



SFS Group AG
Sustainability Report

Sustain ability

20

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Key Takeaways

Ambitious goals

New objectives

Emission reduction

≥90%

A particularly important milestone during the year under review was the development and approval of our environmental roadmap, which will ensure a continuous and measurable reduction in our greenhouse gas **emissions**. In specific terms, this means SFS has committed itself to reducing its Scope 1 and 2 carbon emissions by ≥90% by 2030. By 2040, Scope 3 carbon emissions will similarly be reduced by ≥90%.

Existing objectives

Training and education

Our goal is to have 5%–7% of the workforce enrolled in a dual education program. Share of employees in 2020:

5.0%

Occupational health and safety

Our goal is to reduce the number of work-related injuries in 2025 by 50%. Reduction in 2020 compared with 2019:

–13.3%

Socioeconomic compliance

In the year under review, SFS Group was not affected by any sanctions in the area of socioeconomic compliance. This is also the clear goal for 2021.

UN Global Compact

SFS is a signatory to the UN Global Compact and has upheld these principles since 2010. The organization also contributes to the realization of the Sustainable Development Goals (SDGs) and currently prioritizes four goals: SDG 4 – Quality education, SDG 8 – Decent work and economic growth, SDG 12 – Responsible consumption and production, SDG 13 – Climate action. This prioritization reflects the material topics as determined in the materiality assessment conducted in 2019.

CEO statement

Priorities consistently pursued

Dear Readers

The COVID-19 pandemic posed major challenges to SFS Group and its employees. In contrast to other economic crises in the past, the protection of employees and their environment was an additional priority during the year under review. We had to cope with extreme fluctuations in demand, reduce our cost base, maintain our flexibility and supply capability, and steadfastly pursue our priorities in the field of sustainability. The progress made motivates us to continue down the path we have taken.

Major progress on transparency and towards long-term goals

As a signatory of the UN Global Compact, SFS is committed to the Sustainable Development Goals (SDGs) and currently prioritizes four goals: SDG 4 – Quality education, SDG 8 – Decent work and economic growth, SDG 12 – Responsible consumption and production, SDG 13 – Climate action. This prioritization reflects the material topics as determined in the materiality assessment conducted in 2019. During the year under review, we focused on achieving improvements in these areas and, above all, on making a significant contribution to the global SDGs through our goals. One of these goals is sustainable value creation for all our stake-

holders. The pandemic had a highly negative effect on business activity and, consequently, on our manufacturing output. Thanks to our well-balanced positioning, the contraction in business was limited. Net value added declined by –10.7% compared with 2019. For 2021, despite the economic uncertainty in connection with renewed global waves of COVID-19, we expect to show a positive development in our **economic performance** and thus in our value creation. Over a medium-term horizon, we are striving to achieve 3%–6% annual sales growth in local currency.

With respect to **employee health and safety**, we reduced the number of work-related injuries in 2020 by another –13.3% to 85 incidents (2019: 98) and have thus made further progress towards our mid-term goal of reducing the number of work-related injuries in 2025 by 50% compared with 2019.

SFS is a strong advocate of the dual-track system of vocational **education and training**. Our goal is to have 5%–7% of the workforce enrolled in a dual education program as apprentices or employees, and we achieved that goal once again in 2020 (5.0%; 2019: 6.3%). Unfortunately, due to the pandemic, it was not possible to introduce the vocational training programs or high training



Jens Breu

standards of the dual education system we have in German-speaking regions to other global regions where the Group is active. These even had to be partially restricted, which is the reason for the year-on-year decline. We intend to make progress on this front in 2021.

A particularly important milestone during the year under review was the development and approval of our environmental roadmap, which will ensure a continuous and measurable reduction in our greenhouse gas **emissions**. In specific terms, this means SFS has committed itself to reducing its Scope 1 and Scope 2 carbon emissions by $\geq 90\%$ by 2030 (measured as tonne of CO₂ per Swiss franc of value added). By 2040, Scope 3 carbon emissions will similarly be reduced by $\geq 90\%$ (measured as tonne of CO₂ per Swiss franc of value added).

The SFS Code of Conduct presents the company's understanding of an exemplary, reliable and fair business partner and employer. To ensure adherence to the Code of Conduct, we have set up an effective compliance system that is evaluated regularly. During the year under review, as in the previous year, SFS Group was not subject to any **socioeconomic compliance** sanctions; this is also our objective for 2021.

Sustainability success stories: making sustainability tangible

As a value creator, we develop ideas and solutions that generate added value in economic, environmental and social terms for you, our stakeholders. Last year, we wrote exciting new success stories that raised the issue of sustainability at SFS, making it more visible. In our article **"Emission reductions and climate-neutral energy are the future"**, we highlight the contributions, ideas and progress made at several sites as part of our company's journey towards carbon neutrality. For example, we now use exclusively climate-neutral energy at all our production sites in Switzerland as

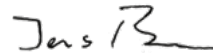
of early 2021. The **"1,000 days without an accident"** success story relates to occupational health and safety and injury prevention, and serves as a role model for the entire Group. As can be seen, our success stories reflect the material topics of our materiality matrix and demonstrate how we live and integrate these in our everyday work.

Outlook: review of material topics in 2021

In closing, I would like to outline our plans for 2021 in addition to the above-mentioned goals. A continuous and direct dialog with our stakeholders forms the basis of our "Inventing success together" value proposition that we actively pursue inside and outside the company. SFS critically evaluates the relevance of its material topics and their position in the materiality matrix every two years. Extensive interviews with the identified stakeholder groups are scheduled to take place again in autumn 2021 and the results thereof will determine our future priorities; these will be presented in our Sustainability Report 2021.

We look forward to making further progress on our path towards a greener future with you at our side, as we continuously reduce the negative impact of our business activities and develop solutions that have a positive impact on the environment, society and the economy. I therefore encourage you to seek a dialog with us.

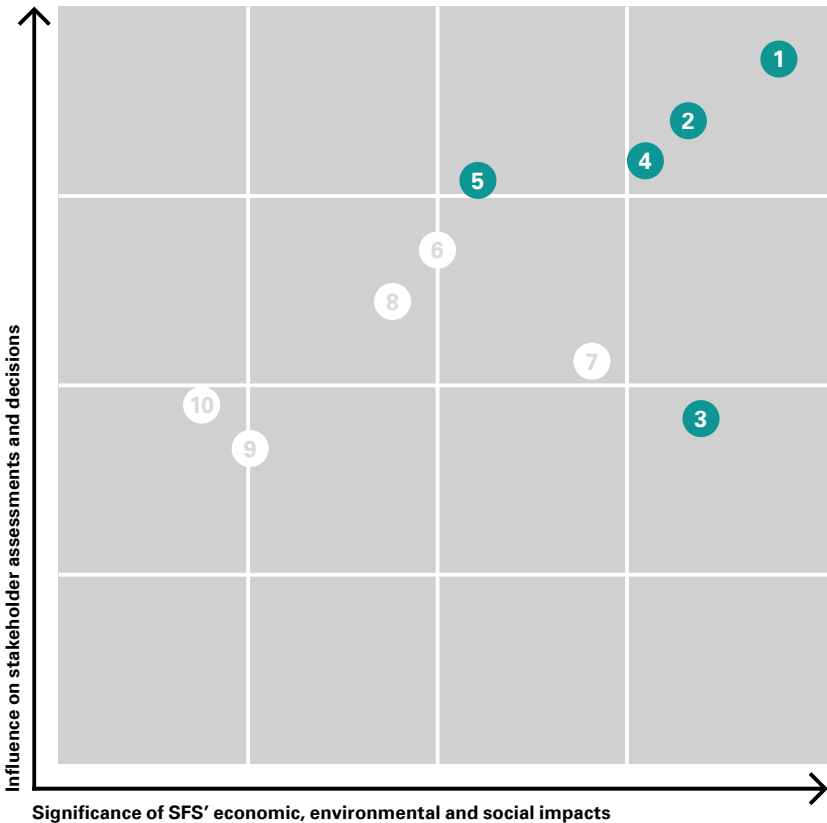
Sincerely,



Jens Breu
CEO

Materiality matrix

Five material topics identified



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

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

3 Socioeconomic compliance
For us, correct behavior is an expression of lived partnership. [more →](#)

4 Training and education
SFS is heavily involved in this area, which the stakeholders also attach great importance to. [more →](#)

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

6 Market presence

7 Diversity

8 Energy consumption

9 Effluents and (hazardous) waste

10 Protection of customer privacy and customer data

In 2019 SFS conducted extensive expert interviews and a corresponding analysis with the identified stakeholder groups.

The interview structure reflected the 33 sustainable criteria defined by the GRI, which are grouped into six focus areas. The stakeholders and stakeholder groups consulted were first asked to select the issues among the 33 sustainable criteria that were most relevant to them – with respect to the economic, environmental or social performance of SFS – or, if not applicable, to present their own key issues. In a second step, the issues selected by these stakeholders were weighted according to their impact (low, medium or high). A final consolidation, analysis and prioritization of the results led to the materiality matrix. The current material topics, which SFS reports on, are shown in the matrix in turquoise (bubble 1–5).

Success Stories

“Sustainability you can touch”

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

1,000 days without an accident →

The 1'106 colleagues at the location in Malaysia reached an unprecedented work safety and health milestone in October 2020: 1,000 consecutive days without a workplace accident leading to lost time.



Celebrating diversity →

At SFS are many examples in the various market organizations and individual teams where a diverse range of people are working together and benefiting from the lived diversity.



Emission reductions and climate-neutral energy →

The roadmap drawn up in 2020 provides that SFS will achieve a reduction in CO₂ emissions of over 90% compared to the current value by 2030.



Knowledge transfer in a learning organization →

SFS is a learning organization that strives to continuously develop. The resulting constant change is anchored in our corporate principles.



Improved data basis

GRI 101: Foundation 2016

GRI 101: Foundation

In preparing this report, the reporting principles defined in GRI 101 were observed.

GRI 102: General Disclosures 2016

The list of general disclosures made, based on whether the report has been prepared in accordance with the “Core” option.

1. Organizational profile

GRI 102-1: Name of the organization

SFS Group AG (SFS).

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

SFS is a leading global provider of mechanical fastening systems and precision components. SFS Group AG operates in the three segments Engineered Components, Fastening Systems and Distribution & Logistics, which reflects the respective business models. In the **Engineered Components** segment, SFS partners with customers to develop and manufacture customized precision components, fastening solutions and assemblies. The Engineered Components segment has four divisions: Automotive, Electronics, Industrial and Medical. In the **Fastening Systems** segment, which consists of the Construction and Riveting divisions, SFS develops, assembles, manufactures and markets optimized mechanical fastening systems. SFS is attractively positioned in both segments and has a wide range of activities in terms of end markets and regional presence. The two segments generate sales primarily in the following regions: Switzerland, Europe, the Americas and Asia (see Annual Report 2020, Markets →). In the **Distribution & Logistics** segment, SFS is a leading provider of fasteners, tools and architectural hardware, and innovative logistics solutions in Switzerland and neighboring countries. The products and services are authorized for sale in the markets where they are sold without any restrictions; they are not controversial or called into question by stakeholders.

Annual Report 2020. p.13, “SFS in brief” →

GRI 102-3: Location of headquarters

SFS Group AG
Rosenbergsaustasse 8
9435 Heerbrugg
Switzerland

GRI 102-4: Location of operations

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

Overview of locations →

GRI 102-5: Ownership and legal form

SFS Group AG is a public limited company incorporated under the laws of Switzerland (see Annual Report 2020, Corporate governance →)

GRI 102-6: Markets served

Engineered Components (EC)

The EC segment is a global developer, manufacturer and supplier of precision formed components, engineered fasteners and assemblies. As a specialist in the field of cold forming, deep drawing, injection molding, precision machining and mechanical fastening, it aims to be the preferred development partner for customer-specific components and assemblies. By focusing on selected customer groups, it ensures high application expertise in business units and key account structures. EC has a leadership position in the technologies it uses, in the industries in which it is active – Automotive, Industrial, Electronics and Medical – and in the regional markets of its customers – Switzerland, Europe, Asia and the Americas.

Fastening Systems (FS)

The Fastening Systems segment combines the principles of threaded fastening and riveting technologies. Cold forming and injection molding, and the related secondary operations, are applied in the production of application-optimized products. FS offers a broad range of rivet setting devices and tools that enhance application comfort and convenience, safety and cost-effectiveness for its customers, most of which are active in the construction and automotive industries. With a worldwide network of sales locations, customer demands can be met through local consulting and delivery services, mainly in Switzerland, Europe and the Americas.

Distribution & Logistics (D&L)

The Distribution & Logistics segment is a leading national supply partner for fasteners, tools, architectural hardware and related products to industrial customers, the professional trade, wholesalers and DIY centers. Through international alliances and sourcing, D&L serves its customers with fast and reliable processes and products at competitive cost levels. Furthermore, value is added by providing tailor-made supply chain solutions, which employ state-of-the-art e-business, warehouse and IT technology.

Corporate

The Corporate segment consists of the functions Technology, Corporate Services and Corporate IT & Finance. Technology ensures the transfer of knowledge among the segments and production sites. Methods, processes and best practices are exchanged and enhanced. Standardized investment policies and engineering processes improve the efficiency of the SFS Group further. Corporate Services and Corporate IT & Finance provides added value across the Group in the fields of information technology, finance, controlling, human resources, communication and other business functions.

Further information on the sales mix by region and end market can be found in the Annual Report 2020, Markets: →

GRI 102-7: Scale of the organization

i.

Total number of employees: 10,692 FTE at 31.12.2020;
compare key takeaways Annual Report 2020: →

ii.

Total number of operations at 31.12.2020: 115 manufacturing site and distribution companies →

iii./iv.

Net sales and total capitalization broken down in terms of debt and equity:
compare financial overview Annual Report 2020, p.4 →
and financial report 2020 →

v.

Quantity of products or services provided

The number of products shown in the table below corresponds to the sales volume at the end of the calendar year

Segment	2018 Components (m)	2019 Components (m)	2020 Components (m)
Engineered Components	28,594.6	27,944.0	28,875.2
Fastening Systems	5,202.3	5,932.6	5,956.1
Distribution & Logistics	1,037.7	987.4	947.8
Total	34,834.5	34,864.0	35,779.1

GRI 102-8: Information on employees and other workers

The “total number of employees” corresponds to the headcount at the end of the reporting year. The “Total disclosed in GRI” column corresponds to 85% of “Total number of employees” (2019: 88%). Figures in parentheses refer to the preceding year. The disclosure is less than 100%, since the data pertaining to companies acquired during the preceding four years has not been fully recorded.

Table a) Employee structure by gender and employment contract.

	Male	Female	Total
Permanent employment contract	6,085 (6,209)	2,243 (2,206)	8,328 (8,415)
Temporary employment contract	34 (45)	29 (48)	63 (93)
Total disclosed in GRI	6,119 (6,254)	2,272 (2,254)	8,391 (8,508)
Total number of employees 31.12.2020	–	–	9,797 (9,790)

Table b) Employee structure by region and employment contract.

	Americas	Asia	Europe	Switzerland	Total
Permanent employment contract	653 (686)	3,142 (3,149)	2,094 (2,089)	2,439 (2,491)	8,328 (8,415)
Temporary employment contract	0 (0)	0 (0)	63 (93)	0 (0)	63 (93)
Total disclosed in GRI	653 (686)	3,142 (3,149)	2,157 (2,182)	2,439 (2,491)	8,391 (8,508)
Total number of employees 31.12.2020	–	–	–	–	9,797 (9,790)

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

	Male	Female	Total
Permanent employment contract	5,927 (6,072)	1,957 (1,962)	7,884 (8,034)
Temporary employment contract	192 (194)	315 (280)	507 (474)
Total disclosed in GRI	6,119 (6,266)	2,272 (2,242)	8,391 (8,508)
Total number of employees 31.12.2020	–	–	9,797 (9,790)

Almost all SFS Group's activities are performed by workers who are employees of SFS Group.

GRI 102-9: Supply chain

SFS Group's procurement organization, or supply chain management, is divided into seven divisions with technical responsibility for the procurement operations of their particular area.

SFS Group has a decentralized procurement organization across the seven divisions, which ensures that the specific needs of each division are optimally addressed. SFS has a global supply network based largely in Europe, Asia and North America. The various divisions purchase the raw and semi-finished materials they need from local and international sources. Decisions on where raw and semi-finished materials are purchased are based on criteria such as availability, transport routes, risks, cost-effectiveness and supplier compliance with the principles of the UN Global Compact (see link to the UN Global Compact →). For example, wire made to customized specifications will be imported if it is unavailable from a local supplier, or the required procurement volume of a particular product may be divided among two or more suppliers to reduce risk. Group-level purchasing activities are coordinated by the relevant peer group and the SRM system.

SFS Group has defined seven main procurement categories:

WOM	Wire and other materials
FC	Finished components
OCE	Oil, chemistry/energy
Tools	Tools
ME	Machines & equipment
PACK	Packing material
SP	Service provider

SFS Group selects its suppliers based on uniform standards as defined in its supplier quality manual. These standards prescribe, inter alia, minimum quality requirements, the implementation of a code of conduct (or adherence to the SFS Code of Conduct) and supplier audits. Suppliers must agree to the Code of Conduct or sign a QMA (Quality Management Agreement, BMS → G177, Section 12) confirming that they comply with all applicable legal requirements, or supply proof that their organization has implemented a code of conduct.

The SFS Code of Conduct is not (yet) applied collectively to small suppliers based in non-risk countries, most of which are suppliers to the D&L segment.

Compliance with the Code of Conduct must be verified or a supplier audit successfully passed before a business relationship with a supplier is established. Depending on assessment of the supplier risk and the supplier's strategic importance, compliance will be verified or an audit conducted either annually or every two years. Audits can also be conducted outside the routine audit cycle, depending on the situation.

SFS Group's supplier network comprises about 6,500 suppliers. SFS purchased raw materials, goods and semi-finished materials from the following countries during the year under review:

- Europe 57% (PY 58%)
- Asia 37% (PY 35%)
- Americas 6% (PY 7%)

Its global procurement volume amounted to more than CHF 600 million in 2020.

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

Strategy tested by COVID-19 pandemic

The COVID-19 pandemic put the effectiveness and sustainability of our business strategy to the test. Our strategic alignment proved to be robust and correct:

- The effects of the pandemic also created considerable challenges for SFS' supply capabilities. Early in the pandemic, the focus was on ensuring material availability, particularly from high-risk areas, and on employee safety and health. A slump in demand during the second quarter of 2020 led to an enormous decline in order inflows and quantities at most of the Group's divisions. Business began to recover during the third quarter and material requirements had to be adjusted once again. At the time this report was published, order lead times for the main groups of goods purchased by SFS were still significantly longer than usual. This has led to increased costs and necessitates foresight in planning our procurement activities to ensure that we can continue to deliver customer orders on time.
- For SFS, close customer relationships are essential in the successful realization of its value proposition. In keeping with our "local for local" strategy, we are steadily building up our global development and production platform. SFS and its customers benefit from superior supply reliability thanks to short and robust supply chains.
- Due to its balanced focus on different end markets, regions and sales channels, SFS successfully cushioned the consequences of the decline in demand.
- With its increased focus on the medical device industry – a market that is growing worldwide – SFS is attractively positioned for the future.
- Thanks to its good profitability and solid balance sheet, the company has the means and the ability to pursue its long-term strategy and to make the associated investments even in such a crisis.

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

Global development and production platform continuously expanded

1 Expertise in deep drawing technology expanded through Truelove & Maclean (T&M) acquisition

Economic globalization is an important trend for SFS. Thanks to its global development and production platform, SFS is strategically well positioned to participate in this development. Our global footprint allows us to manage and execute projects worldwide as a local partner, in particular for our international customers.

In addition to organic growth, acquisitions are important for the ongoing development of SFS Group. Selective acquisitions give us access to new markets, customers and applications, which in turn lays the groundwork for future organic growth. We focus on enhancing our performance with the takeover of suitable candidates and are attracted to well-positioned, well-managed small to mid-sized companies that do business with blue-chip customers and which have an attractive product portfolio resulting in sustainable profits. SFS continued to methodically implement its "local for local" strategy with the acquisition of Truelove & Maclean (T&M), which added deep drawing to its existing development and production platform in North America. T&M, located in Watertown, Connecticut, is a leading supplier of deep-drawn components primarily for the automotive industry. The company generated sales of USD 36 million in 2019 and employed approximately 110 people. Through this acquisition, SFS will be able to supply deepdrawn components to its customers in North America as a local manufacturer.

2 Basis laid for sustained growth in medical device industry

Demographic change is leading to changes in consumer behavior in terms of health and wellness. SFS offers OEMs in the medical device and dental industries innovative and forward-looking solutions for a wide range of applications. As a value engineering specialist with many years of experience in the industrialization of products and processes, SFS has proven time and again that it creates substantial value added for its customers.

Sustained strong market demand, SFS Group's steady growth momentum and customers looking for manufacturing partners with a global reach formed the basis of management's decision to establish a global manufacturing platform for medical device applications. The advantages of SFS Group's manufacturing sites worldwide will allow customers across North America, Europe and Asia to be served locally under the Tegra Medical brand.

All SFS Group's current activities for the medical device industry, which until now have been conducted in the Medical and Industrial divisions, will be organizationally situated within the Medical division under the Tegra Medical brand.

3 Fastening system business for façades in Germany expanded

With the acquisition of Moderne Befestigungselemente GmbH (MBE), SFS expanded its fastening system business and its market reach in central Europe. MBE is a leading supplier of painted fasteners for high-performance façade systems. The company generated about EUR 10 million in sales with just under 70 employees in 2019.

4 Creating additional capacity for growth projects in the automotive business

Over the years, SFS has successfully positioned itself as a preferred development partner for customers in the automotive industry. Innovation drivers are the trends towards more comfort, improved safety and increased efficiency, and above all autonomous driving technology. The associated electrification of vehicles, including vehicle brake systems, is an attractive and growing business area from which SFS is benefiting. The successful acquisition of new projects for assemblies used in electric brake systems has laid the groundwork for further growth. In order to realize these customer projects, SFS is investing in the expansion of its production capacity and building an additional facility at its Heerbrugg (Switzerland) location. The investment volume for the new building is in the region of CHF 25 million to CHF 30 million. Construction began in early 2021.

Responsible management in action

On 1 January 2020, Iso Raunjak assumed responsibility for the Distribution & Logistics segment from Josef Zünd, who retired in March 2020 after a successful 49-year career at SFS. After J. Mark King stepped down as Head of the Medical division on August 1 and also retired, Jens Breu, CEO of SFS Group, led the Medical division on an ad interim basis. As part of the decision to create a global production platform to better serve customers in the medical device industry, Walter Kobler, Head of the Industrial division and long-standing member of the Group Executive Board of SFS Group, additionally assumed management responsibility for the Medical division effective 1 January 2021.

In the interests of early and diligent planning, at the end of April 2020 the Board of Directors of SFS Group appointed Volker Dostmann to succeed Rolf Frei as CFO. Volker Dostmann joined the Group Executive Board on 1 November 2020 and assumed the function of CFO from the Annual General Meeting as of 22 April 2021. Since standing down as CFO, Rolf Frei is continuing to serve the company in selected strategic projects until his retirement in 2023.

At the Annual General Meeting 2021, the Board of Directors of SFS Group proposed the election of Manuela Suter, currently CFO of Bucher Industries and a member of its Executive Board, for election to the Board of Directors. With her many years of experience in multi-divisional, international and listed industrial companies, the Board of Directors regards the election as a valuable addition to the board and is pleased that it has been confirmed by the shareholders.

GRI 102-11: Precautionary Principle or approach

SFS acts with foresight and prudence, and assumes its responsibilities with respect to economic, environmental and social issues. Doing so increases the value of the company over the long term and enables it to contribute to sustainable development by providing future-oriented solutions.

The precautionary principle or approach plays an important role at SFS and is therefore enshrined in its Corporate Principles and Code of Conduct. Sustainability at SFS means maintenance of a healthy balance between business performance, environmental stewardship and social responsibility that takes the needs of present and future generations into consideration. This attitude also reflects the spirit of partnership that characterizes SFS' relationship with its various stakeholder groups. The application of a precautionary approach also serves to reduce or avoid any negative effects on society and the environment that arise or could arise as a result of the company's activities. In addition to its environmental management principles, SFS supports the goals of the Paris Agreement, such as limiting global warming to 2°C or 1.5°C. Specifically, SFS aims to reduce its carbon emissions (Scope 1 & 2) by >90% by 2030 (measured as tonne of CO₂ per Swiss franc of value added). By 2040, CO₂ emissions across its entire value chain (Scope 3) will be reduced by > 90% (measured as tonne of CO₂ per Swiss franc of value added, see also road map graphic).

The Group Executive Board and the Board of Directors regularly assess the main business risks to which SFS Group is exposed. A comprehensive risk assessment is conducted at least once a year. In this assessment, the relevant risks are systematically classified according to the likelihood of occurrence and the severity of the potential consequences. The focus in the period under review was on risks pertaining to sustainability (such as climate change), data loss and operational disruptions due to cyber attacks, investment risks related to major projects, delays in order fulfilment due to the pandemic, risks at acquired entities, warranty risks arising from product recalls, company exposure to the global economic environment, and compliance and currency-related risks.

SFS creates transparency, applies a preventive approach and pursues continuous improvement through internal audits and inspections of its own operations, external audits of its customers and certification programs at individual company sites.

It also reviews its supply chain on a regular basis, which enables it to identify risk at an early stage and take appropriate action. It is certified to ISO 9001 and ISO 14001, and where required to ISO 45001.

SFS has a broadly anchored idea management concept to ensure the steady ongoing development of innovation, new business fields and sustainability practices. The company also makes targeted use of external specialists to augment its internal ideas and insights.

GRI 102-12: External initiatives

SFS Group AG supported, continued to pursue or joined the following initiatives during the period under review.

- GRI
- UN Global Compact →

GRI 102-13: Membership of associations

SFS also assumes corporate and social responsibility through its engagement in various associations and interest groups. Globally, SFS is active in the following associations and interest groups:

- Arbeitgeberverband Rheintal (Rheintal employers association) →
- Industrie- und Handelskammer St. Gallen-Appenzell (Chamber of Industry & Commerce) →
- Swissmem (mechanical and electrical engineering association, SFS is not an active member here, but supports the association financially) →
- Hans Huber Stiftung (Hans Huber Foundation) →
- Swissavant (Trade Association for Crafts and Household) →

SFS is an active member of the above-mentioned associations and interest groups, with the exception of Swissmem, and supports the organization in both personal and financial terms.

2. Strategy

GRI 102-14: Statement from senior decision-maker

CEO Statement →

3. Ethics and integrity

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

SFS Code of Conduct →

SFS Corporate Principles →

The SFS Code of Conduct and the SFS Corporate Principles cover a wide range of issues. They were formulated by the Group Executive Board in consultation with the various stakeholders and approved by the Board of Directors. Both documents are distributed to all new employees on recruitment. Furthermore, all SFS employees receive training on the SFS Code of Conduct every two years. The SFS Corporate Principles and the SFS Code of Conduct are also part of the company's leadership workshops. The Code of Conduct and a supplementary document are available in German and English on SFS Group's website for internal and external stakeholders. The SFS Corporate Principles and the SFS Code of Conduct have been translated into the 12 languages that the company uses most often with its employees and business partners, and are available to these stakeholders in print or digital format.

4. Governance

GRI 102-18: Governance structure

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

SFS follows the SIX Swiss Exchange Guideline.

Compare corporate governance report 2020 →

Responsibilities in the area of sustainability clearly defined

SFS' sustainable development is very important. The CEO and the entire Group Executive Board devote their attention to the issue of sustainable development on a regular basis, set priorities and review the progress made. On behalf of the Group Executive Board, an interdisciplinary team of environment and safety, compliance, HR and communications representatives coordinates and consolidates the various sustainability activities. To address the diverse factors involved and maximize effectiveness, the task of implementation of the activities falls to the respective divisional management teams. Wherever possible, sustainability is integrated into the regular management processes and reports using standardized performance indicators.

5. Stakeholder engagement

GRI 102-40: List of stakeholder groups

SFS' most relevant stakeholder groups are (in alphabetical order):

- Academia
- Competitors
- Customers
- Employees
- Financial analysts/investors
- Financial and economic media
- Local communities
- SFS Board of Directors
- SFS management
- Shareholders
- Suppliers

GRI 102-41: Collective bargaining agreements

At the end of the year under review, about a quarter of all employees were subject to collective bargaining agreements. There is no collective bargaining agreement in Switzerland or the US.

GRI 102-42 Identifying and selecting stakeholders

The stakeholders listed under GRI 102-40 have been identified as key stakeholders within the scope of stakeholder dialogue because they meet at least one of two criteria: the stakeholder group has a material effect on the economic, environmental or social performance of SFS, and/or the stakeholder group is significantly affected by the economic, environmental or social performance of SFS.

The inclusion of key stakeholders is therefore an important element of sustainable business practices and of vital importance when gathering opinions and insights from across the company and its surrounding environment. In the materiality analysis conducted in 2016, SFS focused on the Engineered Components segment's customers and suppliers. In 2019 the company surveyed, besides the in GRI 102-40 listed stakeholders, customers and suppliers from the D&L segment. After deciding to have a dialog within the context of a materiality assessment every two years, a new materiality assessment was not performed in 2020.

In order to ensure the best possible engagement with the stakeholders identified, SFS plans to focus on the following stakeholder groups in its next materiality analysis in 2021:

- Customers and suppliers from the Fastening Systems segment
- Universities/educational institutions
- Business and financial media
- Local municipalities in Switzerland and in some cases abroad (the international sites determine the intensity of their local engagement)

GRI 102-43: Approach to stakeholder engagement

In addition to the last materiality analysis in 2019 (compare GRI 102-42) , SFS was engaged in a constant dialog with its stakeholder groups through the following:

Employees

- Routine employee surveys (e.g. Swiss Employer Award)
- Quarterly information
- MbO
- Ideas box

Customers

- SFS sales representatives, technical advisors and key account managers in touch with our customers every day.
- At the 29 HandwerkStadt locations, our customers throughout Switzerland receive direct service from our professional sales staff and can give us direct feedback.
- Customer satisfaction analyses: in conjunction with the introduction of a new Group policy, every division reviewed its existing policies and practices for measuring customer satisfaction and issued a new concept. In view of the different target customer groups, the divisional concepts vary. The methods of measuring customer satisfaction range from a scorecard, used by the Automotive division, to online surveys, used by the Electronics division.

Universities/educational institutions

- Collaboration with various universities and educational institutions on innovation and technology development

Financial analysts/investors

- Routine conference calls, bilateral talks, conferences and roadshows by CEO, CFO, Head of Corporate Services and Head of Investor Relations.

Suppliers

- Initial contact in compliance with the supplier assessment guidelines and the Code of Conduct for suppliers
- Ongoing discussions between SFS procurement staff and suppliers
- Audits at regular intervals (quality, environment, workplace safety)

Local governments

- Open door day at several production sites
- Invitation to Annual General Meeting

GRI 102-44 Key topics and concerns raised

The following key concerns were raised by stakeholders during the year under review:

- (Customers, discussions with analysts) The company's stance and measures taken regarding sustainability (incl. future goals and KPIs for reducing emissions) → In December 2020, an environmental road map was approved that will ensure a continuous and measurable reduction in emissions. In specific terms, this means SFS has committed itself to reducing its Scope 1 and Scope 2 carbon emissions by >90% by 2030 (measured as tonne of CO₂ per Swiss franc of value added). SFS also aims to reduce its Scope 3 CO₂ emissions by more than 90% by 2040. This will be achieved by reducing in-house emissions, purchasing electricity generated from renewable sources and installing in-house renewable electricity systems. In 2021, we will also evaluate how we can better integrate our supply chain into our sustainability processes.
- (Employees) Work health and safety in connection with COVID-19 → Health and safety plans were implemented at all sites in compliance with the local guidelines. Best practices were shared throughout the organization.
- (Media) Dividend payment despite short-time work/COVID-19 → The dividend of CHF 1.80 per share proposed by the Board of Directors for the financial year 2020 was approved by shareholders. The dividend amount was thus unchanged from the prior-year level; in 2020, the dividend was reduced by 10% from the payout in 2019 as a sign of solidarity with the company and its employees during the first wave of the pandemic.
- (Schools, parents, potential applicants/labor force entrants) Career information opportunities despite corona restrictions → adjustments in vocational career guidance due to the COVID-19 situation (e.g. SFS Insights: a career information event carried out at company headquarters in Switzerland in compliance with the applicable COVID-19 restrictions)
- (Employees) General and permanent possibility of working from home → In 2020, SFS introduced general guidelines enabling employees to work from home that will be implemented in 2021 (this applies to all sites in Switzerland).
- (Media) Opportunity for shareholders to voice their concerns, although physical attendance at the Annual General Meeting was not possible → In accordance with article 27 of the Swiss Federal Council's Ordinance 3 on measures to combat the coronavirus (COVID-19 Ordinance 3), the Board of Directors of SFS Group AG instructed shareholders to exercise their voting rights at its Annual General Meeting of 22 April 2021 in writing or electronic form or through the independent proxy. The notice of the non-physical meeting invited shareholders to engage in a dialog with SFS and ask questions, voice concerns or give feedback via email or post.

6. Reporting practice

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

The reporting of the company's sustainability performance was not always based on the full scope of consolidation as presented in the consolidated financial statements (see Annual Report 2020, p. 90–92: →). A disclosure has been made wherever this was the case.

SFS distinguishes between the scope of consolidation for key sustainability data and for determination of the corresponding ISO certifications by site. In order to match expenses and performance/profits, ISO certification is required at all production sites with more than 50 employees in which SFS holds an interest of ≥ 50%. "Non-manufacturing sites" such as distribution and logistics centers are also included in the sustainability data. SFS aims to collect sustainability data from all material sites by 2025. A materiality assessment will be conducted at the same time to determine which of our sites are material sites.

GRI 102-46: Defining report content and topic Boundaries

SFS has endorsed the guidelines of the Global Reporting Initiative (GRI) since 2016 and has reported on its sustainability performance in accordance with GRI Standards (Core option) since 2019. The starting point was a comprehensive materiality analysis based on the methodology described in the GRI Standards and on the issues covered by the GRI Standards. Material sustainability topics and the corresponding measures had already been covered in brief in the sustainability sections of the annual reports published during the period 2016–2018.

The principles of the UN Global Compact are also of material significance and SFS has committed itself to upholding these principles since 2010. Progress on this front is reported annually in the Sustainability Report (see: UN Global Compact →). As a signatory of the UN Global Compact, SFS is committed to the Sustainable Development Goals (SDGs) and is currently prioritizing four goals: SDG 4 – Quality education, SDG 8 – Decent work and economic growth, SDG 12 – Responsible consumption and production, as well as SDG 13 – Climate action. This prioritisation reflects the material topics as determined in the materiality assessment conducted in 2019: Economic performance, occupational health and safety, training and education, reduction in greenhouse gas emissions, and socioeconomic compliance. Through this action SFS is not only supporting adherence to the principles of the UN Global Compact, but also contributing its part to achieving the SDGs for 2030 to the fullest possible extent.

As part of a workshop with the Group Executive Board and other internal and external stakeholder groups in 2016, an initial materiality analysis was developed and approved by the Group Executive Board. After adopting the GRI Standards (Core) in 2019 and deciding to publish the Sustainability Report separately from the annual report in future reporting periods, the materiality matrix established in 2016 was reviewed and updated based on the standards prescribed by the GRI. Some of the previous material topics were combined, some were no longer applicable and others were rearranged or given a higher/lower priority level. The identified SDGs together with the material topics established in the materiality matrix determine the primary objectives of SFS' sustainability strategy and, by extension, of its short- to mid-term business strategy. All other topics listed in the matrix are important, but are not the focus of attention due to reasons of prioritization. SFS aims to conduct a materiality assessment every two years and then update its matrix based on the findings. The next materiality assessment will take place in 2021 and the findings thereof will be reported in 2022 (see also GRI 102-42 →).

GRI 102-47: List of material topics

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

GRI 102-48: Restatements of information

With the exception of the information under GRI 102-10, the current sustainability report does not contain any new information compared with the previous year.

GRI 102-49: Changes in reporting

There were no significant changes in reporting in the year under review. Based on the 10 principles of the UN Global Compact, SFS now also addresses the following Sustainable Development Goals (SDGs): SDG 4 – Quality education, SDG 8 – Decent work and economic growth, SDG 12 – Responsible consumption and production, SDG 13 – Climate action. This prioritization reflects the material topics as determined in the materiality assessment conducted in 2019, and thus makes a contribution to sustainable global development.

GRI 102-50: Reporting period

The reporting period is the calendar year.

GRI 102-51: Date of most recent report

The last Sustainability Report in accordance with the GRI Standards (core) guidelines was published on June 4, 2020.

GRI 102-52: Reporting cycle

SFS will report on its sustainability performance on an annual basis.

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

In case of any questions regarding sustainability please contact:
Claude Stadler
Head of Corporate Services, Member of the Group Executive Board

Yvonne Geiling
Lead Sustainability, Corporate Communications

SFS Group AG, Corporate Services
Rosenbergsaustasse 8, CH-9435 Heerbrugg
T +41 71 72 75185
sustainability@sfs.biz

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

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

GRI 102-55: GRI Content Index

[GRI Content Index](#) →

GRI 102-56: External assurance

There is currently no external review of the Sustainability Report.

Material topics

Economic performance

SFS' long-term goal is steady value creation. According to its current mid-term targets, it expects to generate annual sales growth of 3%–6% in local currency. Fiscal year 2020 was heavily impacted by the coronavirus pandemic and net economic value generated decreased by –10.7% compared to 2019. SFS' well-balanced positioning cushioned the overall decline somewhat. Despite the economic uncertainty in connection with further global waves of COVID-19 infections, SFS expects to show an increase in economic value generated for 2021.

GRI 103: Management approach 2016

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

SFS' economic performance and the value it generates for all stakeholders is at the center of its business operations and decisions. The value it creates on behalf of its stakeholder groups – customers, suppliers, employees, investors and the state or political communities in which the company is active – is reflected in the form of salaries, dividends and tax revenues. SFS refrains from harmful tax practices and arrangements, and it pays taxes in the jurisdictions where it generates economic value. SFS Group has reported the taxes it has paid in foreign countries to the Swiss Federal Tax Administration since 2017 within the framework of country-by-country reports. Information on unusual fluctuations in tax expense are disclosed in the Financial Report → ("Information for shareholders", p. 108 et seq.) SFS expects its future effective tax rate to be about 17.5%.

GRI 103-2 The management approach and its components

Sustainable and mutually beneficial partnerships are important to SFS. Maintaining a fair and balanced distribution of economic value generated among the various stakeholder groups is therefore vitally important.

Although SFS' net economic value generated increased by 12.1% during the period from 2015 to 2019, fiscal year 2020 – due to the pandemic and the measures taken to contain the outbreak – posed major challenges to SFS Group. After plunging to very low levels during the first half of the year, demand in several end markets and regions recovered from the summer months onward. This led to a year-on-year decline of –10.7% in overall net economic value generated in 2020.

The relative shares of net economic value distributed to the individual stakeholder groups declined similarly due to the repercussions of the COVID-19 pandemic. The share of net economic value distributed to employees, for example, declined by –10.1% in 2020 compared with the prior year due to voluntary salary cuts and temporary measures taken to reduce capacity.

The distribution to shareholders was an exception, as a 10% reduction in the dividend payout had already been proposed at the Annual General Meeting 2020 as a gesture of solidarity in connection with the COVID-19 pandemic. This was subsequently approved by an overwhelming majority of the votes cast. In view of the robust earnings, the very solid balance sheet and the guardedly optimistic outlook for future business activity, the Board of Directors proposed an unchanged dividend of CHF 1.80 per share at this year's Annual General Meeting. Therefore, the share of net economic value distributed to investors/shareholders remained unchanged over the 2019–2020 period.

In congruence with SFS Group's financial policy, the distribution to shareholders will range from 35% to 50% of consolidated net income. On a comparable basis, the payout ratio ranged from 37.5% to 36.5% of consolidated net income during 2016–2020.

In addition to qualitative parameters, key financial targets were also defined during the formulation of the medium-term business plan for 2020–2025. Despite the currently challenging general environment, SFS expects its sales to grow by 3–6% p.a. (in local currencies, including changes in the scope of consolidation) in the coming years, thanks to its healthy and attractive project pipeline.

With an EBIT margin target of 13–16% for the period, SFS is aiming for further steady value generation in future. Every stakeholder group's share of value generated should remain relatively stable throughout the period.

GRI 103-3 Evaluation of the management approach

An above-average growth rate over the long term is in the interests of all SFS stakeholders. Adherence to the principles of good corporate governance while achieving that growth will ensure the necessary transparency and an adequate balance between management and control. Strategic control is in the hands of the Board of Directors, and operational management is the responsibility of the Group Executive Board. SFS publishes financial reports every half year. The consolidated financial statements are examined every fiscal year by external auditors in accordance with Swiss GAAP FER.

GRI 201: Economic performance 2016

GRI 201-1 Direct economic value generated and distributed

SFS generates sustainable value for its stakeholders. SFS stakeholders are its customers, suppliers, shareholders, employees and the states or political communities in which the company operates. Although part of the economic value generated is distributed directly to the various stakeholders, the company retains some of the value generated to ensure the ongoing development of new innovations and technologies, and to finance acquisitions or investments.

The following table provides an overview of the economic value generated during the past five years and the share distributed to the various stakeholders as a percentage of net economic value generated:

Development and distribution of added value in CHF million		2020	2019	2018	2017	2016
Value added gross		817.9	899.4	858.2	818.9	730.7
As % of net sales		47.9%	50.5%	49.4%	50.1%	50.9%
Depreciation/amortization		–100.2	–95.4	–89.7	–125.8	–146.4
As % of net sales		–5.9%	–5.4%	–5.2%	–7.7%	–10.2%
Value added net		717.7	804.0	768.5	693.1	584.3
As % of net sales		42.0%	45.1%	44.2%	42.4%	40.7%

Development and distribution of added value in CHF million		2020	2019	2018	2017	2016
Employees	69.0% *		68.5%	67.6%	69.3%	70.5%
Personnel expenses	495.1		550.4	519.3	480.6	411.8
Government	5.0% *		5.3%	6.6%	7.0%	7.7%
Current income tax excl. deferred taxes**	31.3		37.7	46.4	44.2	40.9
Public charges	4.6		4.6	4.6	4.3	3.8
Capital provider	9.7% *		9.0%	10.3%	11.0%	11.7%
Dividends to shareholders	67.5		67.5	75.0	71.3	65.6
Interest expenses	1.9		4.8	4.3	4.9	3.0
Company	16.3% *		17.3%	15.5%	12.7%	10.1%
Retained earnings	117.3		139.0	118.9	87.8	59.2

*In % of net added value

**According to GRI 201, deferred taxes are not taken into account in payments to the state.

Development and distribution of added value

in CHF million

	2020	2019	2018	2017	2016
Total Income	1,724.5	1,814.7	1,756.7	1,657.9	1,462.1
To Suppliers	906.6	915.3	898.5	839.0	731.4
Value added gross	817.9	899.4	858.2	818.9	730.7

Further indicators for value creation and distribution in accordance with the GRI requirements can also be found in the financial reporting.

Material topics

Emissions

In addition to the principles of environmental management, SFS supports the goals of the Paris Climate Agreement, such as limiting global warming to below 2°C or 1.5°C. In concrete terms, SFS aims to reduce its CO₂ emissions (Scopes 1 and 2) by $\geq 90\%$ by 2030. The company's goal is to reduce its CO₂ emissions along the entire supply chain (Scope 3) by $\geq 90\%$ by 2040. Emission reductions are calculated in CO₂ tonnes in relation to the value added (gross margin/contribution margin 2 in CHF).

GRI 103: Management approach 2016

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

The manufacturing processes and technologies used at SFS are extremely efficient. Cold forming, one of the Group's core technologies, in particular is a highly energy and material-efficient approach compared with alternative manufacturing technologies. However, since the combustion of fossil fuels to generate energy in addition to other direct and indirect sources of emissions found in the manufacturing process have a negative impact on both the environment and the climate, SFS strives to continuously reduce its emissions – in compliance with the Paris Climate Agreement. The boundaries of this topic can be defined as follows:

Scope 1: Emissions from sources within the company. At SFS, direct emissions are generated mainly by heat treatment systems and the company's own heating systems.

Scope 2: Emissions from the generation of energy purchased from an external source. At SFS, these arise mainly through energy consumption (electricity) and industrial gases attributable to manufacturing activities at the individual sites.

Scope 3: Emissions that arise as a result of the company's operations but are generated by sources not controlled by the organization (for example, emissions originating from suppliers or service providers). At SFS, materials such as steel, non-ferrous metals, plastic and packing materials are procured from external sources. Other significant sources of emissions include the transport of materials and products, and employee business-related travel and commuting.

During the year under review, data was collected at 34 locations (2019: 33 locations) with 8,956 FTE employees (SFS Group employees, 2019: 9,047). This corresponds to about 84% (2019: 86%) of the entire workforce of SFS Group. The goal is to include all relevant locations by 2025 and reach a coverage level of more than 95%.

GRI 103-2 The management approach and its components

As a leading technology-driven company, SFS not only strives to make its own processes as energy and resource-efficient and environmentally friendly as possible, but also to provide solutions that offer customers long-term advantages in terms of procurement, use, assembly, reliability and performance. Since environmental management at SFS takes the entire supply chain into account, it contributes to the achievement of both its own environmental goals and those of its customers.

The overarching principles of environmental management are set forth in the "Policy on Quality, Environmental Protection and Occupational Health and Safety" →. Here, SFS promises to manufacture and/or offer all its products and services in a manner that complies with legal and official requirements governing environmental protection, health and safety.

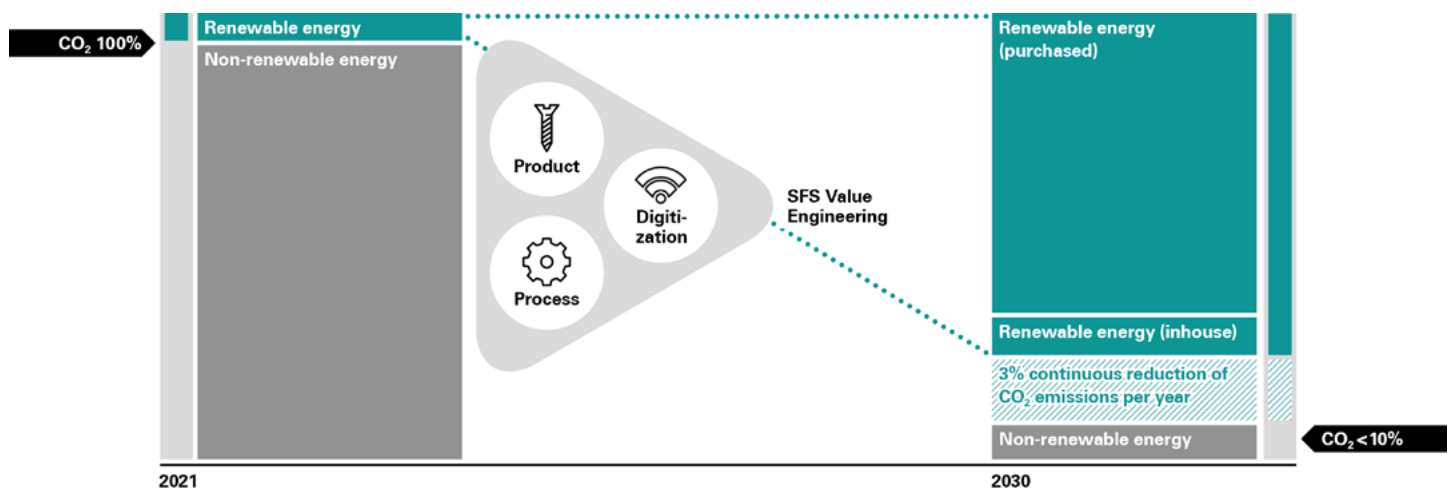
ISO 14001 certification of the Group's production sites forms part of its management approach and its comprehensive environmental management system. Currently, 20 production sites (previous year: 15) have an ISO 14001-certified environmental management system. The goal is to expand this system to all significant production sites by 2025 (see GRI 102-45 for more information →) and certify these according to ISO 14001. The following table shows the current status with regard to planning and actual certification according to divisions:

Division	Automotive	Electronics	Industrial	Medical	Construction	Riveting
SFS scope*	13	2	5	4	6	4
Certified	12	2	4	0	0	2
In planning stage	1	0	1	4	6	2
100% completion	2021	–	2022	2023	2022	2022

* SFS scope: Production sites where SFS owns a stake of $\geq 50\%$ and employs more than 50 people. The D&L segment is not listed for certification, since it does not constitute a significant production site (also see GRI 102-45 →).

More than 90% less emissions by 2030

In addition to the principles of environmental management, SFS supports the goals of the Paris Climate Agreement, such as limiting global warming to below 2°C or 1.5°C. In concrete terms, SFS aims to reduce its CO₂ emissions (Scopes 1 and 2) by $\geq 90\%$ by 2030. The company's goal is to reduce its CO₂ emissions along the entire supply chain (Scope 3) by $\geq 90\%$ by 2040. Emission reductions are calculated in CO₂ tonnes in relation to the value added (contribution margin 2 in CHF).



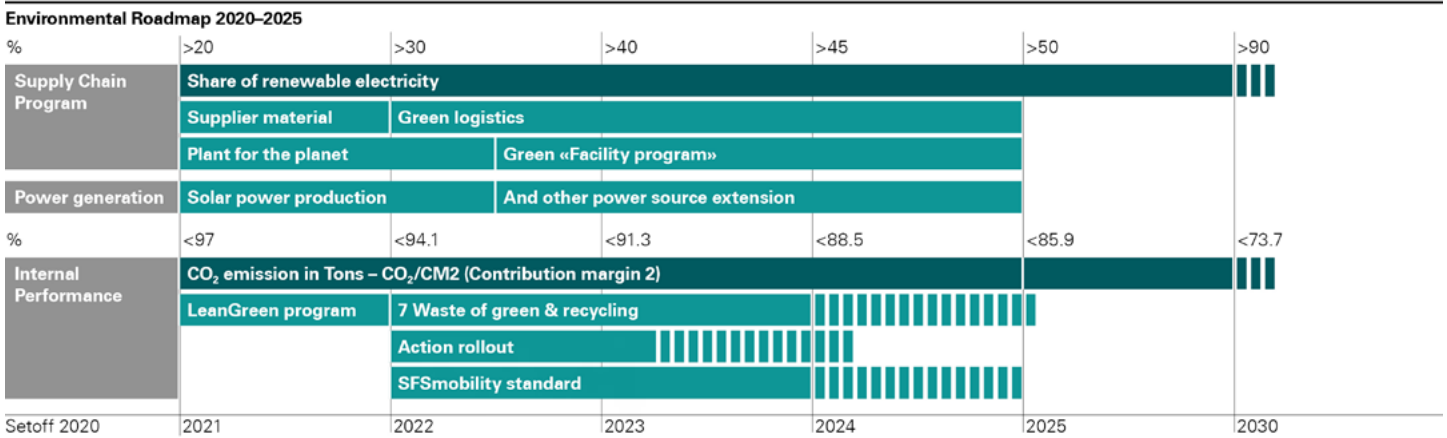
Main approaches/levers to reduce emissions

SFS' efforts revolve around optimization of processes, products and digitalization, with a focus on sustainable customer benefits. The following approaches help to reduce emissions:

- Focus on obtaining energy and raw materials from renewable sources → Products
- Continuous reduction of CO₂ emissions attributable to SFS (Scope 1 & 2) → Processes (see diagram "Emission reductions by 2030" above)
- Establishment and expansion of sustainable in-house energy production (such as installation of photovoltaic systems) → Products
- Active sustainability management in the supply chain (partly with involvement and commitment of suppliers) → Products
- Additional transparency through expansion of data collection → Digitalization

To this end, the Group Executive Board adopted not only reduction targets in December 2020, but also a roadmap (see the Environmental Roadmap 2020–2025 diagram, p. 26). This roadmap comprises three programs:

- 1) Optimization of the company's performance
- 2) Generation of renewable energy
- 3) Optimization of the entire supply chain



Target achievement for 2) and 3) is measured using the “Percentage of renewable energy sources” indicator. SFS’ goal is to achieve at least 50% by 2025 and more than 90% by 2030. Efforts to optimize the company’s performance 1) are aimed at reducing CO₂ emissions (Scope 1 & 2) by at least 3% per year (measured against the gross margin). The starting point for each target is fiscal year 2020.

Each program begins with an evaluation of the available potential in order to systematically document any initiatives already implemented in the individual facilities and to generate additional points of leverage. Some examples from the plants include optimization of the compressed air and vacuum systems, modernization of the lighting systems (LED), optimization of the heating, ventilation and air conditioning systems, material recycling and wastewater treatment.

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

To generate renewable energy, SFS is examining the extent to which production and office buildings and other outdoor areas can be equipped with solar power systems. The next step will be to examine the possibilities offered by other manufacturing processes or collaboration.

To optimize its supply chain in terms of emissions, SFS has launched its “Supplier Material” initiative to assess how it can exert a positive influence, including the use of transport that relies on alternative fuels.

By participating in the “Plant-for-the-Planet” initiative, SFS aims to reduce/minimize its negative impact on the environment and society, and also make a positive contribution.

Higher quality data for greater transparency

A solid set of data for the roadmap is essential in order to develop targeted environmental and climate protection measures, monitor their effectiveness and initiate any corrective or supplemental measures.

During the year under review, 34 locations (2019: 33 locations) and additional sources of emissions were included in the data compiled on Scope 1 emissions. Since the data quality and coverage of the emission sources for Scope 3 emissions (other indirect GHG emissions) were not sufficiently conclusive during the year under review, SFS has opted not to publish this information. Data collection will be improved further by 2025 and cover all significant sources of emissions.

Target achievement through joint responsibility

In order to give greater weighting to environmental and social aspects in the context of corporate governance, the target agreement for the Group Executive Board will include specific ESG targets as part of the individual targets from 2021.

The divisions are responsible for reducing emissions in accordance with the defined targets by 2030, 2035 and 2050. They define measures that take the characteristics of the different organizations into account. The performance assessment employs a management-by-objectives approach. A peer-group approach is used to help the divisions plan and implement the measures. The Group EHS (environment, health, safety) manager works together with the divisional and site EHS managers to define general approaches. Peer group meetings are held on a monthly basis to monitor progress, take any corrective measures deemed necessary and exchange best practices.

Implementation of specific measures initiated

Several sites were able to introduce some initial measures during the year under review, including installation of a new LED lighting system, installation of a modern direct heating system and implementation of a 100% waste recycling management system at the Leeds (UK) site. These sustainable modernizations resulted in substantially lower energy consumption and reduced CO₂ emissions. Production sites in Switzerland have relied exclusively on climate-neutral electricity since 2021. To that end, the existing photovoltaic system at the main site in Heerbrugg (Switzerland) was significantly expanded in autumn 2020 and has been generating some 8.5% of the current energy requirements of the Swiss production sites since spring 2021. SFS has been using hydropower to cover all its remaining electricity requirements since 2021. Additional details on measures initiated to date within the scope of the “Emission reductions and climate-neutral energy are the future” success story →

Stakeholder involvement ensured through continuous dialog

SFS seeks out and offers its stakeholders opportunities to communicate with the Group on a regular basis via various physical and digital platforms, including an active complaints management system; see GRI 102-43 and GRI 102-44 for further details →

GRI 103-3 Evaluation of the management approach

The emissions-related management approaches and measures described in GRI 103-2 are presented annually to the Group Executive Board by the Group EHS manager. Achievement of the roadmap targets and initiatives is assessed and adjusted on that occasion, and includes a review of the Group’s environmental performance. ISO 14001-certified sites provide status updates on topics such CO₂ emission reductions. The “Streamlined Energy & Carbon Reporting (SECR)” → provides another summary of progress and changes made. Due to country-specific requirements, these are prepared by the sites responsible in the UK.

In addition to the criteria governing ISO 14001 certification, the management approach was also expanded during the year under review to include the relevant environmental initiatives. Initial measurements or information on target achievement and progress, where applicable, will be compiled during financial year 2021 and published in the Sustainability Report 2021.

GRI 305: Emissions 2016

GRI 305-1 Direct (Scope 1) GHG emissions

Since the previous year, this has been expanded to cover additional sources of emissions and another site, which has resulted in a sharp increase (22%) in the emissions reported. More extensive data collection is an important driver of increased transparency, which in turn is important in defining appropriate measures and verifying their effectiveness. Against this backdrop, the figures are not comparable with the figures published in the previous year.

Expansion of the scope of data collection has now enabled information about all common gases to be included. No biogenic CO₂ was emitted during the period under review. According to in-house estimates, the data collected at the production sites represented a coverage level of 80%–90% of the sites’ data potential. Gaps relating to the collection of refrigerant data and information on fuel consumption for the in-house fleet of vehicles should be closed by 2023, thus boosting data quality to 100%. That means that SFS will be able to completely map all significant sources of emissions through its data acquisition efforts over the next two years.

Scope 1	2020	2019	Change on previous year %
CO ₂ eq tonnes	21,077	17,258	22 %

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

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

Standard in accordance with the GHG Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) was used within the scope of the ECOPRO Efficiency Profile from sinum AG (www.sinum.com), a lifecycle assessment expert with 25 years of experience. The methodology is based on the principles of ISO 14040. The goal is to monitor lifecycle assessment, gain a global overview of its repercussions, and provide information and data on an annual basis that serves as a foundation for decision making and communication. Data collection is standardized and ecoinvent data used. The methods used comprise eco-scarcity and CO₂ equivalent factors from IPCC 2013.

Calculation programs used: REGIS – EcoPerformance Systems.

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

Indirect emissions include emissions from purchased electricity and all types of district heating. The emission profiles of purchased energy are included in the evaluation during the procurement process. Absolute indirect CO₂ emissions (Scope 2) dropped by about 2% over the previous year. At several sites, this reduction was attributable in part to optimization measures such as implementation of the LED lighting concepts, new energy suppliers and optimization of heating and air conditioning systems. However, energy consumption continued to rise as a result of good business performance, particularly in Asia. The percentage of renewable energy used in the period under review amounted to 4% (2019: data not collected).

Scope 2	2020	2019	Change on previous year %
CO ₂ eq tonnes	91,364	93,224	-2%

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

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

Standard in accordance with the GHG Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) was used within the scope of the ECOPRO Efficiency Profile of sinum AG (www.sinum.com), a lifecycle assessment expert with 25 years of experience. The methodology is based on the principles of ISO 14040. The goal is to monitor life cycle assessment, gain a global overview of its repercussions, and provide information and data on an annual basis that serves as a foundation for decision making and communication. Data collection is standardized and ecoinvent data used. The methods used comprise eco-scarcity and CO₂ equivalent factors from IPCC 2013.

Calculation programs used: REGIS – EcoPerformance Systems.

Material topics

Occupational health and safety

SFS was once again able to reduce the number of work-related accidents further during the year under review, and has now come closer to its mid-term goal of cutting the number of work-related accidents in half by 2025 compared to 2019.

GRI 103: Management approach 2016

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

The company's employees are pivotal to the success of SFS Group. With that in mind, creating a safe, healthy work environment for all employees is one of SFS' key concerns. This holds particularly true at our production sites, where the processes and workflows result in risks to employees' health and safety – in part due to high material throughputs – and suitable steps must be taken to minimize these risks. As a result, these sites and/or the production group are central to evaluations and improvements in the area of occupational health and safety.

The information provided below by SFS Group on the topic of occupational health and safety relate to the 8,956 employees (full-time equivalent (FTE), 2019: 9,047) of SFS Group at the end of the period under review. This corresponds to about 84% (2019: 86%) of the entire workforce of SFS, the majority of which work in a production environment. The goal is for this assessment to cover more than 95% of all employees by 2025. Other relevant data, including a differentiation between temporary staff (employees whose work/workplaces are controlled by the organization but who are not on SFS' payroll) and work-related absences with serious consequences, will be collected for the assessment for the first time in 2021. FTE is an indicator that currently also includes temporary staff; the same safety requirements, rights and obligations apply to them as to employees of SFS Group.

GRI 103-2 The management approach and its components

Since a safe working environment and employee health and well being are pivotal factors in the success of SFS Group, occupational health and safety is an integral part of the company's corporate culture. "Partnership", "commitment", "community", "success" and "change" are the values entrenched in our mission statement and which are the foundation of our daily activities; with these values, SFS strives to be a leader in terms of occupational health and safety.

The goal of the management approach embraced in the area of occupational health and safety is to reduce or eliminate negative consequences through these measures:

- SFS protects the life and health of all employees by ensuring that working conditions comply with health and safety standards.
- The company develops appropriate safety measures by regularly identifying and assessing hazards, workloads and risks.
- Preventive measures and programs, such as preparing and introducing the "10 SFS Safety Rules", help prevent accidents.
- The company engages in ongoing dialog with its stakeholders in order to continue to make improvements to its occupational health and safety.
- SFS encourages employees to take responsibility for their own health. By identifying the hazards and assessing the risks of their work environment, employees can adapt appropriately and prevent potential accidents.
- Employees are required to report to their supervisors any conditions that might jeopardize employee health and safety at work. They also have the opportunity to suggest improvements and point out any deficiencies (opportunity to lodge a complaint).

- In that context, employees are also instructed and required to interrupt their work in the event of a potential risk and/or hazard and to resume their work only when the situation permits (e.g. hazard/deficiency has been eliminated or resolved). This approach is communicated on a regular basis during training on the "10 SFS Safety Rules".
- All employees are urged to report ideas and problems immediately. Various communication channels and platforms are available for that purpose, including the CIP Idea Box, team meetings, shopfloor meetings and performance reviews. The launch of the new mySFS app marks the addition of another channel of communication that will enable employees to contact their supervisor or departmental manager directly and address their concerns. SFS has integrated a compliance system that is available to all members of staff. If an employee reports a violation, the reporting employee will not experience any disadvantages as a result.

SFS has set itself the goal of reducing work-related accidents by 50%, compared to 2019, by 2025, which will help the company to come closer to its long-term objective of zero work-related accidents. To reach this goal, the ISO 45001 standard will continue to be rolled out at all locations of SFS Group and certified where appropriate.

Although the degree of coverage of ISO certification still varies, the goal is to include all production sites* by 2025. A roadmap has been defined to reach this goal. At present, 12 of the 34 locations are ISO 45001-certified.

Division	Automotive	Electronics	Industrial	Medical	Construction	Riveting
SFS scope*	13	2	5	4	6	4
Certified	8	2	2	0	1	0
In planning stage	5	0	3	4	5	4
100% completion	2023	–	2022	2023	2023	2025

* SFS scope: Production sites where SFS has a stake of $\geq 50\%$ and employs more than 50 people. The segment Distribution & Logistics is not listed for certification, since it does not constitute a significant production site (also see GRI 102-45 →).

Target achievement and verification will initially be decentralized for each individual location. This is the responsibility of both the location manager, who is in charge of local working conditions, and the EHS manager, who is in charge of the environment and occupational health and safety.

EHS managers at locational, divisional and SFS Group levels communicate on a regular basis and enter their data on a central collaboration platform. They plan and implement any (corrective) measures and ensure the best possible target achievement for SFS Group, thus ensuring that employees are protected. Discussions on progress made and discrepancies are conducted during regular steering meetings with the management and at meetings of the Group Executive Board.

GRI 103-3 Evaluation of the management approach

The current management approach appears effective and thus suitable. The number of accidents is falling steadily and absences due to accident or illness are becoming increasingly rare. A positive trend is observed in particular at sites with ISO 45001 certification, thus there is a push to continuously expand this to further sites. Employee satisfaction has remained at a high level for years, a fact evidenced by the Group's excellent rankings in the Swiss Employer Award →. A low error rate coupled with high productivity underscores the fact that high standards in the area of occupational health and safety are compatible with effective, efficient processes.

Hazard assessments are prepared by knowledgeable persons who are also able to consult an external advisor if needed. The resulting documents are revised on a regular basis when new equipment, machines or materials are introduced, whenever workflows are changed that could give rise to new hazards, or on the basis of new insights gained as the result of an accident or near miss.

Incidents and hazardous situations are reported for all locations in accordance with the local procedures provided in the respective management system. The Group-wide reporting process is based on the NACA Index (National Advisory Committee for Aeronautics). The general objective of this index is to improve the reporting culture throughout SFS Group, including reporting by employees of third-party companies. The system is currently adequate and will be reevaluated in 2021.

All incidents, including near misses, are investigated. The goal is to identify the underlying causes and take appropriate corrective measures to prevent similar incidents. For SFS, it is important that the accident investigation is not an exercise in assigning blame, but instead identifies deficiencies in the safety process. Since near misses are not yet documented systematically throughout SFS Group, a review of and change to the reporting system is planned in 2021.

Since the current year under review was dominated primarily by the COVID-19 pandemic, utmost priority was attached to protecting the health of all employees. All necessary protective measures were systematically implemented and work at all locations was able to continue in accordance with the applicable contingency plans and in compliance with the regulations issued by the local authorities. Apart from the standard hygiene regulations, additional steps were taken wherever necessary, including the strict separation of teams, working from home and the mandatory use of protective masks. Physical events were canceled or replaced by online meetings. Systematic implementation of these measures enabled the Group to offer its employees health and safety protection at a high level and also ensure the continuation of its business activities.

GRI 403: Occupational health and safety 2018

GRI 403-1 Occupational health and safety management system

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

The BMS system is managed by the Corporate Quality and EHS function and implemented in the regional and national organizations by a network of EHS specialists. Communication and the exchange of information takes place via a peer-group approach.

Both the BMS system and the local management systems are audited by external parties within the scope of our ongoing ISO certifications. Internal audits and regular reviews of EHS performance support the continuous improvement of the management system and its implementation.

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

SFS works on the principle that hazard identification forms the basis for safe working. All locations are obliged to assess hazards on a regular basis, analyze risks within their sphere of influence and workflows, and define corrective and mitigation measures. One of the instruments used in performance of regular assessments is the daily shopfloor meeting, which has been introduced at all sites; the first agenda item discussed at this meeting is the topic of safety. Risk analysis is reviewed if new information is available on matters such as new legal requirements, changes to systems, equipment or raw materials, and incidents, accidents and near misses.

SFS introduced “10 Safety Rules” in 2019 with the goal of improving the awareness of risks related to employee health and safety. Implementation of the “10 Safety Rules” will be completed by the end of 2021. They apply at all locations and to all employees. In this context, all employees are urged to interrupt their work if they consider it unsafe.

All employees are responsible for ensuring that all accidents, incidents and near misses are reported immediately to their supervisor, in order to ensure that these can be investigated and corrective steps taken in a timely manner.

Every location performs active risk management and is prepared for potential incidents. The location’s senior management designates a crisis committee and maintains contingency plans as required.

Potential incidents include:

- Danger and harm to people and the environment (accident, fire, flooding, storm, earthquake, epidemic/pandemic, etc.)
- Business interruption (employee unavailability or absence, energy, procured components, manufacturing resources, etc.)
- Intervention by unauthorized persons (unauthorized access, vandalism, sabotage, espionage, cyber attacks, etc.)
- Customer complaints (product liability and warranty cases, etc.)

The objective of risk management and contingency plans is to ensure that customer requirements can be met as smoothly and promptly as possible, even during disruptive events as listed above.

403-3 Occupational health services

SFS safeguards access to qualified occupational health services through the application of country-specific approaches that comply with the local statutory requirements, and offers these services in the country’s official language. Employees receive information on the occupational health services available during induction and training. The services are offered during normal working hours. Em-

Employee right to data protection and privacy is respected and observed. Employee use of or participation in such services and programs, or the health data collected as a result, is not used as a decision-making criterion for employee development (termination, promotion, etc.).

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

Matters relating to occupational health and safety suggested by employees are discussed at location level in meetings of the specialist committee on accidents and safety. These meetings are held at regular intervals, either on a monthly or quarterly basis depending on the location.

Furthermore, the topic of occupational health and safety is discussed on a regular basis in many other channels, platforms, etc. including team meetings, shopfloor meetings, quarterly reports, information screens, employee magazines, the employee app, one-on-one discussions and employee surveys.

GRI 403-5 Worker training on occupational health and safety

All new employees are welcomed at an induction day (SFS Welcome Day, etc.) where they are given information on topics including the systems available to them (on-site training, online training, e-learning platform), health and safety, and their rights and obligations. These training sessions are conducted at regular intervals by qualified safety specialists or subject matter experts. As a part of their basic training, new employees learn about the “10 SFS Safety Rules” (the detailed version), how to use personal protective equipment and are given specialist instruction on lifting platforms, forklifts, hazardous substances and more. The contents of the “10 SFS Safety Rules” are now also regularly communicated to employees as part of e-learning sessions.

The courses are conducted in small groups to ensure that all employees can contribute appropriately. These courses aim to ensure that employees understand in theory and can apply in practice the course content and use of tools in examples on-site.

The diverse range of courses offered during working hours is individually adapted to the content and intended participants, is documented and is available to all employees (even to those not directly employed).

GRI 403-6 Promotion of worker health

SFS promotes worker health through a wide range of drives, initiatives and campaigns. Some of those in Switzerland include:

- Promotion of the use of bicycles
- Introduction of an incentive system (EcoPoints) to encourage employees to commute more frequently by e-bike, on foot or by public transport
- Paths adapted for bicycle traffic and greater safety for cyclists on the company premises
- Variety of sports programs

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

SFS attaches enormous value to ensuring that it affords the highest possible level of occupational health and safety to both its employees and all other stakeholder groups that visiting the factory premises. All guests and business partners who visit the production facilities are given the appropriate protective equipment (including face mask, safety glasses, safety shoes, etc.). Contractors performing work on the factory premises are also briefed on the safety precautions and are obliged to follow these rules. Additionally, as part of our quality assurance agreement, suppliers agree to safeguard occupational safety and promote healthy working conditions within their company and supply chain. This is systematically verified during supplier audits.

GRI 403-9 Work-related injuries

Although the number of work-related accidents involving one or more lost workdays was down 13.3% in 2020 compared with 2019, the number of workdays lost rose from 1,749 days (2019) to 1,904 days during the year under review. All injuries were investigated and relevant improvements were made to prevent similar incidents in future. During the year under review, 9.5 work-related accidents were reported per 1,000 employees (previous year: 10.9). Since 2020, statistics on the total number of hours worked, the rate of work-related accidents involving >3 days per 1,000 employees and the number of accidents per 1 million hours worked have also been recorded and published (see table).

	2018	2019	2020	Change over PY
Employee trend (FTE)¹	8,529	8,978	8,956	-0.2%
Total number of hours worked in 2020			17,963,174	New indicator
Work-related accidents ²	112	98*	85	-13.30%
Total number of workdays lost (>1 day)	1,693	1,749	1,904	8.9%
Total number of work-related accidents (>3 days)			57	New indicator
Work-related accidents per 1,000 employees (>1 day)	13.1	10.9	9.5	-13.1%
Of which, work-related accidents per 1,000 employees (>3 days)			6.4	New indicator
Workdays lost per employee	0.2	0.19	0.21	9.1%
Accidents per 1 million hours worked > 1 day			4.73	New indicator
Accidents per 1 million hours worked > 3 days			3.17	New indicator
Number of fatalities per 1 million hours worked			0	New indicator
Number of fatalities	0	0	0	

*113 work-related accidents were specified in the report in 2019 based on a different data set; this figure has now been corrected to 98 accidents based on an improved data set and data collection methods.

¹ Our reporting systems do not currently allow separate recording of work-related injuries sustained by workers who are not employees.

² The number of work-related accidents is calculated based on the number of work-related injuries sustained that result in at least one lost workday.

The most common types of work-related injuries include lacerations (31%), accidents caused by tripping (28%) and injuries sustained as a result of improper use of materials or equipment (19%). To reduce the number of lacerations sustained, greater emphasis is now placed on the use of PPE (personal protective equipment). Accidents caused by tripping are reduced through visual cues and workplace optimization efforts with the help of the 5S methodology. A risk matrix is used to assess materials and equipment on a regular basis in order to minimize potential hazards.

Material topics

Training and education

SFS' long-term goal is to have 5–7% of its permanent employees world-wide enrolled in vocational training and education programs. This target was once again achieved in 2020 with a 5.0% share (2019: 6.3%). Unfortunately, due to the pandemic, we were unable to expand our training and education activities in 2020, and some programs even had to be put on hold, thus accounting for the decline from 2019. Performance and career development reviews were conducted with 85% of all employees during the reporting year. This represents another year-on-year increase (2019: 81%).

GRI 103: Management approach 2016

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

SFS strongly supports employee training and education. This material topic is embedded in SFS Group's strategy, which underscores the high importance accorded to this topic by company management. The Group's strategy commits SFS itself to a long-term partnership between employer and employee, underpinned by a strong emotional connection and mutual trust. Employees take responsibility, they live and support SFS' corporate culture and values, and strive for continuous improvement. SFS views its innovation capacity as a key element in ensuring its sustained success. Consequently, SFS' Corporate Principles also state that these goals are to be achieved by, inter alia, fostering a highly skilled workforce. SFS is committed to employee empowerment and to growing and developing employees' professional competence. Dual education is also vital to SFS' efforts to maintain and expand its competencies in its core production technologies, as this system is an effective means of selectively building and developing an internal pool of skilled workers.

The disclosures below are based on data that covers approximately 85% (2019: 88%) of the company's workforce. Employees whose work is supervised by SFS, but who do not have a permanent employment contract with SFS (temporary employees) are not covered in these disclosures. Data on the companies acquired in 2019 (MBE Moderne Befestigungselemente GmbH and Firma Truelove & Maclean, Inc) was not integrated into the reporting process for the year under review. Furthermore, the roll-out of uniform reporting processes to every site has not yet been completed. The survey results reported for each site are based on the applicable site-specific legal basis.

The means and methods by which SFS promotes training and development are determined locally by each site or at the respective country-level subsidiary. In Switzerland, for example, a country-wide Group document defines the scope and content of training and development policies, the financial support and paid leave provided for training purposes, and repayment obligations.

GRI 103-2 The management approach and its components

SFS offers effective training programs to enhance the specific skillsets of its employees at every level of the organization in congruence with their potential. By doing so, it builds and grows the internal pool of talent that can be tapped to fill key positions or vacancies when required. This company policy also enables far-sighted succession planning.

SFS Group supports the dual system of vocational education and training to cultivate internal talent with that same goal in mind. To this end, modern training centers have been set up at sites throughout the Group, and SFS fosters interaction with schools and parents in order to offer young members of the workforce an enriching and hands-on alternative to academic studies.

The following KPIs for training and development activities have thus been defined in the company's strategy and are reviewed on an annual basis:

Dual vocational training: SFS' long-term goal is to have 5–7% of its permanent employees worldwide enrolled in vocational training and education programs.

This target was once again achieved in 2020 with a 5.0% share (2019: 6.3%).

Unfortunately, due to the pandemic, we were unable to expand our training and education activities in 2020, and some programs even had to be put on hold, thus accounting for the decline from 2019.

The divisional managing directors are responsible for goal achievement. Together with the managers of all sites in their division, they develop programs that align well with the general local environment and country-specific education laws and practices.

A special HR peer group has been created to ensure group-wide interaction and facilitate cross-site programs, such as international exchange programs.

The Corporate HR department is responsible for evaluation of goal achievement; the Group Executive Board is informed of the level of goal achievement.

Filling of key positions (members of divisional management and site managers): SFS aims to fill more than 70% of its management vacancies with internal candidates (2020: 92%, 2019: 80%).

Divisional management is responsible for achievement of this goal. It screens potential successor candidates and promotes the career development of high-performing employees by means of the group-wide Structured Employee Development Program (SEDP). This process is initiated and coordinated annually by the Corporate HR department.

The Corporate HR department is also responsible for evaluation of goal achievement, and it reports to the Group Executive Board on progress made.

Training and development activities are adapted to the evolving needs of the Group and the divisions. Program adaptations also reflect the increasing use of digital training methods (eLearning, webinars, etc.). In the past year, this development was accelerated and gained in significance as a result of the pandemic-related restrictions. Current training needs are ascertained through the group-wide MbO (Management by Objectives) process, which brings supervisors and employees together to set development goals.

SFS has established an internationally uniform process with the following objectives for regular employee performance reviews:

- Achievement of the overriding objectives (company goals)
- Appraisal of employee performance and conduct
- Employee identification with the objectives
- Employee motivation
- Identification of employee development needs and evaluation of training effectiveness

In order to give greater weight to environmental and social aspects at the management level, specific ESG targets will be included in the individual objectives for the entire Group Executive Board from calendar year 2021. These will include the use of renewable energy, reduction of CO₂ emissions, and issues pertaining to occupational safety, equality, and training and education.

SFS also wants to achieve greater consistency in terms of international training opportunities across SFS Group. The Leadership@SFS project was launched in the preceding year at the initiative of the Group Executive Board. Its objective is to promote the development of management talent throughout SFS Group and to identify potential candidates at the earliest opportunity. A core team has been established to coordinate this project. Together with an international project team, it is responsible for formulating the concept and ensuring a steady flow of communication between the project team and the Group Executive Board. The basic outline of the concept was presented to and approved by the Group Executive Board in summer 2020, and the core team was instructed to pursue its development in further detail. The launch of this program was pushed back to 2022 due to the pandemic.

GRI 103-3 Evaluation of the management approach

The management approach is evaluated internally by the respective divisional management and externally within the scope of audits.

The results are reported internally via divisional management and at Group-level management.

Data collection at Group level remains a challenge, as a uniform reporting process has not yet been implemented throughout the Group. SFS is pursuing this implementation and aims to have a uniform reporting process in place within the next two years.

GRI 404: Training and education 2016

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

Data was collected at 45 of the 51 legal entities that belong to SFS Group. The number of employees (8,391 headcounts) covered by this data during the year under review represented approximately 85% of SFS Group's total permanent headcount.

The figures for the previous year are given in parentheses.

The number of employees refers only to permanent employees of SFS Group and does not include employees who are not on a permanent contract but whose work and/or workplace is supervised by SFS Group (temporary hires).

Share of employees with a performance review in the reporting year	Female	Male
Total		
7,105 (6,970)	2,042 (1,958)	5,063 (5,012)
85% (81%) ¹	90% (87%) ²	83% (91%) ³

¹Employees with a performance review in relation to the total number of employees who were taken into account in the data collection.

²Female employees with a performance review in relation to all female employees who were taken into account in the data collection.

³Male employees with a performance review in relation to the total number of male employees who were taken into account in the data collection.

Material topics

Socioeconomic compliance

In the year under review, SFS Group was not affected by any sanctions in the area of socioeconomic compliance. This is also the clear goal for 2021.

GRI 103: Management approach 2016

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

The SFS Code of Conduct describes the basics of conduct as an exemplary, reliable and fair business partner and employer. With the SFS Corporate Principles, also a vital compliance element, the cornerstones of the corporate culture are described: Partnership, Commitment, Community, Success, Change. Both documents have been translated into more than ten languages and made available to all employees in the SFS Group. They form the basis of the SFS culture.

GRI 103-2 The management approach and its components

In order to ensure observance of the requirements of the Code of Conduct, SFS has implemented an effective compliance system that focuses on the following seven topics:

- Anti-corruption
- Anti trust law
- Insider trading
- Data protection
- Foreign trade compliance
- Information security
- Violation of personal integrity

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

Integration of the compliance obligation and the requirements of the UN Global Compact principles into the general procurement terms and conditions ensures SFS' standards are also applied to suppliers. These provisions are also integrated into contracts with distribution partners.

The management of compliance issues is handled by the corporate function of Tax, Legal & Compliance.

As part of the annual reporting on the Code of Conduct for employees, observance of the respective regulations are also monitored. All group companies are obliged to report relevant incidents to the Group Compliance Officer. In addition, compliance-related issues are checked at certain points in internal audits. The results of the survey and the audits form the basis of the annual compliance report to the Board of Directors of SFS Group AG.

GRI 103-3 Evaluation of the management approach

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

GRI 419: Socioeconomic compliance 2016

GRI 419-1 Sanctions due to non-compliance

In the year under review, SFS Group was not affected by any sanctions in the area of socioeconomic compliance. This is also the clear goal for 2021.

Focus on Sustainable Development Goals

SFS remains active in other areas as well. It is a signatory to the UN Global Compact and has upheld these principles and contributed to the realization of the Sustainable Development Goals (SDGs) since 2010. SFS currently prioritizes four goals: SDG 4 – Quality education, SDG 8 – Decent work and economic growth, SDG 12 – Responsible consumption and production, SDG 13 – Climate action. This prioritization reflects the material topics as determined in the materiality assessment conducted in 2019: economic performance, occupational health and safety, training and education, reduction emissions, and socioeconomic compliance. SFS reports annually on the goals, measures and progress with respect to the individual topics within the framework of the “Communication on Progress Report” (UN Global Compact) and the GRI report (Core option). During the year under review, we focused on achieving improvements in these areas and in particular on making an important contribution to the global SDGs through achievement of our goals.

Our progress during the year under review is described below:



Human rights

Previous initiatives continued

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

SFS also strives to introduce the Code of Conduct as quickly as possible to all new employees who join SFS Group through acquisition activity. The Code of Conduct is therefore an integral element of every integration process. SFS also demands unconditional respect for basic human rights from its suppliers. When screening potential business partners, this requirement is a mandatory criterion, as it is an integral part of SFS’ general purchasing conditions (→ see GRI 102-9) and no business is conducted with a supplier that does not sign and comply with them.

Our efforts of recent years in the areas of data protection and compliance with international trade regulations were maintained during the year under review. The implementation of legally compliant Group-wide standards at all Group companies was intensified and monitored. Responsibility was transferred to the site managers and those involved in the process at the individual sites were closely supported and trained by Group specialists. SFS observes and promotes the international rule of law by fully complying with all laws and regulations, and by providing its employees and business partners with detailed information about their scope and implications. Thanks to the goods classes activated in the ERP system in 2020, compliance with a temporary export ban on certain hygiene and respiratory protection articles to non-EU countries was quickly ensured from a technical standpoint. In addition, compliance with sanctions lists was further automated and technically simplified at the end of the year, thus facilitating the screening of critical business partners at an early stage.

SFS’ general purchasing conditions were revised in 2020 and emphasis was given to the integration of compliance issues to ensure adherence to applicable laws and regulations throughout the supply chain.

Priorities for 2021

After revision of the general purchasing conditions in 2020, the “Supplier Quality Agreement” will be updated in 2021. Compliance and sustainability issues are also an integral part of this standard contract, and this update is intended to ensure compliance with the relevant standards throughout the supply chain.

In order to strengthen awareness of the principles of the Code of Conduct among new employees, this issue will be a prominent component of new further-reaching onboarding courses that we plan for new employees about 100 days after the start of their employment.



Labor standards

Promoting conflict-free collaboration

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

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

All forms of discrimination during the recruitment process or in employment are expressly prohibited. In the year under review, the right to/respect for bodily integrity became a fixed component of management training programs. Awareness-raising initiatives were launched at various local organizations during the year under review; for example, a YouTube video on the topic of sexual harassment was very well received within SFS Group as a training tool.

Priorities for 2021

Activities promoting the right to bodily integrity will continue in 2021. All employees will complete an online course on bodily integrity in order to ensure that awareness of this issue remains high.



Protecting the environment

Ambitious goals set

As a leading technology-driven company, SFS is constantly working to make its processes as energy-efficient, environmentally sound and resource-efficient as possible. In doing so, it aims for continuous improvement of all processes relevant to energy and the environment. One focus of the company's sustainability-related targets is climate protection and, in particular, on reducing CO₂ emissions by 90% or more by 2030 (measured as tonne of CO₂ per Swiss franc of value added).

One of the overarching goals for 2020 was to establish a Group-wide master plan and roadmap focusing on reducing emissions and improving SFS' environmental performance. These documents will serve as a basis for further developments at the divisional level. The central element of the master plan concerns identification of key figures and evaluation of programs in conjunction with an opportunity assessment and subsequent definition of specific targets and measures. The opportunity assessment entails two elements. In the first, we look at best practices that have already been implemented within the organization and how they can be rolled out to other sites. These may include technical projects (such as the replacement of old furnaces and boilers) or awareness campaigns (e.g. "Think before you print") that raise global employee awareness of the issue of sustainability and contribute to holistic integration. The second element entails a lean-green approach (to eliminate uneconomical and unsustainable processes), which we use to review current processes in terms of efficiency and sustainability in order to identify and implement opportunities for improvement. In 2020, for example, a new photovoltaic system was installed at the main site in Heerbrugg (Switzerland), which, together with the previous system, has produced about 8.5% of the energy required for SFS' activities in Switzerland since spring 2021.

ISO-14001 certification

ISO-14001 certification serves as the basis for SFS' sustainable corporate development in an environmental sense. Our goal is to have all our production sites certified by 2025 at the latest: 20 sites are already certified to ISO 14001 (2019: 15). Twelve of the 13 sites in the Automotive division are certified. In the Construction division, certification audits will be conducted at all six sites in 2022. The Electronics division's two sites in Malaysia and China are already certified. In the Industrial division, of the five sites in our Scope (*), four have been certified; the fifth site is scheduled to be audited for certification purposes in 2022. The Riveting division plans to complete its ISO 14001 certification process during the course of the financial year 2022; all the sites in the Medical division will be certified by 2023. Since the Services division and the D&L segment do not have any production activities of their own, they are not included in this Scope.

Division	Auto- motive	Elec- tronics	In- dustrial	Medical	Con- struction	Riveting
SFS scope*	13	2	5	4	6	4
Certified	12	2	4	0	0	2
Open	1	0	1	4	6	2
100% planned by	2021	–	2022	2023	2022	2022

* SFS Scope: production sites in which SFS owns an interest of ≥50% and which employ more than 50 workers.

Initiatives to protect the environment

In 2020, the launched initiatives in Switzerland such as the Eco-Points program in which employees can earn points for using environmentally friendly vehicles, were continued. New action taken during the reporting period included the modernization of the heating system in Leeds (UK), which led to an approximately 80% reduction in its natural gas consumption. LED lighting concepts were implemented at many sites, reducing the electricity consumption by up to 80% (Wyomissing, US). In Strängnäs (Sweden) in early 2020, we switched to utilities that generate energy exclusively from solar, wind and hydropower sources. The site in Italy reduced its carbon emissions by 460 tonnes by replacing air conditioning systems with small exhaust gas extraction systems, which also lowered its energy costs by about EUR 100,000.

In Switzerland, chip presses were installed last year for machining purposes, cutting forklift travel time and allowing oil used in the manufacturing process to be recycled. The annual number of forklift trips to transport chips was reduced from 1,200 to 100. The higher grade purity has increased the scrap value and use of the recycled oil saves a considerable amount of CO₂ emissions and costs.

Priorities for 2021

After conduct of the planned opportunity assessments at the production sites, the main focus in 2021 will be on implementing the initial quick and easy measures, such as purchasing electricity generated from renewable energy sources, installing solar panels and inspecting air compressor/vacuum systems. For the remainder of 2021, the divisions and production sites will develop their own roadmaps to bring the Group closer to its goals and further its sustainable corporate development.



Corruption prevention

No cases of corruption during the year under review

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

We are pleased that once again no suspected or verified cases of corruption were reported throughout SFS Group in 2020. Numerous requests from staff seeking guidance on specific, potentially critical situations are an indication that awareness of corruption, including blackmail, has continued to grow. The internal Code of Conduct is also increasingly referred to in dealings with business partners; for example, refusal of certain invitations to certain events. SFS also expects third-party business partners, and their sales agents in particular, to take a zero-tolerance approach to all forms of corruption. A standard clause to this effect is included in cooperation agreements with sales agents. SFS' general purchasing conditions also require suppliers to take action against corruption and bribery (→ see also GRI 102-9).

In 2020, all employees in management positions and the sales, procurement and finance units completed another e-learning course on the topic of corruption.

Priorities for 2021

We will continue to devote considerable attention to our anti-corruption drive in 2021. As in previous years, critical questions related to gifts, invitations and events will be addressed in newsletters and through other channels, in particular before holiday periods. This will ensure that employees and other stakeholders are constantly aware of this important topic and can help to ensure fair competitive practices.

Communication on Progress UN Global Compact (COP) 2020: Statement of continued support by the Chief Executive Officer (CEO)

To our stakeholder

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

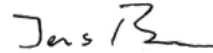
- Customer
- Employees
- Community/ local authorities
- Supplier

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

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

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

Sincerely yours,



Jens Breu
CEO



Sustainability Website

