 Financial Market Infrastructure Act to make a tender offer for all other outstanding shares of the Company, or
- › If Schaffner Holding AG sells all or a substantial portion of the Company's assets.

## 10 Auditors

### 10.1 Duration of audit firm's engagement and tenure of lead audit partner

#### 10.1.1 Starting date of current audit engagement

The external independent audit firm is elected annually by the General Meeting. Since fiscal year 2015/16, BDO AG, Solothurn, is the independent auditor of Schaffner Holding AG and, as the Group's audit firm, is responsible for the auditing of the Schaffner Group.

#### 10.1.2 Date of first appointment of lead audit partner

The lead audit partner at the external auditors (the person in charge of the audit engagement), Beat Rüfenacht, has held this position since fiscal year 2015/16. The lead audit partner's tenure is limited by law to seven years.

### 10.2 Audit fees

In fiscal year 2019/20, BDO AG billed the Schaffner Group a total of CHF 259 thousand for services in connection with the auditing of the company financial statements of Schaffner Holding AG and the consolidated financial statements of the Schaffner Group (prior year: CHF 226 thousand).

### 10.3 Additional fees

In addition, BDO AG invoiced the Schaffner Group CHF 0 thousand (prior year: CHF 6 thousand) for other services, which had the following composition:

In CHF '000	2019/20	2018/19
<b>Tax consulting</b>	0	0
<b>Miscellaneous</b>	0	6

#### 10.4 Informational instruments pertaining to external audits

The Risk and Audit Committee, on behalf of the Board of Directors, annually reviews the license, performance, fees and independence of the external auditors and recommends to the Board which external auditors to propose for election by the General Meeting. It also ensures compliance with the legal requirement for rotation of the lead audit partner. The external auditors in the course of their audit activities regularly communicate their findings to the Risk and Audit Committee, along with any suggestions for improvement. The external auditors report to the Board in a comprehensive management letter (prepared after the audit of the annual financial statements) and through the “reports of the statutory auditor” published in the annual report.

The Risk and Audit Committee meets with the external auditors at least two times per year, sets the scope and objectives of the audits, and annually assesses the work of the external audit firm through a performance evaluation process. This process takes into account the committee’s experience in working with the external audit firm and the audit firm’s own quality assurance measures in respect of the engagement. The Risk and Audit Committee obtains assurance that the lead audit partner has the necessary technical qualifications and fulfills the requirements as to independence. The Chief Executive Officer and Chief Financial Officer also attend these meetings. The Board is briefed by the Risk and Audit Committee.

In the 2019/20 financial year, two meetings of the Risk and Audit Committee with the external auditors were held.

## 11 Communication policy

Schaffner follows a policy of open and active communication. As a company listed on the SIX Swiss Exchange, Schaffner especially communicates information relevant to the share price (so-called “ad-hoc” disclosures), in accordance with sections 53 and 54 of the Listing Rules. The Schaffner Group’s financial reporting is in accordance with Swiss GAAP FER accounting standards. Where the Schaffner Group makes forward-looking statements, these statements are always based on management’s judgment, at the time of the statement, regarding the current and future position and performance of the company. It is not the policy of Schaffner Holding AG to update previously published information.

The Schaffner Group reports on its financial and business performance on a half-yearly basis, in the form of an interim report and an annual report which are published electronically on Schaffner’s website.

The investor relations activities of the Schaffner Group include the following events (among others), conducted in compliance with the ad-hoc-disclosure requirements of the SIX Swiss Exchange:

- › Annual General Meeting
- › Annual presentation of the full-year results
- › Conference calls (e.g., at publication of the half-year results)
- › Meetings with shareholders, investors and analysts
- › Roadshows

Media releases are available on the website of the Schaffner Group for at least two years after publication and can be accessed via the following link:

[www.schaffner-ir.com/press-release/news/](http://www.schaffner-ir.com/press-release/news/)

Annual and half-year-reports, corporate governance reports and compensation reports are available for at least five years on the website of the Schaffner Group at:

[www.schaffner-ir.com/reports/archiv/](http://www.schaffner-ir.com/reports/archiv/)

Shareholders can receive the latest ad-hoc disclosures of Schaffner Holding AG by e-mail. Registration for this free service is offered on the website of the Schaffner Group at:

[www.schaffner-ir.com/press-release/e-mail-service/](http://www.schaffner-ir.com/press-release/e-mail-service/)

Responsibility for the corporate communications of the Schaffner Group rests with the Chief Executive Officer. He is supported in investor relations by the Chief Financial Officer.

The Company's official gazette for the publication of statutory and regulatory news is the Swiss Official Gazette of Commerce, or SOGC.

An important source of current in-depth information on the Group, including products and contact details, are these web pages:

[www.schaffner.com](http://www.schaffner.com)

[www.schaffner-ir.com](http://www.schaffner-ir.com)

### Investor relations contacts

Investor relations and media office: c/o Dynamics Group, Zurich

[investor-relations@schaffner.com](mailto:investor-relations@schaffner.com)

- › Edwin van der Geest      Thomas Balmer
- › +41 43 268 32 30          +41 43 268 32 34

### Financial calendar

12 January 2021	25th Annual General Meeting
6 May 2021	Publication of half-year report 2020/21
7 December 2021	Publication of annual report 2020/21
11 January 2022	26th Annual General Meeting

The fiscal year-end of Schaffner Holding AG is 30 September.

# Compensation report 2019/20

# Compensation report

## 1 Introduction

This compensation report of Schaffner Holding AG provides an overview of the remuneration principles and compensation system of the Schaffner Group. It describes how the compensation of the members of the Board of Directors and Executive Committee is determined, and gives information on the specific compensation provided to them. It fulfills the requirements of the Ordinance Against Excessive Compensation at Listed Companies (OAEC) in effect since January 2014, and thus complies with the Swiss Code of Obligations. The compensation report is based on the Directive on Information Relating to Corporate Governance (The Corporate Governance Directive) issued by the SIX Swiss Exchange and on the Articles of Association of Schaffner Holding AG. It also takes into account the recommendations of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse, the Swiss business federation.

In the Articles of Association of Schaffner Holding AG, the complete provisions concerning the various aspects of compensation are found in the following articles: the compensation principles, in article 24; the approval of compensation by the Annual General Meeting, in article 25; the available additional amount for compensation of the Executive Committee where a previously approved aggregate maximum amount is not sufficient, in article 26; the rules regarding the principles of performance-related compensation, in article 28; the granting of shares, in article 29; and the granting of loans, other credit and pension benefits, in article 30. Article 19 sets out the responsibilities of the Nomination and Compensation Committee. In the Organizational Regulations of Schaffner Holding AG (a document known in German as "Organisationsreglement" that sets out the Company's governance structure and policies), the corresponding provisions are covered in section 2.4, Responsibilities of the Board of Directors. The Articles of Association and the Organizational Regulations are available in the Corporate Governance section of the website of Schaffner Holding AG at: [www.schaffner-ir.com/corporate-governance/articles-of-association-organizational-regulations/](http://www.schaffner-ir.com/corporate-governance/articles-of-association-organizational-regulations/)

## 2 Guiding principles

The success of the Schaffner Group is driven in large measure by the quality, entrepreneurship and commitment of its people. The compensation policy aims to attract qualified managers and staff, align their activities with the long-term corporate goals and the interests of shareholders, and ensure the competitive attractiveness of a career in the Schaffner Group. The compensation policy of the Schaffner Group is guided by the following criteria:

- › Performance-based and market-competitive, with fixed and variable compensation elements
- › Targets that are clearly defined and measurable
- › Promotion of the Group's financial and business success
- › Fairness and transparency in decisions on compensation
- › Balance of short- and long-term compensation with defined upper and lower limits

## 3 Responsibility and procedures for determining compensation

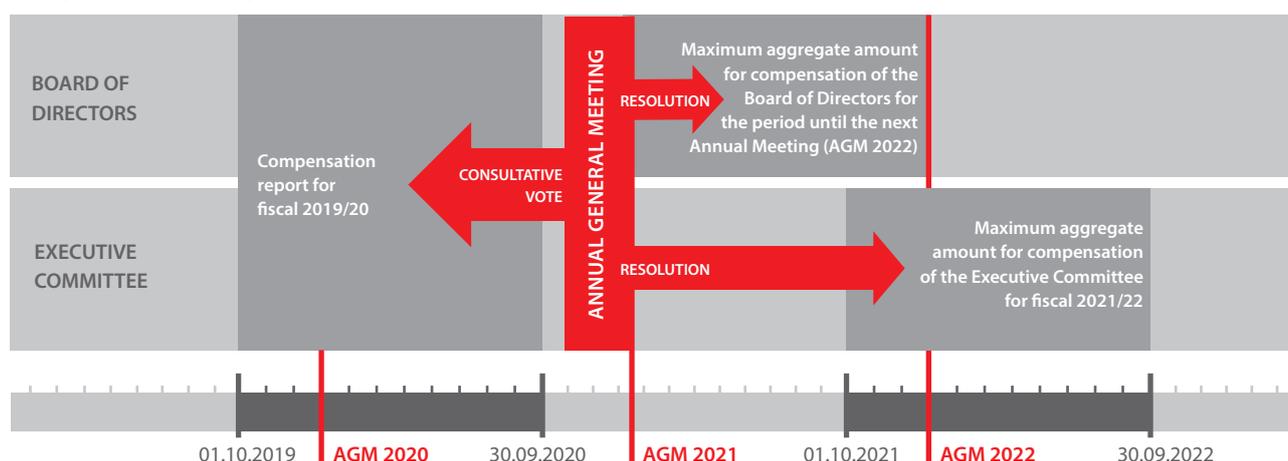
The Board of Directors has ultimate responsibility for the structuring and allocation of compensation. The compensation models used for the Board and the Executive Committee are set out in a compensation policy approved by the Board. The Board of Directors is supported in its work by the Nomination and Compensation Committee (NCC). The NCC reviews the compensation principles and prepares all relevant decisions on the compensation of the Board and the Executive Committee.

From among the Board members, the General Meeting annually elects at least two members to the Nomination and Compensation Committee. The composition, responsibilities and operation of the NCC are described in the corporate governance report 2019/20 of Schaffner Holding AG in section 5.5.2.1 on page 35.

The Board of Directors annually submits a proposal to the Annual General Meeting for the approval of a maximum aggregate amount of compensation for the Board of Directors for the period until the next AGM and for the Executive Committee for the fiscal year (1 October to 30 September) next following the AGM.

Each year at the AGM, binding votes are held on the maximum aggregate amounts. If the AGM declines to approve the maximum aggregate amount for the Executive Committee and/or the Board of Directors, the Board may convene a new General Meeting.

### Compensation and approval mechanism



## 4 Compensation system for the Board of Directors

### 4.1 Non-executive members of the Board

The compensation of the Board of Directors is set annually subject to the maximum aggregate amount approved by the AGM. The compensation is paid partly in cash and partly in the form of a fixed number of shares of Schaffner Holding AG. The Schaffner shares represent compensation designed to further the long-term performance of the Schaffner Group; they have a holding period (a mandatory-retention period) of at least three years during which they cannot be sold. The proportion of total compensation paid in the form of Schaffner shares is regularly reviewed by the NCC. Proposals for changes are submitted to the Board of Directors.

The compensation of the members of the Board is governed by article 24 para. 1 of the Articles of Association and has the following components:

#### a) Fixed cash compensation

Each member of the Board receives a fixed annual base compensation in cash (in fiscal year 2019/20: Chairman, CHF 170 thousand; other members, CHF 47 thousand). In addition, Board members receive a flat fee for their work on the Board committees (2019/20: committee chair, CHF 5 thousand; other committee members, CHF 3 thousand). This flat committee fee is paid only once per person, even if the recipient sits on several committees; the fee is included within the item "fixed cash compensation".

## **b) Long-term compensation in shares of the Company**

The Board members each also receive long-term compensation in the form of a fixed number of shares of the Company with a holding period of at least three years.

### **4.1.1 Additional information**

The compensation of the Board members is reviewed annually and, subject to shareholder approval at the Annual General Meeting, is set prospectively by the full Board of Directors for the term of office beginning immediately after the AGM and ending at the conclusion of the next AGM. Reimbursement of expenses is not considered compensation.

The amount of the compensation for the individual Board members is set on a discretionary basis, taking into consideration the amount of responsibility assigned, the complexity of the duties involved, the required professional and personal qualifications and the expected demands on the Board member's time. The determination of compensation also takes into account an external benchmark in the form of a defined peer group of Swiss manufacturing companies. The composition of the peer group is described in the section on the compensation system for the Executive Committee.

No pension benefits or significant benefits in kind are provided to members of the Board of Directors.

Loans and other credit granted by the Company to a member of the Board of Directors, or guarantees or other security provided by the Company for obligations of a Board member, must not exceed CHF 50 thousand.

The holding period for shares already awarded continues in the event of departure from the Board of Directors.

## **4.2 Executive members of the Board**

The Board of Directors of Schaffner Holding AG has only non-executive members.

## **5 Compensation system for the Executive Committee**

The total compensation for a given member of the Executive Committee is determined by the Board of Directors by taking into consideration the following factors:

- › External benchmark data from a defined peer group
- › Ensuring equal treatment within the Company
- › Amount of responsibility assigned, job qualifications, complexity of duties, and level of target achievement

The peer group used as a benchmark for comparison is selected from Swiss-based, internationally operating manufacturing companies in the Swiss Performance Index (SPI). The selection criteria are comparable annual sales, number of employees, and industry (within the manufacturing sector), and similar complexity of structures (divisional structure, diversified product portfolio, international activities, etc.). The peer group includes the following companies among others: Adval Tech Holding AG, Carlo Gavazzi Holding AG, Kardex AG and Tornos Holding AG.

When required, in order to help determine Executive Committee compensation, the Board uses international compensation analyses for relevant management positions prepared by a consulting firm specializing in salary benchmarking. The consulting firm involved has no other role with the Schaffner Group.

The compensation of the members of the Executive Committee is governed by article 24 para. 2 of the Articles of Association and has the following components:

**a) Fixed cash compensation**

The members of the Executive Committee receive a fixed base salary, which is paid monthly. The amount is determined by the Board individually for each member and on a discretionary basis, taking into account the individual's role and amount of responsibility.

**b) Variable cash compensation**

The variable cash compensation is performance-based. It is tied to the achievement of corporate financial targets and personal targets.

The corporate financial targets are set annually in advance for a one-year performance period. In fiscal year 2019/20 these target metrics were Group net sales and Group EBIT for the CEO/CFO/COO; segment sales and segment EBIT for the division heads; and free cash flow for all members of the Executive Committee. In fiscal year 2018/19 the target metrics were Group net sales and EBIT, segment sales and EBIT, and Group net working capital.

The personal annual targets are set individually for each member of the Executive Committee before the start of the assessment period. They relate to current projects, the agreed strategic goals, and longer-term company performance and development.

Target achievement is evaluated by the Board after the end of the fiscal year. The target amount is contractually set and cannot exceed 50% of fixed compensation. The variable cash compensation can increase up to a maximum of 150% of the target amount if all targets are significantly surpassed, and can fall to 0% of the target amount if the targets are not achieved.

The weighting of the criteria used in determining the variable compensation is as follows:

	CEO/CFO/COO	Division heads
<b>Group financial targets</b>	<b>60%</b>	<b>70%</b>
– Group net sales or segment sales	20%	30%
– Group EBIT or segment EBIT	25%	30%
– Free cash flow	15%	10%
<b>Personal targets</b>	<b>40%</b>	<b>30%</b>

**c) Long-term compensation in shares of the Company**

As long-term compensation, the members of the Executive Committee of Schaffner are annually awarded a variable number of shares of Schaffner Holding AG. The Schaffner shares represent compensation designed to further the long-term performance of the Schaffner Group; they have a holding period of at least three years, during which they cannot be sold. They are awarded (granted) according to the following principles.

**Long-term Incentive Plan (LTIP), in effect since fiscal year 2018/19**

The Board of Directors sets a target number of shares for each member of the Executive Committee. Once the annual financial statements are available, the Board, based on an assessment of the Group's financial situation, outlook, market environment, progress in strategy execution, and the personal performance of the respective member of the Executive Committee, determines an individual target-achievement factor that can range from 0.5 to 1.5. The effective number of shares to be granted is calculated by multiplying the target number of shares by this individual achievement factor. The shares carry voting and dividend rights from the date of the award (the grant date) and are subject to a holding period of at least three years. As the LTIP involves a vesting period of one year, the expense is recognized over the entire vesting period.

### **Restricted Share Plan (RSP), in effect until fiscal year 2017/18**

Until the end of fiscal 2017/18, the number of shares to be awarded was decided in the discretion of the Board of Directors. The shares carried voting and dividend rights from the date of the award and were subject to a holding period of at least three years. As the awards under the Restricted Share Plan did not have a vesting period, they were disclosed in the compensation report in the year of the grant.

### **d) Pension and other compensation**

Pension benefits of Executive Committee members accrue only under pension plans and similar plans of the Company or its Group companies. The benefits of the plan participants and the employer contributions follow from the features of the pension plans or from the respective sets of regulations. Depending on their specific position and country of residence, members of the Executive Committee are in some cases provided with a company car. As well, additional compensation may be paid in connection with postings to other countries (i.e., for expatriates). In the disclosures below, the value of any company car privileges and out-of-country allowances is reported under "other compensation".

#### **5.1 Additional information**

When new members join the Executive Committee, they are compensated in this capacity from the month in which they take up the position. When a member leaves the Executive Committee, compensation is paid until the date of departure. The variable cash compensation and the share award may be reduced or cancelled by the Board of Directors. The holding period for shares already awarded continues in the event of departure from the Executive Committee.

The compensation of the Executive Committee is reviewed annually by the Board of Directors. Every year, the Board proposes to shareholders at the Annual General Meeting the maximum aggregate compensation of the Executive Committee for the next fiscal year after the date of the AGM (the year beginning on the following 1 October).

#### **5.2 Additional amount for members of the Executive Committee**

If new members are appointed to, or existing members are promoted within, the Executive Committee and assume their new position after the AGM has already approved the maximum aggregate amount of compensation for the Executive Committee for the respective fiscal year, then these new or promoted members may, for the period to the next AGM, be paid, in the case of a new CEO, up to 25% more than the amount which had been allocated to the previous CEO out of the maximum aggregate compensation last approved by the AGM for the whole Executive Committee, and in the case of a non-CEO member of the Executive Committee, be paid up to 25% more than the average total compensation per non-CEO member had been as per said last-approved maximum aggregate amount. The additional amount for members of the Executive Committee is governed by article 26 of the Articles of Association

#### **5.3 Employment contracts**

The members of the Executive Committee are generally employed under permanent contracts; all permanent contracts have notice periods of at most one year. Executive Committee members are not entitled to contractual advance compensation or to severance pay.

## 6 Compensation of the members of the Board of Directors and Executive Committee for fiscal year 2019/20

### 6.1 Compensation of the members of the Board of Directors for 2019|20

In the fiscal year under review, the members of the Board received aggregate fixed compensation of CHF 327 thousand (prior year: CHF 377 thousand). In addition, aggregate share-based compensation of CHF 111 thousand was granted (prior year: CHF 156 thousand). This amount is based on the market value of a total of 558 shares under the LTIP (prior year: 418 shares) with a share price of CHF 199.00 on 1 December 2020, recognized in fiscal 2019/20 (prior year: CHF 217.00 on 29 November 2019). In the prior year, 625 shares were also granted under the RSP at a share price of CHF 251.00 on 3 January 2019.

The Board of Directors waived part of its fixed compensation in the year under review, in solidarity with the Covid-19 measures taken.

The aggregate total compensation of the Board of Directors in the fiscal year under review was CHF 438 thousand (prior year: CHF 625 thousand). As the recently introduced share ownership plan (the LTIP) is associated with a vesting period, the shares granted are recognized in the year of vesting using accrual accounting. The expired share ownership plan (the RSP) did not have a vesting period and expenses under it were thus recognized in the year of the actual grant. In fiscal 2018/19, this had the one-time transitional effect that expenses under both plans were recognized in the same fiscal year, despite the fact that no dual grant was made.

#### Compensation of the members of the Board of Directors

	Fixed cash compensation in CHF '000		Share-based compensation in CHF '000			Total compensation in CHF '000		Number of shares granted		
	2019/20	2018/19	2019/20	2018/19		2019/20	2018/19	2019/20	2018/19	
			LTIP <sup>1</sup>	RSP <sup>2</sup>	LTIP <sup>1,3</sup>			LTIP	RSP	LTIP <sup>3</sup>
Urs Kaufmann, Board Chairman <sup>4</sup>	166	175	45	56	33	211	264	225	225	150
Philipp Buhofer, Board Vice Chairman <sup>5,6</sup>	48	50	20	25	15	67	90	100	100	67
Gerhard Pegam, Board member <sup>6</sup>	48	50	20	25	15	67	90	100	100	67
Suzanne Thoma (until January 2020)	17	50	7	25	15	23	90	33	100	67
Georg Wechsler, Board member <sup>7</sup>	49	52	20	25	15	69	92	100	100	67
<b>Total</b>	<b>327</b>	<b>377</b>	<b>111</b>	<b>156</b>	<b>91</b>	<b>438</b>	<b>625</b>	<b>558</b>	<b>625</b>	<b>418</b>

<sup>1</sup> Measured, in fiscal 2019/20, at the closing share price of CHF 199.00 at the date of determination of the number of shares granted, at the Board meeting of 1 December 2020 (prior year: CHF 217.00 on 29 November 2019).

<sup>2</sup> Measured at the closing share price of CHF 251.00 at the grant date of 3 January 2019 and recognized in fiscal 2018/19.

<sup>3</sup> Representing eight-twelfths of the shares granted under the LTIP, as the Board of Directors is compensated on the basis of the period from one Annual General Meeting to the next.

<sup>4</sup> Chairman of the Nomination and Compensation Committee (NCC).

<sup>5</sup> Member of the NCC.

<sup>6</sup> Member of the Risk and Audit Committee (RAC).

<sup>7</sup> Chairman of the RAC.

No loans or other credit were granted to current members of the Board of Directors.

An overview of the shareholdings of the Board members of Schaffner Holding AG is found on page 95 in the 2019/20 financial report.

### Compensation of the members of the Executive Committee for 2019|20

For 2019/20, the fiscal year under review, the aggregate fixed compensation of the members of the Executive Committee was CHF 1,555 thousand (prior year: CHF 1,626 thousand). Their aggregate variable compensation for fiscal 2019/20 was CHF 334 thousand (prior year: CHF 494 thousand). This included equity compensation based on the market value of a total of 775 shares under the LTIP (prior year: 973) at a share price of CHF 190.00 on 1 December 2020 (prior year: CHF 217.00 on 29 November 2019). In the prior year, a total of 608 shares were granted under the RSP, at a share price of CHF 251.00 on 3 January 2019.

In solidarity with the Covid-19 measures taken, the Executive Committee waived part of its fixed compensation in the year under review.

The aggregate total compensation of the Executive Committee for fiscal year 2019/20 was CHF 2,321 thousand (prior year: CHF 2,562 thousand). As the recently introduced share ownership plan (the LTIP) is associated with a vesting period, the shares granted under it are recognized in the year of vesting, using accrual accounting. The expired share ownership plan (the RSP) did not have a vesting period and expenses under it were thus recognized in the year of the actual grant. In fiscal 2018/19, this had the one-time transitional effect that expenses under both plans were recognized in the same fiscal year, despite the fact that no dual grant was made.

### Compensation of the Executive Committee

In CHF '000, except share counts	Highest individual compensation <sup>1</sup>		Total compensation of Executive Committee <sup>2</sup>	
	2019/20	2018/19	2019/20	2018/19
Fixed cash compensation	409	400	1,555	1,626
Variable cash compensation <sup>3</sup>	77	51	187	130
Share-based compensation – RSP <sup>4</sup>		75		153
Share-based compensation – LTIP <sup>5</sup>	60	81	147	211
Pension contributions	107	109	392	417
Other compensation	7	7	40	25
<b>Total compensation</b>	<b>659</b>	<b>724</b>	<b>2,321</b>	<b>2,562</b>
<b>Number of shares granted</b>				
RSP		300		608
LTIP	300	375	738	973

<sup>1</sup> Marc Aeschlimann, Chief Executive Officer.

<sup>2</sup> In the course of fiscal 2019/20, the number of members of the Executive Committee decreased from six to five.

<sup>3</sup> All variable cash compensation is presented on an accrual basis; in other words, any variable cash compensation shown for a given fiscal year was earned in that year. In the annual financial statements, the variable cash compensation is recognized in the fiscal year in which it is earned, relying on the information available at the balance sheet date.

<sup>4</sup> Measured at the closing share price of CHF 251.00 on the grant date of 3 January 2019 and recognized in fiscal 2018/19.

<sup>5</sup> Measured, in fiscal 2019/20, at the closing share price of CHF 199.00 at the date of determination of the number of shares granted, at the Board meeting of 1 December 2020 (prior year: CHF 217.00 on 29 November 2019).

No loans or other credit of significant value were granted to current members of the Executive Committee.

The shareholdings of the members of the Executive Committee of Schaffner Holding AG are disclosed on page 95 in the financial report 2019/20.

## 6.2 Management transactions

Since 1 July 2005, Schaffner Holding AG reports to the SIX Swiss Exchange the transactions in Schaffner shares and options concluded by members of the Board of Directors and of the Executive Committee or by parties related to them, including the names and positions of the persons concerned. Current information on management transactions is available on the web-site of the SIX Swiss Exchange at:

[www.ser-ag.com/en/resources/notifications-market-participants/management-transactions.html#/](http://www.ser-ag.com/en/resources/notifications-market-participants/management-transactions.html#/)

## 7 Benefits to former members of management

In the fiscal year under review, no compensation of any kind was paid to former members of the Board of Directors or Executive Committee in connection with their former positions. Furthermore, no security was provided on behalf of, and no loans, advances or other forms of credit were granted to, former members of the Board of Directors or Executive Committee or parties related to them. As well, no such commitments or receivables were outstanding at the end of the fiscal year.

## 8 Related parties

In the year under review, no fees or other compensation for services rendered to the Schaffner Group or to any of its subsidiaries were paid to parties related to members of the Board or of the Executive Committee.

# Report of the statutory auditor on the compensation report



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## REPORT OF THE STATUTORY AUDITOR

To the General Meeting of Schaffner Holding AG, Luterbach

### Report of the statutory auditor on the compensation report

We have audited the compensation report dated 7 December 2020 of Schaffner Holding AG for the year ended 30 September 2020. The audit was limited to the information provided under articles 14 -16 of the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (the Ordinance) in sections 6 to 8 of the compensation report.

#### Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation with respect to Listed Stock Corporations. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

#### Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 - 16 of the Ordinance. An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 - 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

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

#### Opinion

In our opinion, the compensation report dated 7 December 2020 of Schaffner Holding AG for the year ended 30 September 2020 complies with Swiss law and articles 14 - 16 of the Ordinance.

Solothurn, 7 December 2020

BDO Ltd

Beat Rüfenacht

Auditor in Charge

Licensed Audit Expert

Christoph Tschumi

Licensed Audit Expert

# Financial report 2019/20

# Consolidated balance sheet

In CHF '000	Note	30.09.2020	30.09.2019
Intangible assets	2	981	807
Property, plant and equipment	3	32,986	34,605
Other non-current financial assets		1,011	977
Deferred tax assets	14	8,465	8,632
<b>Total non-current assets</b>		<b>43,443</b>	<b>45,021</b>
Prepaid expenses and deferred income		1,036	912
Inventories	4	31,602	37,459
Other current financial assets		2,020	1,469
Other receivables		2,892	2,266
Trade receivables	5	32,907	36,739
Cash and cash equivalents		14,219	18,013
<b>Total current assets</b>		<b>84,676</b>	<b>96,858</b>
<b>Total assets</b>		<b>128,119</b>	<b>141,879</b>
Exchange differences		-21,769	-15,882
Retained earnings		28,280	27,329
Treasury shares		-608	-800
Share premium		30,380	31,912
Share capital		20,668	20,668
<b>Total shareholders' equity</b>		<b>56,951</b>	<b>63,227</b>
Deferred tax liabilities	14	312	510
Non-current provisions	6	4,498	4,214
Non-current borrowings	7	34,374	33,542
<b>Total non-current liabilities</b>		<b>39,184</b>	<b>38,266</b>
Accrued expenses		9,772	8,712
Current provisions	6	1,367	1,138
Other payables		4,439	5,727
Trade payables		15,772	24,612
Current borrowings	7	222	197
Derivatives	8	412	0
<b>Total current liabilities</b>		<b>31,984</b>	<b>40,386</b>
<b>Total liabilities</b>		<b>71,168</b>	<b>78,652</b>
<b>Total liabilities and shareholders' equity</b>		<b>128,119</b>	<b>141,879</b>

# Consolidated income statement

(year ended 30 September)

In CHF '000	Note	2019/20	2018/19
<b>Net sales of goods and services</b>	<b>15</b>	<b>171,736</b>	<b>197,387</b>
Cost of sales	10	-125,413	-142,274
<b>Gross profit</b>		<b>46,323</b>	<b>55,113</b>
Marketing and selling expense	10	-16,297	-18,403
Research and development expense	10	-16,073	-16,144
General and administrative expense	10	-9,283	-10,762
<b>Operating profit (EBIT)</b>		<b>4,670</b>	<b>9,803</b>
Net finance expense	13	-1,033	-1,765
<b>Profit before tax (EBT)</b>		<b>3,638</b>	<b>8,039</b>
Income tax	14	-923	-832
<b>Net profit for the period</b>		<b>2,715</b>	<b>7,207</b>
<b>Earnings per share in CHF</b>	<b>17</b>		
Basic		4.28	11.36
Diluted		4.28	11.36

# Consolidated cash flow statement

(year ended 30 September)

In CHF '000	Note	2019/20	2018/19
Net profit for the period		2,715	7,207
Depreciation and impairment of property, plant and equipment	3	5,645	4,376
Amortization and impairment of intangible assets	2	295	356
Loss on disposal of property, plant and equipment and intangible assets		289	439
Change in provisions	6	744	-1,077
Change in deferred tax	14	-340	-615
Change in trade receivables		2,986	5,798
Change in inventories		3,890	2,809
Change in other receivables, prepaid expenses and deferred income		-897	1,709
Change in trade payables		-7,617	-1,168
Change in other current payables and accrued expenses		2,455	-6,566
Expense for share-based payments to staff		470	955
Exchange differences on intra-Group items		-620	1,123
Other non-cash (-income)		-257	-528
<b>Cash flow from operating activities</b>		<b>9,758</b>	<b>14,818</b>
Purchase of property, plant and equipment	3	-9,873	-8,461
Disposal of property, plant and equipment		154	211
Purchase of intangible assets	2	-476	-315
Change in current financial assets		-564	1,407
Change in loan receivables and non-current financial assets		-63	23
<b>Cash flow from investing activities</b>		<b>-10,822</b>	<b>-7,135</b>
Purchase of treasury shares	18	-401	-829
Dividend payment		-1,586	0
Repayment of excess share premium		-1,586	-4,129
Proceeds/(-repayment) of borrowings		1,756	-3,659
Amortization in connection with finance leases		-209	-211
<b>Cash flow from financing activities</b>		<b>-2,027</b>	<b>-8,828</b>
Effect of exchange rates on cash and cash equivalents		-704	62
<b>Change in cash and cash equivalents</b>		<b>-3,794</b>	<b>-1,083</b>
Cash and cash equivalents at 1 October		18,013	19,096
Cash and cash equivalents at 30 September		14,219	18,013
<b>Free cash flow<sup>1</sup></b>		<b>-437</b>	<b>6,253</b>
<b>Included in cash flow from operating activities:</b>			
Interest paid		-799	-871
Interest received		34	91
Income tax paid		-1,691	-3,422

<sup>1</sup> Cash flow from operating activities less net investment in property, plant and equipment and in intangible assets.

## Consolidated statement of changes in equity

In CHF '000	Share capital	Share premium	Cumulative exchange differences	Retained earnings	Treasury shares	Total shareholders' equity
<b>At 1 October 2018</b>	<b>20,668</b>	<b>36,265</b>	<b>- 16,886</b>	<b>19,608</b>	<b>- 637</b>	<b>59,018</b>
Net profit for the period				7,207		7,207
Exchange differences			1,004			1,004
Treasury share transactions		- 224		- 442	- 163	- 829
Repayment of excess share premium <sup>1</sup>		- 4,129				- 4,129
Share-based incentive plans				956		956
<b>At 30 September 2019</b>	<b>20,668</b>	<b>31,912</b>	<b>- 15,882</b>	<b>27,329</b>	<b>- 800</b>	<b>63,227</b>
Net profit for the period				2,715		2,715
Exchange differences			- 5,887			- 5,887
Treasury share transactions		54		- 647	192	- 401
Repayment of excess share premium <sup>2</sup>		- 1,586				- 1,586
Dividend payment <sup>3</sup>				- 1,586		- 1,586
Share-based incentive plans				470		470
<b>At 30 September 2020</b>	<b>20,668</b>	<b>30,380</b>	<b>- 21,769</b>	<b>28,280</b>	<b>- 608</b>	<b>56,951</b>

<sup>1</sup> CHF 6.50 per share.

<sup>2</sup> CHF 2.50 per share.

<sup>3</sup> CHF 2.50 per share.

### Share capital

The issued share capital of Schaffner Holding AG consists of 635,940 ordinary registered shares with a nominal value of CHF 32.50 per share. The issued shares are fully paid. Each share carries one vote at the General Meeting. All shares not held by the Company or by one of its subsidiaries are entitled to dividends.

The Group's legally required retained earnings and share premium totaled CHF 25.6 million at the balance sheet date (prior year: CHF 27.2 million). These reside in the holding company, Schaffner Holding AG.

# Notes to the consolidated financial statements

## Accounting policies

### Basis of preparation

The consolidated financial statements comprise the individual financial statements of Schaffner Holding AG (the “Company”) and its subsidiaries (together, “Schaffner”, the “Group” or the “Schaffner Group”) at and for the year ended 30 September 2020, drawn up in accordance with the uniform accounting policies of the Group.

The consolidated financial statements comply with Swiss law and have been prepared in accordance with all existing guidelines of the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER). Measurement is based on historical cost or on fair value. The measurement principles for the individual balance sheet items are given in the accounting policies described below. The presentation currency of the consolidated financial statements is the Swiss franc.

With the aim of maximum transparency for readers of the financial statements, the Schaffner Group has decided to provide, in some areas, disclosures additional to those required by Swiss GAAP FER. In this way, Swiss GAAP FER serve as the foundation for the most transparent, easily understood and reader-friendly reporting possible.

The consolidated financial statements are prepared in German and translated into English. The English version is provided solely for readers’ convenience. Only the German version is definitive and legally binding.

### Changes in accounting policies

In the year under review there were no changes in the guidelines of the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER).

### Assumptions and estimates

The consolidated financial statements of the Schaffner Group contain assumptions and estimates which affect the reported financial position, results of operations and cash flows. These assumptions and estimates were made on the basis of management’s best knowledge at the time of preparation of the accounts. Actual results may differ from the values presented.

### Methods of consolidation

The consolidated financial statements comprise the financial statements of Schaffner Holding AG and of its subsidiaries. Schaffner Holding AG and the subsidiaries are included by full consolidation. Under this method, these companies’ assets, liabilities, income and expenses are fully included in the consolidated financial statements.

A subsidiary is a company over which Schaffner Holding AG directly or indirectly exercises control.

All intra-Group balances, income and expenses are eliminated on consolidation (both among the subsidiaries, and between them and Schaffner Holding AG). This also includes intra-Group profits on inventories and on non-current assets.

Companies acquired during the reporting period are included in the consolidated financial statements from the effective date of their acquisition. Companies divested during the reporting period remain included in the consolidated financial statements until the Group ceases to have control.

### **Translation of subsidiaries' functional currencies into the Group's presentation currency**

All assets and liabilities in the balance sheets of foreign subsidiaries drawn up in foreign currencies are translated into Swiss francs (CHF) at period-end exchange rates (i.e., at closing rates for the reporting period). Expenses, income and cash flows are translated into Swiss francs at weighted average exchange rates for the reporting period, which approximate the actual transaction rates. Foreign exchange differences arising from the variation in applicable exchange rates are recognized directly in equity.

### **Foreign currency transactions**

Foreign currency transactions of subsidiaries are translated into the functional currency of the subsidiary at exchange rates prevailing at the transaction date (i.e., at transaction rates). Their foreign currency balances are translated at period-end exchange rates. Gains and losses arising from the recovery, settlement or translation of foreign currency monetary assets and liabilities are recognized as income or expense in the income statement.

### **Intangible assets**

Intangible assets are stated at historical cost less amortization and impairment. Amortization is applied on a straight-line basis over the assets' estimated useful life, which ranges from three to eight years.

#### **a) Acquisitions and goodwill**

Companies are consolidated from the date when control is acquired. Business combinations are accounted for using the acquisition method. The cost of an acquisition is calculated as the total consideration transferred, measured at fair value at the acquisition date.

Any contingent consideration payable is recognized at the acquisition date at fair value. Subsequent changes in the fair value of contingent consideration are recognized in the income statement.

The difference between the purchase price and the remeasured net assets of the acquired company is referred to as goodwill. Any potential intangible assets obtained through an acquisition which were not previously recognized by the acquired company, such as trademarks, usage rights and customer lists, are not recognized separately but remain part of goodwill. Goodwill arising from acquisitions is offset against consolidated equity at the acquisition date. On disposal of part of a business, goodwill previously offset against equity must be transferred to the income statement. The impacts of a hypothetical capitalization and amortization of the goodwill are disclosed in note 2 to the consolidated financial statements.

#### **b) Internally generated intangible assets**

Research and development costs for new products are fully recognized in the item "research and development expense" in the income statement.

Development costs for software are capitalized as intangible assets, provided that the software will generate a future economic benefit through sale or internal use and that the cost can be reliably estimated. Additional conditions for capitalization are the technical feasibility of the asset, the intention and ability to complete its development, and the availability of sufficient resources for the purpose.

### Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less depreciation and impairment. They are depreciated on a straight-line basis over their estimated useful life, which is as follows:

Land	Not depreciated
Buildings	25–50 years
Leasehold improvements	5–10 years
Machinery and equipment	5–10 years
Furniture and fixtures	5–10 years
Vehicles	3–6 years
IT hardware	3–5 years
Tools	1–5 years

Leases under which a Group company as lessee has substantially all the benefits and risks of ownership are classified as finance leases. The leased asset is capitalized at the lower of its fair value or the present value of the minimum lease payments, and a liability of the same amount is recognized in borrowings. The interest portion (the finance charge) of the lease payments is charged to the income statement. Payments made under operating leases are recognized as an expense in the income statement in equal installments over the life of the lease.

### Impairment of non-financial assets

The recoverable amount of an asset is estimated whenever there is an indication of impairment. If the asset's carrying amount exceeds the recoverable amount, the difference is recorded as an impairment charge in the income statement. The recoverable amount is the higher of an asset's net selling price and its value in use. An asset's value in use is the present value of the estimated future cash flows from the asset.

### Inventories

Products purchased for resale, and raw materials, are measured at the cost of purchase. Rebates received are deducted from purchase cost. Internally produced goods are measured at the cost of conversion, including an appropriate share of production overhead. Inventories in the balance sheet, and the charge to the income statement for the conversion cost of goods sold (cost of sales), are measured using the standard cost method. The standard costs are regularly reviewed and, when necessary, brought into line with current circumstances. Slow-moving inventories and those with a lower market value are written down. Unsaleable inventory is fully written off. Inventory is thus not measured at more than its net realizable value.

### Trade receivables

The carrying amount (also known as carrying value) of trade receivables is their nominal value less a provision for doubtful debts, i.e., for impairment. Such write-downs are based on uniform rules under which impairment charges are provided individually for specific doubtful arrears. For those trade receivables on which impairment is not individually recognized, impairment is assessed collectively based on prior experience and the length of time overdue.

### Securities held as current assets

Securities classified as current assets are measured at fair value, with unrealized gains and losses recognized in the income statement in finance income and expense. Where no fair value is known, they are measured at not more than cost less any impairment. Treasury shares are presented as a deduction from shareholders' equity.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, bank deposits in postal and other bank accounts, bank drafts and short-term time deposits with residual maturities of up to 90 days.

### **Provisions**

Provisions are recognized when Schaffner has an obligation to a third party as a result of a past event, the amount of the obligation can be estimated reliably and it is probable that an outflow of resources will be required to settle the obligation. If the outflow of resources is not probable or its amount cannot be determined, the obligation is reported in contingent liabilities. The amount of the provision is based on a best estimate of the amount required to settle the obligation.

Where the effect of the time value of money is material, provisions are measured at the present value of the expected future expenditures.

Restructuring provisions are recognized if the costs attributable to a restructuring plan both can be determined reliably and represent a contractual obligation or a constructive obligation created by communication.

### **Revenue recognition and interest income**

Net sales represent the revenue from goods sold and services rendered to third parties, net of discounts and other price reductions. Sales are recognized at the time that the benefits and risks of ownership of the products sold are transferred to the customer or the service is rendered; this timing depends on the agreed shipment terms (Incoterms).

Revenue is recognized if an economic benefit is likely to accrue to the Group and the amount of revenue can be reliably determined.

The sources of the Schaffner Group's revenue are detailed in note 15.

### **Pension obligations**

The Schaffner Group operates a number of pension plans in various countries worldwide. The pension plans are generally financed by contributions from employees and the respective Group companies.

The economic effects arising from the pension plans are assessed annually. Any plan surpluses or deficits are determined using the annual financial statements of the respective pension arrangements, which are based on Swiss GAAP FER 26 in the case of the Swiss plans, or on methods recognized in the respective other countries in the case of foreign plans. An economic benefit is recognized as an asset if the use of the plan surplus toward the future pension costs of the Schaffner Group is permitted and intended. Where there are freely disposable employer contribution reserves, these are also capitalized. An economic obligation is recognized as a liability if the requirements for raising a provision are met. Changes in the economic benefit or obligation are taken to the income statement and recognized in staff costs, as are the contributions payable for the reporting period.

### **Derivative financial instruments**

For the hedging of exchange rate risks, the Schaffner Group may use futures contracts, currency swaps and other hedging instruments. Derivatives used to hedge changes in the value of an underlying transaction already recognized in the balance sheet are accounted for using the same measurement principles as those applied to the hedged underlying transaction. Derivatives are derecognized as soon as the end of their term is reached (or an option is exercised early) or as soon as all further claim to future payments is eliminated by their sale or by counterparty default.

### Segment reporting

The Schaffner Group is organized into three divisions: EMC, Power Magnetics and Automotive. This delineation of segments (i.e., divisions) is consistent with the internal reporting on the basis of which the chief decision maker responsible allocates resources to these segments and evaluates their profitability.

The Schaffner Group has identified its Executive Committee as this chief decision maker.

In the year under review and in the prior year, segment profit or loss equaled segment operating profit or loss.

### Income tax

Accrued expenses for current income tax are recognized in the period in which the profits arise, on the basis of the reported profits. Tax is calculated in conformity with the tax laws applicable in the individual countries.

Deferred tax is recognized using the liability method. Under this approach, the income tax effects of temporary differences between carrying amounts in the financial statements and their tax bases used in the calculation of taxable income are reported under non-current liabilities or non-current assets, using the tax rates that are expected to apply to the period in which an asset is recovered or a liability settled. The change in deferred tax is recognized in the income statement. Deferred tax liabilities are calculated on all taxable temporary differences.

Deferred tax assets, including assets for unused tax loss carry-forwards, are only recognized to the extent it is probable that future taxable profits will be available which will allow the assets to be utilized. The determination of the amount of deferred tax assets to be recognized involves assumptions and estimates by management as to the likely timing and amounts of future taxable profits.

### Borrowings

Borrowings are recognized at their nominal amounts. Transaction costs incurred are recognized immediately in the income statement. Borrowings are classified as current liabilities unless the Group has the unconditional right to postpone the settlement of the debt until at least twelve months after the balance sheet date.

### Share-based payments

Until including fiscal year 2018/19, the award of shares under the Restricted Share Plan, which are subject to a three-year holding period, was not tied to any vesting conditions. Therefore, there was no vesting period for these shares and the compensation was recognized in staff costs at the grant date.

With effect from 1 October 2018, the Board of Directors created a Long Term Incentive Plan (LTIP). The fair value of the LTIP shares is measured at the quoted market price at the beginning of the vesting period (which starts at 1 October of the respective year), less a discount to compensate for the restricted nature of the shares during the holding period. In setting the target number of shares, it is assumed that the target number will be multiplied by an achievement factor of 1.

## 1 Foreign currencies

In the consolidation of Group companies' separate financial statements, the following exchange rates were applied in translating foreign-currency-denominated accounts into Swiss francs::

Country or region	Currency	Balance sheet		Income statement	
		30.09.2020	30.09.2019	2019/20	2018/19
		In CHF	In CHF	In CHF	In CHF
China	CNY 100	13.56	13.93	13.68	14.47
EU	EUR 100	108.02	108.57	107.52	112.08
UK	GBP 100	118.36	122.46	122.56	126.67
Hungary	HUF 100	0.30	0.32	0.31	0.35
India	INR 100	1.25	1.40	1.31	1.41
Japan	JPY 100	0.87	0.92	0.8891	0.91
Sweden	SEK 100	10.22	10.15	10.17	10.66
Singapore	SGD 100	67.37	71.98	69.24	72.84
Thailand	THB 100	2.91	3.25	3.07	3.15
Taiwan	TWD 100	3.18	3.20	3.20	3.21
USA	USD 100	92.28	99.52	95.63	99.55

## 2 Intangible assets

In CHF '000	Technology and rights	Software	Intangible assets under construction	Total
<b>Cost at 1 October 2018</b>	<b>442</b>	<b>10,206</b>	<b>0</b>	<b>10,648</b>
Additions		315		315
Disposals		-189		-189
Exchange differences	-17	4		-13
<b>Cost at 30 September 2019</b>	<b>425</b>	<b>10,336</b>	<b>0</b>	<b>10,761</b>
Additions		25	451	476
Disposals		-211		-211
Reclassifications		46	-46	-0
Exchange differences	8	-47		-39
<b>Cost at 30 September 2020</b>	<b>433</b>	<b>10,149</b>	<b>405</b>	<b>10,987</b>
<b>Accumulated amortization and impairment at 1 October 2018</b>	<b>-427</b>	<b>-9,377</b>	<b>0</b>	<b>-9,804</b>
Amortization	-3	-353		-356
Disposals		189		189
Exchange differences	15	2		17
<b>Accumulated amortization and impairment at 30 September 2019</b>	<b>-415</b>	<b>-9,539</b>	<b>0</b>	<b>-9,954</b>
Amortization	-4	-291		-295
Disposals		212		212
Exchange differences	-9	40		31
<b>Accumulated amortization and impairment at 30 September 2020</b>	<b>-428</b>	<b>-9,578</b>	<b>0</b>	<b>-10,007</b>
<b>Net book value at 30 September 2019</b>	<b>10</b>	<b>797</b>	<b>0</b>	<b>807</b>
<b>Net book value at 30 September 2020</b>	<b>5</b>	<b>571</b>	<b>405</b>	<b>981</b>

In the consolidated income statement, amortization of intangible assets is included within "cost of sales", "marketing and selling expense", "research and development expense", and "general and administrative expense". The net book values of the categories "technology and rights" and "software" primarily represent acquired intangible assets.

## Goodwill

Goodwill acquired through a business combination is offset at the acquisition date against equity (in retained earnings). When goodwill is offset against equity, Swiss GAAP FER require reporting of the notional impacts of a hypothetical capitalization and amortization of goodwill. The hypothetical amortization is performed on a straight-line basis over a period of five years.

A hypothetical capitalization of goodwill would have had the following impacts on the financial statements:

In CHF '000	2019/20	2018/19
<b>Cost at 1 October</b>	<b>17,384</b>	<b>17,260</b>
Exchange differences	-982	124
<b>Cost at 30 September</b>	<b>16,403</b>	<b>17,384</b>
<b>Accumulated amortization and impairment at 1 October</b>	<b>- 17,384</b>	<b>- 16,600</b>
Amortization		-672
Exchange differences	982	-112
<b>Accumulated amortization and impairment at 30 September</b>	<b>- 16,403</b>	<b>- 17,384</b>
<b>Hypothetical net book value at 30 September</b>	<b>0</b>	<b>0</b>

Since fiscal year 2018/19, goodwill no longer needs to be tested for impairment, as its hypothetical net book value is zero. According to shadow accounting, the goodwill has been fully amortized since fiscal 2018/19.

In the past, impairment testing of the goodwill offset against equity was conducted on an operating segment basis, consistent with the internal organizational and reporting structure. For the purposes of impairment testing, the segments were thus designated as the relevant cash-generating units (CGU). The impairment test was performed based on indications that goodwill items could potentially be impaired. All of the Group's goodwill was allocable to the Power Magnetics segment and was tested for impairment. The recoverable amount of this segment was its value in use, which is calculated from discounted future cash flows based on the business plan for the next five years. The projection relied both on prior experience and on management's current judgment regarding the probable business trend in the relevant markets. An underlying assumption was that there would be no major organizational change. As the goodwill was already offset against equity at the acquisition date, an impairment of goodwill does not lead to a charge to income but merely to a disclosure in the notes.

### 3 Property, plant and equipment

In CHF '000	Undeveloped land	Land and buildings	Plant and machinery	IT hardware	Other tangible assets	Assets under construction	Total
<b>Cost at 1 October 2018</b>	<b>168</b>	<b>15,424</b>	<b>48,995</b>	<b>2,926</b>	<b>2,430</b>	<b>3,326</b>	<b>73,269</b>
Additions		122	1,014	550	1,051	8,122	10,859
Disposals		-411	-1,193	-186	-199	-185	-2,175
Reclassifications		202	3,274	-1	1,269	-4,744	0
Exchange differences	-12	-201	1,215	-35	14	282	1,263
<b>Cost at 30 September 2019</b>	<b>156</b>	<b>15,136</b>	<b>53,305</b>	<b>3,254</b>	<b>4,565</b>	<b>6,801</b>	<b>83,217</b>
Additions		119	640	98	314	6,399	7,569
Disposals		-98	-3,945	-567	-631	-121	-5,362
Reclassifications		5,434	2,325	8	37	-7,804	0
Exchange differences		-1,442	-4,000	-125	-61	-484	-6,111
<b>Cost at 30 September 2020</b>	<b>156</b>	<b>19,150</b>	<b>48,325</b>	<b>2,668</b>	<b>4,224</b>	<b>4,791</b>	<b>79,314</b>
<b>Accumulated depreciation and impairment at 1 October 2018</b>		<b>-7,396</b>	<b>-33,314</b>	<b>-2,478</b>	<b>-2,042</b>	<b>0</b>	<b>-45,230</b>
Depreciation		-624	-3,347	-234	-171		-4,376
Disposals		285	864	181	195		1,525
Reclassifications			1,266		-1,266		0
Exchange differences		-12	-544	35	-9		-530
<b>Accumulated depreciation and impairment at 30 September 2019</b>		<b>-7,747</b>	<b>-35,075</b>	<b>-2,496</b>	<b>-3,293</b>	<b>0</b>	<b>-48,611</b>
Depreciation		-816	-4,179	-277	-372		-5,645
Disposals		84	3,659	590	587		4,920
Exchange differences		401	2,481	100	25		3,008
<b>Accumulated depreciation and impairment at 30 September 2020</b>		<b>-8,078</b>	<b>-33,113</b>	<b>-2,082</b>	<b>-3,054</b>	<b>0</b>	<b>-46,328</b>
<b>Net book value at 30 September 2019</b>	<b>156</b>	<b>7,388</b>	<b>18,230</b>	<b>758</b>	<b>1,272</b>	<b>6,801</b>	<b>34,605</b>
Of which finance leases		1,813					1,813
<b>Net book value at 30 September 2020</b>	<b>156</b>	<b>11,072</b>	<b>15,212</b>	<b>585</b>	<b>1,169</b>	<b>4,791</b>	<b>32,986</b>
Of which finance leases		1,700					1,700

In the consolidated income statement, depreciation of property, plant and equipment is included within "cost of sales", "marketing and selling expense", "research and development expense", and "general and administrative expense".

At the end of the fiscal year there were commitments to purchase property, plant and equipment in the amount of CHF 1.8 million (prior year: CHF 2.6 million). Additions to property, plant and equipment included unpaid investment of CHF 0.6 million (prior year: CHF 2.9 million).

Property, plant and equipment are covered by a Group-wide insurance policy. The maximum insured amount is CHF 80 million per claim.

### Operating leases

The future minimum payments under operating lease agreements not cancelable within one year (mainly rent for office and manufacturing space) are presented in the table below:

In CHF '000	30.09.2020	30.09.2019
<b>Minimum lease payments due:</b>		
Within 1 year	2,122	2,412
In more than 1 year and up to 5 years	8,212	7,802
In more than 5 years	9,614	10,782
<b>Total minimum payments</b>	<b>19,948</b>	<b>20,996</b>

### Finance leases

The carrying amount of assets held under finance leases was CHF 1.7 million (prior year: CHF 1.8 million) and related to the leased logistics center in Wittelsheim, France. The associated obligations under finance leases were CHF 1.0 million (prior year: CHF 1.2 million).

## 4 Inventories

In CHF '000	30.09.2020	30.09.2019
Raw materials	13,160	14,741
Work in process and semi-finished goods	3,431	3,088
Finished goods	15,011	19,629
<b>Total inventories</b>	<b>31,602</b>	<b>37,459</b>

### Inventory provisions

In CHF '000	2019/20	2018/19
<b>At 1 October</b>	<b>2,957</b>	<b>2,654</b>
Created	1,903	1,281
Used	-319	-700
Unused amounts reversed	-615	-210
Exchange differences	-144	-68
<b>At 30 September</b>	<b>3,782</b>	<b>2,957</b>

## 5 Trade receivables

In CHF '000	30.09.2020	30.09.2019
Trade receivables from non-Group entities, gross	33,061	36,840
Provision for doubtful debts	-155	-101
<b>Total trade receivables</b>	<b>32,907</b>	<b>36,739</b>

### Provision for doubtful debts

In CHF '000	2019/20	2018/19
<b>At 1 October</b>	<b>101</b>	<b>91</b>
Created	179	150
Used	-36	-24
Unused amounts reversed	-86	-118
Exchange differences	-3	2
<b>At 30 September</b>	<b>155</b>	<b>101</b>

The ageing of trade receivables is detailed in the following table:

In CHF '000	Total	Not yet due	Overdue			
			Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days
<b>Trade receivables at 30 September 2019</b>	<b>36,840</b>	<b>25,827</b>	<b>7,022</b>	<b>2,701</b>	<b>997</b>	<b>293</b>
<b>Trade receivables at 30 September 2020</b>	<b>33,061</b>	<b>24,796</b>	<b>4,104</b>	<b>2,279</b>	<b>1,246</b>	<b>636</b>

## 6 Provisions

In CHF '000	Warranty provisions	Pension provisions	Restructuring provisions	Other provisions	Total
<b>At 1 October 2018</b>	<b>1,961</b>	<b>3,267</b>	<b>570</b>	<b>652</b>	<b>6,450</b>
Created	1,469	560		263	2,292
Used	-1,183	-175	-524	-636	-2,518
Unused amounts reversed	-798	-18	-35		-851
Exchange differences	-37	11		6	-20
<b>At 30 September 2019</b>	<b>1,412</b>	<b>3,645</b>	<b>11</b>	<b>284</b>	<b>5,352</b>
Created	658	614		942	2,214
Used	-264	-196		-155	-615
Unused amounts reversed	-665	-2	-11	-177	-855
Exchange differences	-55	-173		-3	-231
<b>At 30 September 2020</b>	<b>1,086</b>	<b>3,888</b>	<b>0</b>	<b>891</b>	<b>5,865</b>
Non-current provisions	556	3,645	0	13	4,214
Current provisions	856	0	11	272	1,138
<b>Total provisions at 30 September 2019</b>	<b>1,412</b>	<b>3,645</b>	<b>11</b>	<b>284</b>	<b>5,352</b>
Non-current provisions	598	3,888	0	12	4,498
Current provisions	488	0	-0	879	1,367
<b>Total provisions at 30 September 2020</b>	<b>1,086</b>	<b>3,888</b>	<b>0</b>	<b>891</b>	<b>5,865</b>

Current provisions relate to cash outflows expected to occur within twelve months. Non-current provisions relate to outflows due after more than twelve months; where the time value of money is significant, the expected cash flows are discounted.

### Warranty provisions

The warranty provisions were created primarily for the warranty risks inherent in the nature of the business activities. Warranty provisions are measured based on historical experience regarding repairs and returns and adjusted to reflect current sales volumes. The outflows are expected to occur within the next three fiscal years.

For specific warranty claims, additional provisions are created if the lump-sum provisions are either insufficient for these claims or are not intended for them.

### Pension provisions

The pension provisions consist primarily of provisions for defined benefit plans in Germany, Thailand and France.

### Restructuring provisions

In fiscal year 2018/19, restructuring provisions which had been formed one year earlier for optimization measures in the Power Magnetics division in Europe were utilized. For fiscal year 2019/20 no further restructuring provisions were raised.

### Other provisions

The utilization of CHF 0.6 million of "other provisions" in fiscal 2018/19 was related in particular to a court case in France entailing customs risks.

Provisions of CHF 0.9 million were added in fiscal year 2019/20.

## 7 Borrowings

The average interest rate payable on borrowings in fiscal year 2019/20 was 2.0% (prior year: 2.2%).

The composition of borrowings is shown in the following table:

In CHF '000	Effective interest rate at 30.09.2020	30.09.2020	30.09.2019
Bank loans in Switzerland	Libor (min. 0%) + 2.3%	33,992	32,504
Finance leases	4.51%	1,016	1,234
<b>Total borrowings</b>		<b>35,008</b>	<b>33,738</b>
Of which:			
Current borrowings		634	197
Non-current borrowings		34,374	33,541

The debt financing of the Schaffner Group is assured through credit lines with four banks, with a credit limit of CHF 15 million per facility. These credit agreements are tied to covenants, which were fulfilled both during the year and at the balance sheet date. The contractual covenants relate to metrics that include net debt/EBITDA, equity, and equity ratios.

The remaining maturities of the Group's individual bank borrowings at the balance sheet date ranged up to three months. Under the credit agreements, they can be rolled over continuously until at least 30 June 2023.

## 8 Derivative financial instruments

In CHF '000	Contract value		Positive fair value		Negative fair value	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
Forward contracts	1,534	0	0	0	-30	0
Other derivative hedging transactions	15,676	0	35	0	-417	0
<b>Total</b>	<b>17,210</b>		<b>35</b>		<b>-447</b>	

Contract amounts represent the outstanding transaction volume. At the balance sheet date, there were only currency contracts; these had a net negative fair value of CHF 412 thousand. The changes in the fair value of these currency contracts are reported in cash flow from operating activities based on the recognition of the underlying transaction.

## 9 Contingent liabilities and pledged assets

As a company with worldwide operations, Schaffner is exposed to numerous legal risks. The outcome of currently pending legal proceedings cannot be predicted with certainty. Provisions are established inasmuch as the financial consequences of a past event can be estimated reliably and the estimate can be confirmed by independent expert opinion.

Assets of CHF 559 thousand (prior year: CHF 396 thousand) were pledged as collateral for electricity consumed and for pension liabilities.

## 10 Exceptional effects and accounting for and disclosure of government grants and assistance

On 29 January 2020, the World Health Organization (WHO) declared the spread of the Covid-19 coronavirus disease an international health emergency. Subsequently, on 11 March 2020, the classification of the coronavirus epidemic was upgraded to pandemic status due to its rapid spread. In parallel with this, in Switzerland under the Epidemics Act, the government declared first a "special situation" and then an "extraordinary" state of emergency.

The countries affected adopted different measures to reduce the spread of the virus. In order to contain the negative impacts of the coronavirus pandemic and at the same time maintain its ability to deliver to customers, the Schaffner Group immediately initiated an action program. It includes structural and capacity adjustments in the plants, reduced work hours for overhead staff, the postponement of renewal investments, and strict management of costs.

The effects of the public-health measures and Schaffner's own actions to contain the Covid-19 pandemic, and the grants and other assistance from national governments, are reflected in these annual financial statements, with an overall net positive impact of about CHF 2.7 million on the income statement.

All effects of short-time compensation (i.e., government grants for "Kurzarbeit", or reduced work hours) in Switzerland or of other government assistance (referred to locally by terms such as "paycheck protection program", "social cost reduction", "governmental support packages" and "job support schemes") in countries such as the USA, China, Singapore and Thailand are included on a net basis in the accounts concerned.

## 11 Staff costs

In CHF '000	2019/20	2018/19
Wages and salaries	44,850	48,667
Share-based payments expense (Long-Term Incentive Plan)	390	352
Share-based payments expense (Restricted Share Plan) <sup>1</sup>	0	310
Social security costs	8,425	10,272
Temporary employees and other staff costs	5,817	6,657
<b>Total staff costs</b>	<b>59,481</b>	<b>66,259</b>

<sup>1</sup> See note 16, page 82. The difference relative to the consolidated statement of changes in equity is attributable to the compensation of the Board of Directors.

## 12 Pension obligations

There are various pension plans for the employees of the Schaffner Group. The pension fund of Schaffner's Swiss companies is a private sector pension arrangement in the legal form of a foundation. It administers the delivery of Schaffner's mandatory (legislated) and voluntary post-employment benefits in Switzerland under the Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pensions (the BVG).

The top governing body of the pension fund of Schaffner's Swiss companies is the foundation's board of directors, made up of equal numbers of employee and employer representatives. The benefits provided by the pension fund, their financing, the organization and administration of the fund, the relationship to the sponsoring companies and to the plan participants (active employees and pension recipients) are all specified in the regulations of the Schaffner Group's Swiss pension fund. These regulations are issued by the foundation's board of directors.

The board may delegate the operational management to a management body. The foundation is under the oversight of the supervisory authority of the Canton of Solothurn.

Under the pension plan, employees and their survivors are insured against the economic consequences of old age, disability and death. The insured benefits exceed the legal requirements and are paid out as annuities or in lump sums. All insurance risks are fully reinsured. The pension plan is financed from contributions and investment returns. The sponsoring companies choose between two versions of savings plan. Within the savings plan selected, the participants choose between a basic and a premium plan. The sponsoring companies and the participants pay the contributions to the pension fund based on a percentage of the participants' insured pay. The amount of the contributions is calibrated so that the contributions and the expected return on the plan's investments will safeguard the ability to pay the plan obligations (benefits).

The foundation's board of directors is responsible for the investment of the plan assets. The organization of the investing activities and the associated authority structure are set out in the investment regulations of the pension fund, which are issued by the board of the foundation. The investment regulations supplement the applicable legislative framework. They determine the asset allocation and set out the qualitative and quantitative guidelines for the individual asset classes. The plan assets are invested in such a way as to ensure capital preservation and an appropriate return on capital, good diversification of risks, and cover of the foreseeable cash requirements. The foundation's board of directors has delegated responsibility for the implementation of the investing activities to an investment committee. The investment activities of the Schaffner Group's Swiss pension fund are performed by external providers (asset managers) and supervised by the investment committee. The plan assets are invested in accordance with legal requirements and the guidelines set by the foundation's board and consist of a well-diversified portfolio of investments in Switzerland and other countries. The custodians are recognized Swiss banking institutions.

The overall pension plan situation in the Group is as follows.

### Employer contribution reserve

At 30 September 2019, the end of the prior year, there already remained no employer contribution reserve (ECR, consisting of prepaid employer contributions for future periods). At the end of fiscal year 2017/18, the Schaffner Group still held an ECR of CHF 15 thousand at its Swiss pension fund. This was completely utilized in fiscal 2018/19.

In CHF '000	Nominal amount	Amount subject to usage restriction	Balance	Balance	Net contribution from ECR recognized in staff costs	
	30.09.2020	30.09.2020	30.09.2020	30.09.2019	2019/20	2018/19
Pension plans	0	0	0	0	0	15
<b>Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>

### Economic benefit/economic obligation and pension costs

The table below presents the economic benefit or economic obligation at the end of the year under review and the prior year, and the resulting change in pension costs:

In CHF '000	Plan surplus/ (-deficit)	Economic benefit/ (-obligation) of the Schaffner Group		Exchange differences	Change recognized in income statement <sup>1</sup>	Accrued contributions	Pension costs recognized in staff costs	
	30.09.2020	30.09.2020	30.09.2019	2019/20	2019/20	2019/20	2019/20	2018/19
Plans with a surplus	0	0	0	0	0	1,141	1,141	1,111
Unfunded plans	0	-3,131	-2,966	-148	312	46	358	864
<b>Balance</b>	<b>0</b>	<b>-3,131</b>	<b>-2,966</b>	<b>-148</b>	<b>312</b>	<b>1,187</b>	<b>1,499</b>	<b>1,974</b>

<sup>1</sup> Change in economic benefit or obligation of the Schaffner Group.

Most Schaffner subsidiaries operate defined contribution pension arrangements. Under these, as a rule, the employees and employer pay into pension funds administered by third parties. The Schaffner Group has no payment obligations beyond making these contributions. The contributions are recognized in staff costs.

The pension fund of the Swiss companies of the Schaffner Group reported a surplus under FER 26. The revaluation reserve has reached its target amount.

The economic obligation recognized in the balance sheet for unfunded pension plans was CHF 3.1 million (prior year: CHF 3.0 million) and related to the pension plans in Germany, France, Thailand, Italy and Japan.

## 13 Finance income and expense

### Finance income

In CHF '000	2019/20	2018/19
Interest income	33	93
Foreign exchange gains	4,595	2,161
<b>Total finance income</b>	<b>4,628</b>	<b>2,254</b>

## Finance expense

In CHF '000	2019/20	2018/19
Interest cost	-802	-869
Foreign exchange losses	-4,784	-2,838
Other finance expense	-75	-312
<b>Total finance expense</b>	<b>-5,661</b>	<b>-4,019</b>

## 14 Income tax

In CHF '000	2019/20	2018/19
Current tax in respect of the current year	-1,094	-1,503
Adjustments in respect of prior periods, net	-169	56
<b>Current tax</b>	<b>-1,263</b>	<b>-1,447</b>
Current tax	-1,263	-1,447
Deferred tax	340	615
<b>Income tax</b>	<b>-923</b>	<b>-832</b>

Deferred tax liabilities of CHF 2.8 million (prior year: liabilities of CHF 3.0 million) for temporary differences in connection with reinvested profits in subsidiaries were not recognized at the end of the fiscal year, as the Group is able to control the timing of reversal of these differences and no repayment is planned for the foreseeable future.

### Tax loss carryforwards

At 30 September 2020 there were tax loss carryforwards and interest carryforwards of CHF 20.2 million (prior year: CHF 23.6 million) for which no deferred tax assets were recognized. The reason for the non-recognition is that it is considered unlikely the potential tax assets would be applied to taxable profits within the period allowed. The average tax rate applicable to the tax loss carryforwards would be 24.0% (prior year: 23.8%).

These loss carryforwards and interest carryforwards expire on the following schedule:

In CHF '000	2019/20	2018/19
Expiry in 1 year	0	0
Expiry in 2 years	0	0
Expiry in 3 years	0	0
Expiry in 4 years	0	0
Expiry in 5 years	2,650	0
Expiry in more than 5 years	17,558	23,589
<b>Total unused tax loss and interest carryforwards</b>	<b>20,208</b>	<b>23,589</b>
Potential positive tax effect	4,850	5,614

### Reconciliation of profit before tax (EBT) to income tax expense

In CHF '000	2019/20	2018/19
<b>Profit before tax reported in the income statement</b>	<b>3,638</b>	<b>8,039</b>
Nominal tax rate	17%	23%
Expected income tax at nominal tax rate	-615	-1,849
Effect of non-recognition of tax loss carryforwards	-89	-655
Effect of tax rates/tax bases other than nominal tax rate/tax bases	-501	1,094
Effect of expenses not deductible for tax purposes	-65	-201
Effect of non-taxable income	8	12
Utilization of previously unrecognized tax losses or gains	573	658
Adjustments in respect of prior periods	-169	56
Non-refundable withholding taxes	-131	-124
Change in recognition of tax loss carryforwards	68	180
Other	-2	-3
<b>Income tax (-expense) reported in the income statement</b>	<b>-923</b>	<b>-832</b>

With the implementation of the Swiss corporate tax reform (enacted through the Federal Act on Tax Reform and AHV Financing), the applicable tax rate in the canton of Solothurn was reduced effective 1 January 2020. This leads to an effective tax rate of 16.9% for the fiscal year under review based on profit before tax (EBT), versus 23% in the prior year. For the tax reconciliation, the tax rate under the so-called home-based approach was used, i.e., the tax rate that applies to the Group's principal activities in Switzerland. The weighted average applicable tax rate based on the subsidiaries' pre-tax profit (EBT) was 25.4% (prior year: 25.7%).

At the balance sheet date, the deferred tax liabilities and assets were attributable to items in the balance sheet as follows:

In CHF '000	2019/20	2018/19
Intangible assets	1,711	2,100
Property, plant and equipment	-769	-855
Inventories	1,626	1,889
Trade receivables	11	-3
Provisions	749	696
Trade and other payables	1,467	1,308
Tax loss carryforwards	3,391	2,986
<b>Net deferred tax assets</b>	<b>8,158</b>	<b>8,121</b>
Of which:		
Reported in the balance sheet as deferred tax liabilities	-312	-510
Reported in the balance sheet as deferred tax assets	8,465	8,632

## 15 Operating segments

The Schaffner Group consists of three reportable segments: Electromagnetic Compatibility, Automotive and Power Magnetics. They are the organizational units for which results are reported to the Executive Committee.

### **Electromagnetic Compatibility (EMC)**

The EMC division develops and manufactures standard and custom components that protect power electronic systems from line interference (thus ensuring electromagnetic compatibility) and safeguard their reliable operation in power grids. As well, the division's Power Quality business unit develops and manufactures active and passive filter solutions to assure the best quality of electric power. The key sales markets include energy-efficient drive systems, renewable energy, power supply systems for electronic devices, as well as machine tools and robotics.

### **Automotive (AM)**

The Automotive division develops and manufactures components for keyless authentication systems and solutions for the drive trains of hybrid and electric vehicles. Working closely with leading automobile manufacturers and automotive suppliers, Schaffner engineers leverage their specialized EMC expertise to support customers in the development of new models.

### **Power Magnetics (PM)**

The Power Magnetics division develops and manufactures components to ensure the reliable operation of power electronic systems, and builds customized high-performance transformers for demanding applications. Schaffner solutions deployed in solar inverters and converters in wind turbines safeguard high levels of energy conversion efficiency and assure optimum adaptation to electricity grids. Schaffner components are also integrated into compact, high-performance and energy-efficient locomotive drive systems, where they eliminate network interference from powerful motors.

### **Corporate**

The "corporate" column comprises all costs for Group functions that cannot be allocated to a particular segment. These are primarily the expenses of Schaffner Holding AG.

No operating segments have been aggregated to form these reportable operating segments.

In the year under review and in the prior year, segment profit or loss equaled segment operating profit or loss.

2019/20	EMC	AM	PM	Corporate	Group
In CHF '000					
Net sales	94,906	32,796	44,034		171,736
<b>Operating profit (EBIT)</b>	<b>9,556</b>	<b>-2,857</b>	<b>2,002</b>	<b>-4,031</b>	<b>4,670</b>
Net finance expense					-1,033
<b>Profit before tax (EBT)</b>					<b>3,638</b>
Income tax					-923
<b>Net profit for the period</b>					<b>2,715</b>

2018/19	EMC	AM	PM	Corporate	Group
In CHF '000					
Net sales	106,923	38,512	51,952		197,387
<b>Operating profit (EBIT)</b>	<b>15,165</b>	<b>2,548</b>	<b>-3,311</b>	<b>-4,599</b>	<b>9,803</b>
Net finance expense					-1,765
<b>Profit before tax (EBT)</b>					<b>8,039</b>
Income tax					-832
<b>Net profit for the period</b>					<b>7,207</b>

### Information by region

In the analysis below, net sales with external customers are attributed to regions based on customer location.

2019/20	Europe	Asia	Americas	Group
In CHF '000				
Net external sales	81,981	49,781	39,974	171,736
2018/19	Europe	Asia	Americas	Group
In CHF '000				
Net external sales	92,072	63,284	42,030	197,387

## 16 Share-based payments

The Schaffner Group maintains several equity incentive plans (share ownership plans) for upper management employees and the Board of Directors. These were or are option-based plans (ESOP) and share-based plans (RSP/LTIP).

In fiscal year 2012/13 the Board of Directors decided to replace the Employee Share Option Plan for upper management employees and Board members (ESOP) with a share-based plan. As a result, no new options have been issued since including fiscal year 2012/13. The rights associated with the last issued options expired in fiscal year 2018/19.

### Option-based incentive plans

Share options were granted for the last time on 21 November 2011.

	30.09.2020		30.09.2019	
	Number of share options outstanding	Average exercise price in CHF	Number of share options outstanding	Average exercise price in CHF
At 1 October	0	0	740	235
Granted in the year	0	0	0	0
Exercised in the year	0	0	0	0
Expired/canceled in the year	0	0	-740	235
<b>At 30 September</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Of which:				
Vested	0	0	0	0
<b>Uncovered</b>	<b>0</b>		<b>0</b>	

In the year under review and in the prior year, no expense for share option plans was recognized in the income statement.

### Share-based incentive plans

#### Restricted Share Plan

Until recently, upper management employees and the members of the Board of Directors were annually granted shares under the Restricted Share Plan. The final grants under this plan were made on 3 January 2019 for fiscal year 2017/18. The shares are subject to a three-year holding period, during which they carry full voting and dividend rights. If the recipient leaves the company during the holding period, the shares do not revert to the company, but they remain subject to the holding period.

In fiscal year 2018/19, a total of 2,097 shares with a fair value of CHF 211 per share were issued under the RSP; this was the final share issue under this plan. The corresponding expense was recognized in fiscal 2018/19.

#### Long-Term Incentive Plan

Effective 1 October 2018, the Restricted Share Plan (RSP) was replaced with a Long-Term Incentive Plan (LTIP).

The members of the Board of Directors and selected key personnel of the company are each allocated a contractually agreed target number of shares. This target number of shares is multiplied by an achievement factor between 0.5 and 1.5 that is set by the Board.

The shares are subject to a holding period of at least three years, during which they carry full voting and dividend rights. If the recipient leaves the company during the holding period, the shares do not revert to the company, but they remain subject to the holding period.

In fiscal year 2019/20, a total of 2,506 shares were granted under the LTIP, with a fair value of CHF 258 per share. The expense totaling CHF 647 thousand was largely accounted for in the past fiscal year, 2018/19, by provisionally recognizing an accrued expense of CHF 513 thousand (based on the target number of shares and an achievement factor of 1). As the definitive number of shares was granted with a factor of 1.25 in fiscal year 2019/20, the difference of CHF 134 thousand relative to the prior year's accrued expense was recognized in the fiscal year under review.

For the fiscal year under review, based on the assumption of an achievement factor of 1, a total target number of 2,120 shares was allocated (accrued) under the LTIP. At a fair value of CHF 171.41 per share, the allocated shares were expensed in the fiscal year at a total amount of CHF 337 thousand.

As can be seen from the consolidated statement of changes in equity, the total expense for the LTIP for fiscal 2019/20, including the difference of CHF 134 thousand referred to above, amounted to CHF 470 thousand. The actual final number of shares to be granted for fiscal year 2019/20 will be determined by the Board of Directors after the reporting period, on 1 December 2020.

## 17 Earnings per share

### Basic earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of Schaffner Holding AG by the weighted average number of ordinary shares outstanding during the reporting period, excluding ordinary shares purchased by the Group and held as treasury shares.

	2019/20	2018/19
<b>Basic earnings per share</b>		
Net profit for the period in CHF '000	2,715	7,207
Weighted average number of shares outstanding entitled to dividend	633,828	634,231
Basic earnings per share in CHF	4.28	11.36

### Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit for the period attributable to shareholders of Schaffner Holding AG by the weighted average number of ordinary shares outstanding during the reporting period, including all shares that would result from the exercise of all potentially dilutive outstanding share options.

	2019/20	2018/19
<b>Diluted earnings per share</b>		
Net profit for the period in CHF '000	2,715	7,207
Weighted average number of shares outstanding to use in calculation of diluted earnings per share	633,828	634,231
Diluted earnings per share in CHF	4.28	11.36

## 18 Treasury shares

	Number of shares	Average share price in CHF	At average price in CHF '000
<b>At 1 October 2018</b>	<b>2,014</b>	<b>316</b>	<b>637</b>
+ Purchase <sup>1</sup>	3,466		829
- Utilized for share-based incentive plans <sup>2</sup>	-2,097		-442
Valuation differences <sup>3</sup>			-224
<b>At 30 September 2019</b>	<b>3,383</b>	<b>236</b>	<b>800</b>
+ Purchase <sup>1</sup>	2,077		401
- Utilized for share-based incentive plans <sup>2</sup>	-2,506		-647
Valuation differences <sup>3</sup>			54
<b>At 30 September 2020</b>	<b>2,954</b>	<b>206</b>	<b>608</b>

<sup>1</sup> At share prices quoted at the transaction date.

<sup>2</sup> At fair value.

<sup>3</sup> The difference between the average purchase price and the exercise price or selling price is taken to share premium.

## 19 Related parties

All transactions with subsidiaries were completely eliminated on consolidation.

Information on the amounts of compensation of the Board of Directors and Executive Committee is provided in the compensation report from page 49.

## 20 Release of the consolidated financial statements for publication

The consolidated financial statements were released by the Board of Directors of Schaffner Holding AG on 7 December 2020 for publication and will be presented to shareholders for adoption at the Annual General Meeting on 12 January 2021.

## 21 Events after the balance sheet date

Following the successful turnaround of the Power Magnetics division, the Board of Directors has decided to conduct a strategic review of this business. In an open-ended process during this fiscal year, the review will explore not only the operational further development of the Power Magnetics division but also a possible divestment.

## 22 Companies of the Schaffner Group

The following companies' results were consolidated in the accounts of the Schaffner Group at 30 September 2020:

Company	Registered office	Capital in '000	Group's interest in %
Schaffner Holding AG	Luterbach, Switzerland	CHF 20,668	100%
Schaffner EMV AG <sup>1</sup>	Luterbach, Switzerland	CHF 14,000	100%
Schaffner Oy	Lohja, Finland	EUR 34	100%
Schaffner EMC S.A.S.	Wittelsheim, France	EUR 5,330	100%
Schaffner Ltd.	Wokingham, UK	GBP 50	100%
Schaffner EMV Hungary Kft.	Kecskemét, Hungary	HUF 8,000	100%
Schaffner EMC S.r.l.	Milano, Italy	EUR 100	100%
Schaffner Deutschland GmbH	Büren, Germany	EUR 380	100%
Schaffner PM Services GmbH	Büren, Germany	EUR 25	100%
Schaffner EMC AB	Sollentuna, Sweden	SEK 200	100%
Schaffner EMC, Inc.	Edison, NJ, USA	USD 1,030	100%
Schaffner MTC LLC	Wytheville, VA, USA	USD 2,676	100%
Schaffner EMC Ltd.	Shanghai, China	CNY 52,815	100%
Schaffner EMC K.K.	Tokyo, Japan	JPY 10,000	100%
Schaffner EMC Pte. Ltd.	Singapore	SGD 1,200	100%
Schaffner EMC Co. Ltd.	Lamphun, Thailand	THB 140,000	100%
Schaffner EMV Ltd. (Taiwan Branch)	Taipei, Taiwan	TWD 5,000	100%
Schaffner India Pvt. Ltd.	Bangalore, India	INR 1,000	100%

<sup>1</sup> Schaffner EMV AG and Schaffner International AG were retroactively merged with effect from 1 October 2019.

# Report of the statutory auditor on the consolidated financial statements



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## STATUTORY AUDITOR'S REPORT

To the General Meeting of Schaffner Holding AG, Luterbach

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Schaffner Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2020, the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 60 to 85) give a true and fair view of the consolidated financial position of the Group as at 30 September 2020, and its consolidated results of operations 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 Auditing Standards. 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.

#### Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, 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.



Key Audit Matter

How our audit addressed the key audit matter

**Valuation of the production facilities of the Power Magnetics (PM) and Automotive (AM) segment**

Due to various factors, the results of the segments AM and PM are very volatile compared to prior year.

The Group evaluated whether there are indications of impairment of the production facilities allocated to these two segments. In doing so, the effects of the COVID-19 pandemic have been taken into consideration as well. Management concluded that there are no indications of impairment.

Whether these assets maintain their value depends on the achievement of sufficient future positive cash flows.

We treated the assessment of the valuation of the production facilities in the AM and PM segment as a key audit matter for two reasons:

First, the share of the production facilities assigned to these segments is material. Second, significant management judgments are involved in arriving at the conclusion as to whether there are indications of impairment or not.

The Group's disclosures on the production facilities and on the reporting segments are included in notes 3 and 15 to the consolidated financial statements.

**Valuation of deferred tax assets**

Deferred tax assets of CHF 8.5 million are recognized in the consolidated financial statements. Details on their composition and origin are included in note 14 to the consolidated financial statements.

The realization of these potential future tax savings depends on the achievement of sufficient taxable income.

This item is large in amount and, in our view, was of particular significance in the audit, as the underlying projections are to a high degree based on management's estimates and assumptions.

We were provided with documents by the Group, which were used to evaluate whether there are indications of impairment. By additional discussions with management, we obtained an understanding of the manner in which management arrived at their conclusion.

In doing so, we evaluated whether the valuation considerations are reasonable. To the extent they are relevant, we also challenged the projections in terms of their achievability and tested their mathematical accuracy.

By discussions with management, we obtained an understanding of the manner in which the deferred tax assets were determined.

Taking into account tax legislation aspects, we validated the prepared reconciliations of the tax base to the balance sheet in accordance with Swiss GAAP FER. We also challenged the projections in terms of their achievability and tested their mathematical accuracy.



#### Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the 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 realistic 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 Swiss Auditing Standards 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 at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

#### Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Solothurn, 7 December 2020

BDO Ltd

Beat Rüfenacht

Auditor in Charge

Licensed Audit Expert

Christoph Tschumi

Licensed Audit Expert

# Company financial statements of Schaffner Holding AG

## Balance sheet

In CHF '000	Notes	30.09.2020	30.09.2019
Cash and cash equivalents, and current assets with a quoted market price	2.1	389	43
Other current receivables	2.2	3,273	4,526
Prepaid expenses and deferred income		178	0
<b>Current assets</b>		<b>3,839</b>	<b>4,569</b>
Non-current receivables	2.3	2,004	1,845
Investments in subsidiaries	2.4	85,251	85,251
<b>Non-current assets</b>		<b>87,255</b>	<b>87,096</b>
<b>TOTAL ASSETS</b>		<b>91,094</b>	<b>91,665</b>
Current interest-bearing liabilities	2.5	3,489	3,656
Other current payables	2.6	6,175	13,654
Accrued expenses	2.7	694	464
<b>Current liabilities</b>		<b>10,358</b>	<b>17,774</b>
Non-current interest-bearing liabilities	2.5	9,692	0
Non-current provisions	2.8	2	7
<b>Non-current liabilities</b>		<b>9,693</b>	<b>7</b>
<b>Total liabilities</b>		<b>20,051</b>	<b>17,781</b>
Share capital	1.1	20,668	20,668
Legally required capital reserves			
– Share premium	2.9	21,495	23,081
Legally required retained earnings			
– General legally required retained earnings		4,134	4,134
Discretionary retained earnings			
– Earnings brought forward		25,215	25,120
– Net profit for the year		140	1,681
Treasury shares	5.1	–608	–800
<b>Shareholders' equity</b>		<b>71,043</b>	<b>73,885</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>91,094</b>	<b>91,665</b>

## Income statement

(year ended 30 September)

In CHF '000	Notes	2019/20	2018/19
Operating income	3.1	4,933	5,693
<b>Net sales of services</b>		<b>4,933</b>	<b>5,693</b>
Staff costs		–2,319	–2,289
Other operating expenses	3.2	–2,035	–1,839
<b>Operating profit before interest and tax (EBIT)</b>		<b>579</b>	<b>1,565</b>
Finance income	3.3	43	455
Finance expense	3.4	–461	–174
<b>Profit before tax (EBT)</b>		<b>161</b>	<b>1,846</b>
Direct tax		–20	–164
<b>Net profit for the year</b>		<b>141</b>	<b>1,681</b>

# Notes to the company financial statements of Schaffner Holding AG

## 1 Background information and basis of preparation

### 1.1 General information

#### Legal form, registered office and share capital

Schaffner Holding AG ("the Company") was founded as a stock corporation in Switzerland and has its registered office in Luterbach in the canton of Solothurn. Its share capital is CHF 20,668,050, consisting of 635,940 registered shares with a nominal value of CHF 32.50 per share. The issued shares are fully paid.

#### Purpose of the Company

The Company's purpose is the acquisition and management of equity interests in commercial, financial and industrial enterprises in Switzerland and abroad, and the purchase and sale of any types of securities, movable assets and real property.

#### Average full-time equivalents in the year

Schaffner Holding AG did not employ more than 50 full-time equivalents on average over the year (prior year: not more than 50).

#### Level of audit

The audit of Schaffner Holding AG by the audit firm is an ordinary audit, as the conditions under section 727 et seq. of the Swiss Code of Obligations for this highest level of audit assurance are met.

### 1.2 Accounting policies

#### Accounting principles

These company financial statements were prepared in accordance with the principles of the applicable Swiss Accounting Law (Title 32 of the Code of Obligations). Those key accounting principles that are not prescribed by law are set out below.

#### Omission of management report, cash flow statement and supplementary disclosures in the notes

As Schaffner Holding AG prepares consolidated financial statements under a recognized accounting standard (Swiss GAAP FER), it has elected in these company financial statements, as permitted by law, to dispense with preparing a management report and to omit a cash flow statement and (in the notes) to omit the supplementary information on interest-bearing liabilities and auditing fees.

#### Estimates and assumptions by management

The accounting in accordance with the Swiss Code of Obligations requires certain assumptions and estimates by management. These judgments are made on an ongoing basis and take into consideration past experience and other factors (such as expectations of future events that seem reasonable under the circumstances). The actual subsequent outcomes may differ from these assumptions and estimates. It should be borne in mind that hidden reserves may be created and released to safeguard the sustained success of the Company.

#### Related parties

Related parties include the subsidiaries, the members of the Board of Directors and the shareholders of the Company.

### Cash and cash equivalents, and current assets with a quoted market price

The item "cash and cash equivalents and current assets with a quoted market price" consists of cash on hand, bank deposits, and short-term money market investments with a term to maturity of up to three months. Securities held as current assets are measured at the quoted market price at the balance sheet date. No revaluation reserve is maintained.

### Other current receivables and payables

Other current receivables and payables consist primarily of the intra-Group pass-throughs to and from the subsidiaries. These assets and liabilities are recognized at their nominal value.

### Treasury shares

Treasury shares are measured at cost at the time of acquisition and are recognized as a deduction item in equity. On subsequent resale, the gain or loss is recognized in the income statement as finance income or expense. The subsidiaries do not hold treasury shares of Schaffner Holding AG.

### Operating income

Operating income consists of income from subsidiaries and intra-Group income from licenses and management fees.

### Share-based payments

Upper management employees and the members of the Board of Directors are annually granted shares of the Company. The shares are subject to a holding period of at least three years, during which they carry full voting and dividend rights. If the recipient leaves the company during the holding period, the shares do not revert to the company, but they remain subject to the holding period.

## 2 Notes to the balance sheet

### 2.1 Cash and cash equivalents, and current assets with a quoted market price

In CHF '000	30.09.2020	30.09.2019
Bank deposits	389	43
<b>Total</b>	<b>389</b>	<b>43</b>

### 2.2 Other current receivables

In CHF '000	30.09.2020	30.09.2019
Other receivables from non-Group entities	24	25
Other receivables from subsidiaries	3,249	4,501
<b>Total</b>	<b>3,273</b>	<b>4,526</b>

### 2.3 Non-current receivables

In CHF '000	30.09.2020	30.09.2019
Non-current receivables from subsidiaries	2,004	1,845
<b>Total</b>	<b>2,004</b>	<b>1,845</b>

## 2.4 Investments in subsidiaries

### Directly held

In CHF '000, except %	Details	30.09.2020	30.09.2019
Schaffner EMV AG	Share capital	CHF 14,000	CHF 14,000
Luterbach, Switzerland	Equity/voting interest	100%	100%
Schaffner International AG	Share capital	Merged with	CHF 250
Luterbach, Switzerland	Equity/voting interest	Schaffner EMV AG	100%
Schaffner EMV Hungary Kft.	Share capital	HUF 8,000	HUF 8,000
Kecskemét, Hungary	Equity/voting interest	2%	2%

### Indirectly held

In CHF '000, except %	Details	30.09.2020	30.09.2019
Schaffner Oy	Share capital	EUR 34	EUR 34
Lohja, Finland	Equity/voting interest	100%	100%
Schaffner EMC S.A.S.	Share capital	EUR 5,330	EUR 5,330
Illzach, France	Equity/voting interest	100%	100%
Schaffner Ltd.	Share capital	GBP 50	GBP 50
Wokingham, United Kingdom	Equity/voting interest	100%	100%
Schaffner EMV Hungary Kft.	Share capital	HUF 8,000	HUF 8,000
Kecskemét, Hungary	Equity/voting interest	98%	98%
Schaffner EMC S.r.l.	Share capital	EUR 100	EUR 100
Milan, Italy	Equity/voting interest	100%	100%
Schaffner EMC AB	Share capital	SEK 200	SEK 200
Sollentuna, Sweden	Equity/voting interest	100%	100%
Schaffner EMC Inc.	Share capital	USD 1,030	USD 1,030
Edison, NJ, USA	Equity/voting interest	100%	100%
Schaffner MTC LLC	Share capital	USD 2,676	USD 2,676
Wytheville, VA, USA	Equity/voting interest	100%	100%
Schaffner EMC Ltd.	Share capital	CNY 52,815	CNY 52,815
Shanghai, China	Equity/voting interest	100%	100%
Schaffner EMC K.K.	Share capital	JPY 10,000	JPY 10,000
Tokyo, Japan	Equity/voting interest	100%	100%
Schaffner EMC Pte. Ltd.	Share capital	SGD 1,200	SGD 1,200
Singapore	Equity/voting interest	100%	100%
Schaffner EMC Co. Ltd.	Share capital	THB 140,000	THB 140,000
Lamphun, Thailand	Equity/voting interest	100%	100%
Schaffner EMV Ltd.	Share capital	TWD 5,000	TWD 5,000
Taipei City, Taiwan	Equity/voting interest	100%	100%
Schaffner Deutschland GmbH	Share capital	EUR 380	EUR 380
Büren, Germany	Equity/voting interest	100%	100%
Schaffner PM Services GmbH	Share capital	EUR 25	EUR 25
Büren, Germany	Equity/voting interest	100%	100%
Schaffner India Pvt. Ltd.	Share capital	INR 1,000	INR 1,000
Bangalore, India	Equity/voting interest	100%	100%

## 2.5 Interest-bearing liabilities

In CHF '000	30.09.2020	30.09.2019
Interest-bearing liabilities to subsidiaries	13,181	3,656
<b>Total</b>	<b>13,181</b>	<b>3,656</b>
Of which:		
Current interest-bearing liabilities	3,489	3,656
Non-current interest-bearing liabilities	9,692	0

## 2.6 Other current payables

In CHF '000	30.09.2020	30.09.2019
Other liabilities to non-Group entities	267	74
Other liabilities to social security plans	53	25
Other liabilities to subsidiaries	5,855	13,555
<b>Total</b>	<b>6,175</b>	<b>13,654</b>

## 2.7 Accrued expenses

In CHF '000	30.09.2020	30.09.2019
Accrued tax	1	185
Accrued social security expenses	0	58
Accrued performance-related compensation	85	116
Other accrued expenses	608	105
<b>Total</b>	<b>694</b>	<b>464</b>

## 2.8 Non-current provisions

In CHF '000	30.09.2020	30.09.2019
Provisions for length-of-service awards	2	7
<b>Total</b>	<b>2</b>	<b>7</b>

## 2.9 Share premium

In CHF '000	30.09.2020	30.09.2019
Share premium	21,495	23,081
<b>Total</b>	<b>21,495</b>	<b>23,081</b>

Share premium represents the additional paid-in capital from capital increases, less the dividend payments made to date. The tax treatment of the distribution from share premium is the same as for a repayment of share capital. The Swiss Federal Tax Administration has confirmed that the reported share premium is recognized as additional paid-in capital within the meaning of section 5 (1bis) of the Withholding Tax Act.

### 3 Notes to the income statement

#### 3.1 Operating income

In CHF '000	2019/20	2018/19
Income from management fees	2,919	3,034
Income from licensing	2,013	2,659
<b>Total</b>	<b>4,933</b>	<b>5,693</b>

#### 3.2 Other operating expenses

In CHF '000	2019/20	2018/19
General and administrative expense	-967	-1,101
Consulting expenses	-917	-571
Miscellaneous operating expenses	-151	-167
<b>Total</b>	<b>-2,035</b>	<b>-1,839</b>

#### 3.3 Finance income

In CHF '000	2019/20	2018/19
Interest income from non-Group entities	0	1
Interest income from subsidiaries	43	78
Exchange differences	0	376
<b>Total</b>	<b>43</b>	<b>455</b>

#### 3.4 Finance expense

In CHF '000	2019/20	2018/19
Interest expense with subsidiaries	-34	-35
Other finance expense	-42	-140
Exchange differences	-385	0
<b>Total</b>	<b>-461</b>	<b>-174</b>

## 4 Notes on compensation

### 4.1 Shares, options and conversion rights held by the members of the Board of Directors and Executive Committee

	30.09.2020 Number of shares held	30.09.2019 Number of shares held
<b>Board of Directors</b>		
Urs Kaufmann, Chairman	1,175	950
Philipp Buhofer, member <sup>1</sup>	154,447	154,347
Gerhard Pegam	576	476
Suzanne Thoma (until January 2020)	929	829
Georg Wechsler	1,124	1,024
<b>Total holdings of the Board of Directors</b>	<b>158,251</b>	<b>157,626</b>
<b>Executive Committee</b>		
Marc Aeschlimann, CEO	1,418	1,043
Christian Herren, CFO	411	320
Max Bänziger, COO (until January 2020)		88
Guido Schlegelmilch, Executive VP, EMC division	607	482
Martin Lütenegger, Executive VP, AM division	150	35
Daniel Zeidler, Executive VP, PM division	140	30
<b>Total holdings of the Executive Committee</b>	<b>2,726</b>	<b>1,998</b>

<sup>1</sup> Including shares held by the shareholder Group BURU Holding AG.

In the year under review, Schaffner did not grant loans or other credit to current or past members of the Board of Directors, members of the Executive Committee or parties related to them.

### 4.2 Equity securities granted

The following equity securities (shares) were granted to the Board of Directors, the Executive Committee and other employees of the Schaffner Group in the respective fiscal year:

	2019/20		2018/19	
	Number of shares	In CHF '000	Number of shares	In CHF '000
Granted to the Board of Directors	625	138	625	157
Granted to the Executive Committee	1,001	220	608	153
Granted to other employees	880	194	864	217
<b>Total</b>	<b>2,506</b>	<b>551</b>	<b>2,097</b>	<b>526</b>

## 5 Other information

### 5.1 Treasury shares

	Number of shares	Average share price in CHF	Value at avg share price in CHF '000
<b>At 1 October 2018</b>	<b>2,014</b>	<b>316</b>	<b>637</b>
+ Purchase <sup>1</sup>	3,466		829
– Utilized for share-based incentive plans <sup>2</sup>	–2,097		–442
Valuation differences <sup>3</sup>			–224
<b>At 30 September 2019</b>	<b>3,383</b>	<b>236</b>	<b>800</b>
+ Purchase <sup>1</sup>	2,077		401
– Utilized for share-based incentive plans <sup>2</sup>	–2,506		–646
Valuation differences <sup>3</sup>			54
<b>At 30 September 2020</b>	<b>2,954</b>	<b>206</b>	<b>608</b>

<sup>1</sup> At share prices quoted at the transaction date.

<sup>2</sup> At the exercise price.

<sup>3</sup> At the lower of the year-end closing share price or the average exercise price of the options.

### 5.2 Significant shareholders

Shareholders with positions of 3% or more in shares of Schaffner Holding AG at the balance sheet date are named below, based on the latest published notifications at the time:

	30.09.2020		30.09.2019	
	Number of shares	Equity interest	Number of shares	Equity interest
Shareholder group BURU Holding AG	154,447	24.3 %	154,347	24.3 %
J. Safra Sarasin Investmentfonds AG	62,271	9.8 %	62,271	9.8 %
UBS Fund Management (Switzerland) AG	66,285	10.4 %	50,104	7.9 %
Mirabaud - Equities Swiss Small and Mid	29,002	4.6 %	29,002	4.6 %
Credit Suisse Funds AG			23,953	3.8 %
Matter Group AG	19,100	3.0 %		
Kähli Holding AG	19,100	3.0 %		
Shareholders with interests of less than 3 %	282,781	44.5 %	312,880	49.2 %
Treasury shares	2,954	0.5 %	3,383	0.5 %
<b>Total shares outstanding</b>	<b>635,940</b>	<b>100.0 %</b>	<b>635,940</b>	<b>100.0 %</b>

### 5.3 Total amount of security pledged for liabilities of third parties

In CHF '000	30.09.2020	30.09.2019
Guarantee obligations	49,500	66,000
Of which utilized in subsidiaries in respect of credit obligations	24,938	25,991

### Joint and several liability

The Group's Swiss companies are treated as a single entity for the purposes of value-added taxation. Schaffner Holding AG therefore has joint and several liability for the Swiss subsidiaries' VAT obligations to the Swiss federal tax authority.

Under Group-wide agreements with Commerzbank and Credit Suisse, Schaffner Holding AG as a participant in the Group's cash pool has joint and several liability to the extent of its free reserves.

### 5.4 Residual amount of lease obligations

In CHF '000	30.09.2020	30.09.2019
Due in:		
Up to 1 year	26	27
More than 1 and up to 5 years	26	52
More than 5 years	0	0
<b>Total</b>	<b>52</b>	<b>78</b>

### 5.5 Significant events after the balance sheet date

No events have occurred after the balance sheet date that have a material effect on the amounts in the financial statements.

### 5.6 Release of the company financial statements for publication

The company financial statements were released by the Board of Directors of Schaffner Holding AG on 7 December 2020 for publication and will be presented to shareholders for adoption at the Annual General Meeting on 12 January 2021.

### 5.7 Proposal for the appropriation of retained earnings

At the Annual General Meeting the Board of Directors will propose to allocate retained earnings and distributable share premium as follows:

In CHF '000	30.09.2020	30.09.2019 <sup>1</sup>
Earnings brought forward	25,219	25,119
Net profit for the year	140	1,681
<b>Retained earnings available for distribution</b>	<b>25,360</b>	<b>26,800</b>
Transfer to legally required reserves <sup>2</sup>	0	0
Distribution of CHF 1.00 (prior year: CHF 2.50) per share entitled to dividends	-633	-1,581
<b>Earnings carried forward</b>	<b>24,727</b>	<b>25,219</b>

<sup>1</sup> Amounts approved by the Annual General Meeting for the prior year.

<sup>2</sup> No further transfers to general legally required retained earnings are necessary under section 671 para. 4 of the Swiss Code of Obligations, as this reserve already represents 20% of share capital.

In CHF '000, except share counts	30.09.2020	30.09.2019 <sup>1</sup>
Distributable share premium reserve brought forward	0	0
Transfer from share premium account to distributable share premium reserve	633	1,581
Distribution of CHF 1.00 (prior year: CHF 2.50) per share entitled to dividends, exempt from withholding tax	-633	-1,581
<b>Distributable share premium reserve carried forward</b>	<b>0</b>	<b>0</b>
<b>Total number of shares outstanding</b>	<b>635,940</b>	<b>635,940</b>
Number of treasury shares	-2,954	-3,383
Number of shares entitled to dividends <sup>2</sup>	632,986	632,557

<sup>1</sup> Amounts approved by the Annual General Meeting for the prior year.

<sup>2</sup> Shares entitled to dividends are those shares not held by the Company or one of its subsidiaries.

# Report of the statutory auditor on the company financial statements



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## STATUTORY AUDITOR'S REPORT

To the General Meeting of Schaffner Holding AG, Luterbach

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Schaffner Holding AG (the company), which comprise the balance sheet as at 30 September 2020 and the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements (pages 89 to 97) as at 30 September 2020 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 Auditing Standards. 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.

#### Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

#### Key Audit Matter

#### How our audit addressed the key audit matter

##### Valuation of investments in subsidiaries

At 30 September 2020 the financial statements show investments in subsidiaries totalling CHF 85.3 million. Investments in subsidiaries are recognized at historical cost less any adjustments for impairments. As of 30 September 2020, no impairment was recognized.

In our view this item, which is very large in amount, was of particular significance, as management's valuation method for evaluating the need for any impairment charges involves a high degree of management judgment.

The company's disclosures on investments in subsidiaries are included in note 2.4 to the financial statements.

By inspecting the valuation records and through discussions with management, we obtained an understanding of how management determines the need for impairment charges.

Specifically, we evaluated whether the carrying amount is reasonable in relation to the market capitalization of the Schaffner Group.



#### Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the 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 Swiss Auditing Standards 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 at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

#### Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and the distribution of capital reserves complies with Swiss law and the company's articles of association.

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

Solothurn, 7 December 2020

BDO Ltd

Beat Rüfenacht

Christoph Tschumi

Auditor in Charge

Licensed Audit Expert

Licensed Audit Expert

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### **Important note on forward-looking statements**

This report contains certain forward-looking statements, which may be identified by the use of expressions such as “could”, “propose”, “opens up opportunities”, “outlook”, “attractive” or similar wording. Such forward-looking statements reflect management’s current opinion and are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Schaffner Group to differ materially from those contained or implied in such statements. These include, but are not limited to, risks related to the success of and demand for the Group’s products, the potential for its products to become obsolete, the Group’s ability to protect its patents, the Group’s ability to develop and market new products quickly enough, the rapidly changing and competitive environment in which the Group operates, the regulatory environment, fluctuation in foreign exchange rates, the Group’s ability to generate revenue and net profits, and its ability to carry out expansion or cost control projects in a timely manner. Should one or more such risks or uncertainties materialize or come to bear, or should assumptions that underlie this report prove incorrect, the actual results could differ materially from the outcomes suggested in this report. The information in this report represents the best knowledge at the time of first publication. The Schaffner Group does not undertake any obligation to update any forward-looking statements contained herein, whether as a result of new information, future events or otherwise.

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