

Sustain ability

19

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Key Takeaways

Progress achieved

Economic performance

Increase of added value between 2015–2019

+37.9%

Training and education

Proportion of all employees in dual education

6.3%

Occupational health and safety

Work-related accidents declined in 2019 compared to 2018 by

-19.0%

Socioeconomic compliance

Sanctions in the area of socioeconomic compliance

0

Emissions

SFS will produce a Group roadmap by the end of 2020 with the objective of a continuous reduction of its emissions. This roadmap will serve as the basis for a systematic reduction in CO₂ emissions and will be presented in the next Sustainability Report.

UN Global Compact

SFS continues to remain engaged in other areas as well. For instance, it is a signatory to the UN Global Compact and has upheld the ten principles embodied in this corporate sustainability initiative since 2010. Progress has been made in the following sectors:

- Human rights
- Anti-corruption efforts
- Labor standards
- Environmental protection

Increasing focus on sustainability

Dear readers

A hardware store that opened its doors more than 90 years ago in Altstätten, Switzerland, and the start-up of cold forming production for fasteners in 1960 formed the basis for today's SFS Group: a global leader for mechanical fastening systems, precision components, and logistics systems. The visions at the time – “every employee an entrepreneur” and “achieving sustainable success together” – has shaped our path over the years. This striving for sustainable success through true partnership is no less important to us today. It is firmly anchored in our core values and actively pursued inside and outside the company according to our value proposition of “Inventing success together”.

Focus on sustainability sharpened

In order to broaden and deepen the company's reporting on sustainability, the website sustainability.sfs.com → was created and SFS will publish a Sustainability Report based on the internationally recognized GRI Standards, “Core option”, every year from now on.

Materiality matrix updated during the reporting year

In preparing this report, extensive interviews with the identified stakeholder groups were conducted during the year under review. The subsequent consolidation and prioritization of the results led to the new and updated materiality matrix with the following material topics:

- Economic performance
- Occupational health and safety
- Training and development
- Emissions
- Socioeconomic compliance

Progress achieved and further improvements targeted

During the year under review, we focused on the five material topics as determined in the materiality assessment process. Pleasing progress was made and further measures regarding different improvements are underway.



Jens Breu

In 2019 we were able to prove our solid **economic performance** and slightly increased our added value once again. In accordance with our medium term planning we are pursuing the goal of continuously expanding our economic performance until 2025, while the share of added value for each of the stakeholder groups shall remain stable. The economic effects of the COVID-19 pandemic on added value cannot be comprehensively assessed yet.

In the area of **occupational health and safety**, the total number of work-related accidents worldwide declined by 19% to 113. This corresponds to an occupational accident rate of 12.5 per 1,000 employees. We have set a goal of reducing the number of occupational accidents by 50% by 2025, as a stepping stone to our ultimate goal of zero work-related accidents.

SFS is a strong supporter of the dual **training and education** system. Our longterm-goal to have 5–7% of the workforce represented by trainees or employees in dual education program was achieved in 2019 with the reported figure of 6.3% (2018: 6.6%). In particular in the German-speaking region the dual training and education system is taking place on a very good level. Thus we continue to expand this educational standard across the entire Group.

Along with the effort to continuously reduce **emissions**, SFS is developing a roadmap for the entire Group by the end of 2020. This roadmap serves as the basis for systematic reduction of CO₂ emissions and will be presented in the next Sustainability Report. Furthermore, we are pursuing the steady continuation of certifying production sites according to ISO 14001 (environmental management): currently 15 out of 27 production sites are already certified according to ISO 14001. Further production sites are to follow in 2020.

The SFS Code of Conduct presents the company's understanding of an exemplary, reliable and fair business partner and employer. Compliance with the Code of Conduct is assured with the effective compliance system that has been set up. During the year under review, SFS Group was not subject to any sanctions in the **socioeconomic compliance** area, which is also our clear objective for 2020.

I am very pleased to be able to offer you an exciting and transparent look "behind the scenes" of SFS with our new format of the Sustainability Report and am at the same time inviting you to continue to seek the dialogue with us.

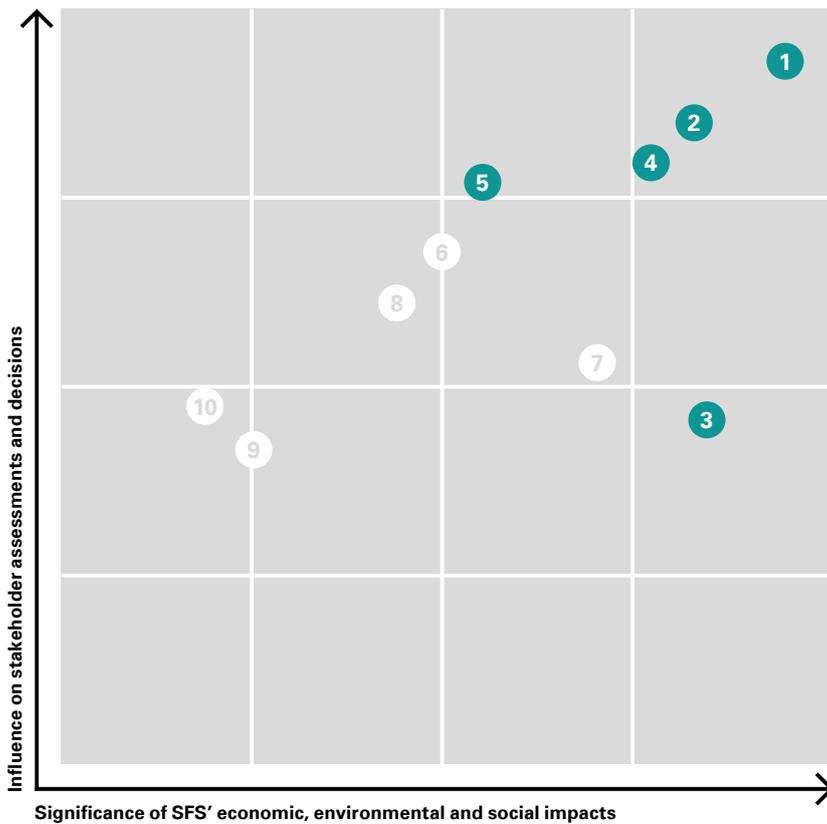
Sincerely,



Jens Breu
CEO

Materiality Matrix

Five key 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

During the year under review 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 new materiality matrix. The new key 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.

Mjøstårnet: sustainable timber engineering →

At 84.5 meters, Mjøstårnet is currently the tallest wooden building in the world. The approximately 65,000 fasteners from SFS ensure perfect stability.



Promoting employee health and safety; protecting the environment and natural resources →

mobility@SFS is the concept that has been introduced in Switzerland in 2017 with the objective of optimizing employee commuting behavior and thus enhancing the safety and well being of employees.



Sustainable leadership development →

To ensure the long-term success of the company, SFS occupies 70% of all management positions internally. Three members of the Group Executive Board speak about their experiences since dual training.



Employee health and safety first and foremost →

The company is always mindful of its duty of care and responsibility, and consequently has set a goal of reducing the number of work-related accidents at its sites around the world to zero.



General Disclosures

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.

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, Americas and Asia (see Annual Report 2019, Markets →). In the Distribution & Logistics segment, SFS is a leading provider of fasteners, tools and architectural hardware, and innovative logistics solutions in Switzerland and neighbouring 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 2019, p. 11, “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 listed public company incorporated under the laws of Switzerland.

See Annual Report 2019, 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 it is active in – Automotive, Industrial, Electronics and Medical – and in the regional markets where its customers are – 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 whom 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 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 centres. 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 Technology, Corporate Services and Corporate IT & Finance functions. 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 2019, Markets →

GRI 102-7: Scale of the organization

i.

Total number of employees: 10,571 FTE at the end of 2019
Compare key takeaways Annual Report 2019, Key Takeaway →

ii.

Total number of operations: 116 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 2019 →
and Financial Report 2019 →

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	Calendar year	2018 Components (in millions)	2019 Components (in millions)
Engineered Components	Third party	28,594.6	27,944.0
Fastening Systems	Third party	5,202.3	5,932.6
Distribution & Logistics	Third party	1,037.7	987.4
Total result	Third party	34,834.5	34,855.0

GRI 102-8: Information on employees and other workers

Headcount 2019/2018 in brackets.

	Total Headcount	In GRI reported	Female	In a dual education	Part-Time	Fixed-Term
Americas	1,648/(1,326)	691/(488)	174/(129)	19/(21)	11/(7)	0/(0)
Asia	3,244/(3,295)	3,200/(3,252)	1,017/(1,025)	273/(319)	0/(0)	1,890/(1,232)
Europe	2,407/(2,431)	2,195/(2,238)	581/(560)	101/(70)	131/(123)	302/(362)
Switzerland	2,491/(2,498)	2,491/(2,498)	479/(473)	152/(146)	264/(246)	43/(41)
Total Group SFS	9,790/(9,550)	8,577/(8,476)	2,251/(2,187)	545/(556)	406/(376)	2,235/(1,635)
Share in relation to "In GRI reported"	–	–	26.4%/(25.8%)	6.3%/(6.6%)	4.7%/(4.4%)	26.1%

The "Total headcount" corresponds to the number of employees as published in the financial report. The column "In GRI reported" corresponds to 88% of the "Total headcount" (2018: 89%). The scope of the report is currently limited to 43 legal entities since acquisitions have not been taken into account in the past three years. On 31.12.2019 the SFS Group comprised a total of 53 legal entities

It is currently not possible to present the employees by type of employment contract and by gender, as required by the GRI standard, since reporting systems for the HR area have not yet been uniformly introduced at all locations. A standardization is planned within the next three years.

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 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 supplier relationship management 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 whom are suppliers to the D&L segment.

Compliance with the Code of Conduct must be verified or a supplier inspection 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 58%
- Asia 35%
- Americas 7%

Its global procurement volume amounted to more than CHF 600 million in 2019.

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

The following significant changes occurred at SFS in the period under review:

Global production and distribution platform expanded

In 2019 the new production platform in Nantong, north of Shanghai (China) successfully commenced operations. Well over 1,000 employees and just as many manufacturing machines from the four former nearby production sites were transferred to the new site in Nantong in record time, all the while avoiding any bottlenecks in the processing of customer orders. The financial year was also highlighted by two acquisitions. With the acquisition of TFC (Triangle Fastener Corporation), a leading supplier of fasteners and other products for the commercial construction industry, SFS strengthened its market position in the US and obtained direct

access to some 6,000 active customers. At the end of 2019, SFS signed a purchasing agreement with mbe (Moderne Befestigungselemente GmbH) to acquire the company as per 1 January 2020. mbe is a specialist in painted fasteners for high-performance façade systems. With this acquisition, SFS is expanding its offering of fastening systems for façade systems and its market reach, as well as its customer base in the European construction market. These two companies strengthen SFS's market position in the Construction division and enhance its established technology and product portfolio.

Composition of Group Executive Board modified and expanded

The Board of Directors made a decision to strengthen the company's management structures and integrate Corporate Services, which includes Human Resources, Business Development and Marketing & Communications, directly into the Group Executive Board. Claude Stadler, Head of Corporate Services, has therefore been a member of SFS Group's Group Executive Board since 1 January 2019.

Effective 1 July 2019, the Board of Directors appointed Urs Langenauer, Head of the Riveting division, as member of the Group Executive Board. He assumed responsibility for the division from Thomas Bamberger. The Board of Directors and the Group Executive Board thank Mr. Bamberger for his many years of service at the Riveting division.

Effective 1 January 2020, Iso Raunjak assumed responsibility as announced for the Distribution & Logistics segment from Josef Zünd, who will retire in March 2020 after a successful 49-year career at SFS. The Board of Directors and Group Executive Board thank Josef Zünd for his valued service to SFS Group over so many years.

No significant changes in the supply chain

There have been no significant changes to the supply chain.

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.

A precautionary approach or the precautionary principle 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.

The Group Executive Board and the Board of Directors regularly assess SFS Group's main business risks to safeguard the company's future. A comprehensive risk assessment is conducted at least once a year. During this assessment, the relevant risks are systematically classified according to the likelihood of occurrence and the severity of the potential consequences. Potential risks and action to contain these risks were examined once again during the year under review with a focus on cybersecurity risk, investment-related risk associated with major projects, risk associated with acquired companies, warranty risk arising from product recalls, company exposure to the global economic environment, compliance and currency-related risk. Other important topics were changes in customs duties and tariffs, constraints on the movement of goods and geopolitical risk.

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.

- UN Global Compact
- amfori, RBA
- AEO Certificate
- Known Consignor Certificate
- ISO 9001
- ISO 13485
- ISO 14001
- ISO 17025
- IATF 16949
- ISO 45001/OHSAS 18001

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)
- Fachhochschule Ostschweiz (University of Applied Sciences of Eastern Switzerland)
- Hans-Huber Stiftung (Hans-Huber Foundation)
- Industrie- und Handelskammer St.Gallen-Appenzell (Chamber of Industry & Commerce)
- Swissavant (Trade Association for Crafts and Household)
- Swissmem (mechanical and electrical engineering association)
- Universität St.Gallen (St.Gallen University)
- UN Global Compact

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 and 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 2019 →

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 job of implementing 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/financial and economic media
- Investors
- Local communities
- SFS Board of Directors
- SFS management
- Sponsorship partners
- Suppliers

GRI 102-41: Collective bargaining agreements

At the end of the reporting year, 10.3% of employees were covered by collective bargaining agreements. In Switzerland, the United States and the large locations in Asia there are no bargaining agreements.

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 previous materiality analysis conducted in 2016, SFS focused on the Engineered Components segment's customers and suppliers. In the year under review, SFS surveyed the following stakeholder groups in its materiality analysis and focused on the D&L segment:

- Customers from the D&L segment
- Suppliers from the D&L segment
- SFS Works Council in Switzerland (as the employee representative)
- SFS management
- Financial analysts and investors
- Independent sustainability experts

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 2022:

- Customers and suppliers from the Fastening Systems segment
- Universities/educational institutions
- Business and financial media
- Local governments

GRI 102-43: Approach to stakeholder engagement

During the year under review, SFS conducted an extensive survey, expert interviews and a corresponding analysis with the identified stakeholder groups (see GRI 102-40 & GRI 102-42). The survey structure reflected the 33 sustainable criteria defined by the GRI 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 new materiality matrix.

In addition to the materiality analysis, SFS was engaged in a constant dialogue with its stakeholder groups through the following:

Employees

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

Customers

- SFS sales representatives, technical advisors and key account managers who are 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 corresponding new concept. In view of the different target customer groups, the divisional concepts vary. Methods of measuring customer satisfaction range from a scorecard, which is used in the Automotive division, to online surveys, which the Electronics division uses.

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.
- Financial and business media
- Routine bilateral talks and interviews and an annual media conference for the media relevant for SFS.

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

Apart from the key topics (see Materiality Matrix →), no other important concerns were expressed by the stakeholder groups in the period under review.

6. Reporting practice

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

The full scope of consolidation as presented in the consolidated financial statements (see Financial Report 2019, p. 86–87 →) was not always applicable in the reporting of the company's sustainability performance. A disclosure has been made wherever this was the case.

GRI 102-46: Defining report content and topic Boundaries

SFS' sustainability reporting had been based on the guidelines of the Global Reporting Initiative (GRI) since 2016. In this Sustainability Report, SFS applied the GRI Standards (Core option) for the first time. The starting point was a comprehensive materiality analysis based on the methodology described in the GRI Standards and the issues covered by the GRI Standards. Material sustainability topics and corresponding measures had already been covered in brief in the sustainability sections of the annual reports published in preceding years (see Sustainability Report 2018 →).

SFS has also pledged to support the principles of the UN Global Compact →. Progress in implementation of these principles has also been reported in this Sustainability Report.

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 adoption of the GRI Standards (Core option) in 2019 and the decision to publish the Sustainability Report separately from the annual report, the materiality matrix was reviewed and updated based on the standards prescribed by the GRI. Some of the previous material topics were combined, some were removed and others were rearranged. The revised materiality matrix and the new material topics determine the primary focus of the company's sustainability strategy and its business strategy. All other topics listed in the matrix are important, but are not the focus of attention due to reasons of prioritization.

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

Materiality Matrix →

GRI 102-48: Restatements of information

No disclosures from the previous year have been restated in the current Sustainability Report.

GRI 102-49: Changes in reporting

As reported under GRI 102-46, the previous materiality matrix was created in 2016. The material topics in the previous matrix, "Economic performance", "Training and education" and "Occupational health and safety", are similarly material topics in the new materiality matrix created in 2019. In the wake of intense dialogue with stakeholder groups, two new material topics, "Emissions" and "Socio-economic Compliance", were added to the matrix in 2019. "Customer satisfaction", "Regular performance and career development reviews" and "Programs for skill management and lifelong learning" are no longer part of the current matrix. Nevertheless, they are still important topics for SFS and are constantly being developed and pursued. SFS will continue to report on any innovations and progress, but the objectives associated with the current material topics as depicted in the matrix → have been prioritized in the current and coming year.

GRI 102-50: Reporting period

The reporting period is the calendar year.

GRI 102-51: Date of most recent report

This is the first Sustainability Report published in accordance with the GRI Standards (Core option). Previous sustainability reports (most recently for calendar year 2018) were a part of SFS' Annual Report and were based on GRI's G4 guidelines.

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.

Key topics

Economic performance

SFS is aiming for further significant value generation by 2025. Each stakeholder group's share of value generated should remain stable throughout the period.

GRI 103: Management approach 2016

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

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, for example, in the form of wages, dividends or 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 amount of taxes it has paid in foreign countries to the Federal Tax Administration since 2017 within the framework of country-by-country reports. Two factors contributed to the significant reduction in total taxes effectively paid in fiscal 2019 from the previous fiscal year. One was a change in Switzerland's tax system that led to a lower tax rate for SFS and the other concerned one-time effects in the United States that led to a decline in the amount of taxes paid there. The decline in taxes paid in 2019 was therefore not the result of a change in the company's tax practices. SFS expects its future effective tax rate to be about 17.5%.

See also Financial Report → («Information for shareholders», p. 104 et seq.)

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.

SFS' net economic value generated increased by 12.1% during the period from 2015 to 2019. The share of economic value distributed to employees increased significantly by 9.9% annually over the same period. The relative shares of net economic value distributed to the other stakeholder groups remained mostly stable. Declining tax payments due to the reasons mentioned above, which led, among other things, to an increase in economic value retained by the company, was the one exception.

Due to SFS Group's initial public offering in the spring of 2014 and financial market expectations, the dividend payout was increased. The distribution to shareholders has increased at an attractive rate of 8.8% annually. In congruence with SFS Group's financial policy, the distribution to shareholders will range between 35–50% of consolidated net income. On a comparable basis, the payout ratio ranged from 36.9–40.8% of consolidated net income between 2015 and 2019.

As a sign of solidarity in light of the COVID-19 pandemic, which calls for prudent and responsible action, the Board of Directors of SFS Group proposed a 10% reduction in the dividend from the previous year. This proposal was overwhelmingly approved at the 2020 Annual General Meeting.

Besides qualitative parameters, key financial targets were also defined during the formulation of the medium-term business plan for 2020 to 2025. Despite the currently challenging general environment, SFS expects to 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 growing project pipeline.

SFS' EBIT margin target of 13–16% for the period indicates further continuous value generation going forward to 2025. 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; operational management and control is the responsibility of the Group Executive Board. SFS publishes financial reports every half year. The consolidated financial statements for every fiscal year are examined 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 and employees and the states or political communities in which the company operates. While 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, or to finance acquisitions or fixed investment.

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 percent of net economic value generated:

Development and distribution of value added

in CHF million

	2019	2018	2017	2016	2015
Value added gross	884.9	853.0	814.4	721.2	641.8
As a % of net sales	49.7%	49.1%	49.8%	50.2%	46.8%
Depreciation/amortization	-95.4	-89.7	-125.8	-146.4	-142.3
As a % of net sales	-10.8%	-10.5%	-15.4%	-20.3%	-22.2%
Value added net	789.5	763.3	688.6	574.8	499.5
As a % of net sales	44.3%	43.9%	42.1%	40.0%	36.4%

Development and distribution of value added

in CHF million

in CHF million	2019	2018	2017	2016	2015
Employees	69.7% *	68.0%	69.8%	71.6%	75.6%
Personal expenses	550.4	519.3	480.6	411.8	377.5
Government	3.5% *	6.0%	6.4%	6.1%	5.8%
Income taxes, fees	27.8	45.8	44.0	35.2	29.0
Capital provider	9.2% *	10.4%	11.0%	12.0%	11.9%
Dividends to shareholders	67.5	75.0	71.3	65.6	56.3
Interest expenses	4.8	4.3	4.9	3.0	3.2
Company	17.6% *	15.6%	12.8%	10.3%	6.7%
Retained earnings	139.0	118.9	87.8	59.2	33.5

*in % of net value added

Additional indicators of the economic value generated and distributed as defined by GRI Standards can be found in the Financial Report →

Key topics

Occupational health and safety

SFS aims to reduce the number of work-related injuries by 50% by 2025, as it gradually comes closer to its long-term goal of zero occupational accidents.

GRI 103: Management approach 2016

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

SFS Group's employees are critical to the company's success. Creating a healthy and safe workplace environment for all employees is therefore a high priority issue at SFS. Labor-intensive production operations across international production platforms, often with high material feed rates, involve production processes that pose certain health and safety risks to these production line employees.

Workers who are not employees of SFS Group, but whose work and/or workplace are controlled by the company are covered by the same health and safety policies as SFS Group employees.

The following disclosures by SFS Group with respect to occupational health and safety cover 9,047 FTEs (employees of SFS Group) as at the end of the reporting period. This corresponds to approximately 86% of SFS Group's entire workforce and most of these employees work in a production environment. They thus belong to the above-mentioned subset of employees who are exposed primarily to the identified health and safety risks. As the number of work-related injuries involving SFS employees in an office environment are zero or near-zero, this subset of employees is excluded from the following disclosures.

GRI 103-2 The management approach and its components

Our management approach to occupational health and safety is intended to eliminate or prevent negative effects through the following processes:

- SFS protects the lives and health of its employees by maintaining a safe and healthy work environment.
- After identification and assessment of hazards, negative incidents and risks, the company develops appropriate safety measures.
- Preventive measures and programs such as the formulation and implementation of "10 SFS Safety Rules" help to avoid work-related injuries.
- The company is engaged in a continuous dialogue with the employees in order to further improve its occupational health and safety performance.
- SFS also encourages employees to take responsibility for their health: Through the preventive identification of hazards and an assessment of risks at one's own workplace, changes can be made at individual workplaces and injuries avoided.
- Employees are required to report to their supervisors any situations or conditions that could jeopardize employee health or safety. They can also make suggestions or draw attention to any shortcomings and inadequacies (reporting of employee grievances).

In the reporting year, the total number of occupational accidents worldwide declined, compared to 2018, by 19% to 113. The total number of work days lost due to occupational accidents declined by 0.9% to 1,743 days.

New or improved safety programs such as "Integrated Safety" and "10 SFS Safety Rules" were approved by the Group Executive Board and will be rolled out at the production sites on an ongoing basis during 2020 in order to further lower the number of occupational accidents.

In order to further improve the health and safety of all employees, the ISO 45001 standard will be continuously implemented at SFS Group sites and where applicable also certified. Currently, four sites have received OHSAS 18001 certification. These sites will similarly transition to ISO 45001 during 2020.

SFS aims to reduce the number of work-related injuries by 50% by 2025, as it gradually comes closer to its long-term goal of zero occupational accidents.

Goal attainment and goal progress are initially decentralized tasks delegated to and performed by each individual site. This is under the control of both the site manager, who is responsible for the local work conditions, and the EHS manager, who is responsible for environmental issues and occupational health and safety.

EHS managers have been appointed at site, divisional and SFS Group levels. They are in regular contact with each other and enter their data into a central document. EHS managers plan and implement (corrective) measures as necessary, thus ensuring the best possible goal attainment for SFS Group.

In addition to the information disclosed in the financial section of the annual report → (see), SFS does not disclose any data that refers explicitly to the costs or investments pertaining to "Occupational health and safety".

GRI 103-3 Evaluation of the management approach

SFS monitors and assesses the progress made towards defined goals and the implementation of measures and opportunities for improvement with the aid of management tools for assessment of the management approach. The findings of the management approach assessment provide the company with important information in terms of its quality management policies and the effectiveness of the measures taken. The management approach assessment process also helps SFS to identify any weaknesses early on and initiate appropriate corrective action. Internal and external audits are performed on an ongoing basis to confirm compliance with all applicable standards.

GRI 403: Occupational health and safety 2016

GRI 403-2 Type and rate of work-related injuries, work-related ill health, number of work days lost and lost time and number of work-related fatalities

The data presented is derived from all production-intensive sites at SFS Group (see GRI 103-1). As the data related to injuries at the subsidiaries is processed anonymously for privacy reasons, a breakdown by gender at Group level is not possible.

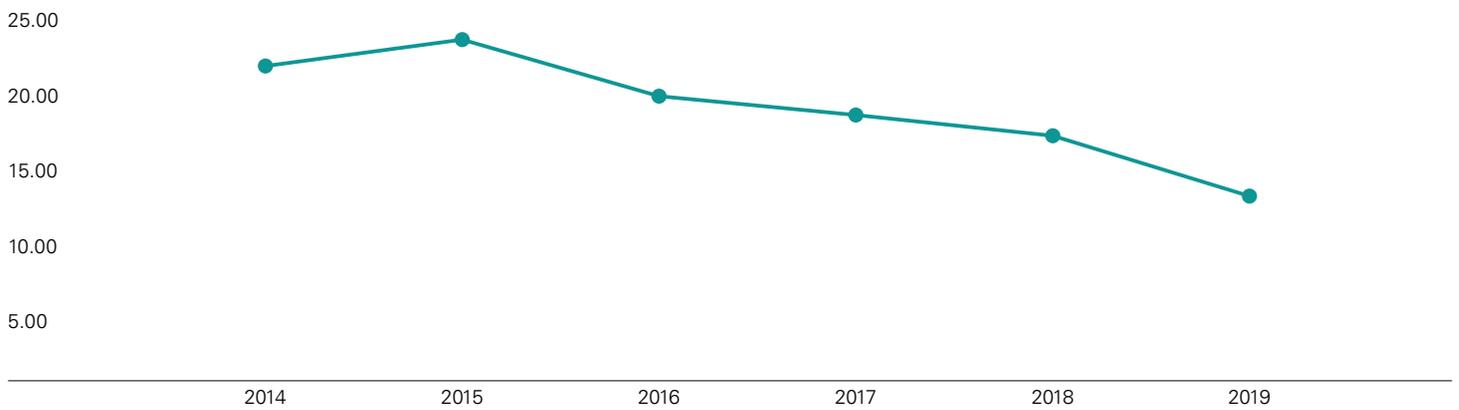
The rate for occupational accidents per 1,000 employees at SFS in 2019 was 12.5 (previous year: 16.3). The sites reported 113 occupational accidents compared with 140 in the previous year (≥ 1 day absence from work). There were 78 reported injuries in the EMEA region, 20 in the Americas region and 15 in Asia-Pacific. There were no fatalities as a result of work-related accidents during the reporting year.

Occupational accidents rate 2019

By regions	Per 1'000 employees
Region Europe, Middle East, Africa (EMEA)	18.8
Region America	45.0
Region Asia-Pacific	3.4
SFS Group total	12.5

*Except for the organizational units Tegra Medical and TFC

Occupational accidents/1,000 employees (in FTE)



The number of occupational accidents has been steadily reduced in recent years.

Key topics

Training and education

The goal to have 5–7% of the workforce represented by apprentices or employees in a dual education program over a long-term period was achieved in 2019 with the reported figure of 6.3% (2018: 6.6%).

GRI 103: Management approach 2016

Disclosure 103-1 Explanation of the material topic and its Boundary

SFS strongly supports employee training and education. This material topic is embedded into SFS Group's strategy, which underscores the high importance that company management accords to this topic. In the Group's strategy, SFS commits itself to a long-term partnership between employer and employee, underpinned by a strong emotional connection and mutual trust. For their part, employees take responsibility, live the same culture and values, and strive for continuous improvement. SFS views its innovation capacity as a key element in ensuring its sustained success. Consequently, it is also written in SFS' Corporate Principles that these goals are to be achieved by, inter alia, nurture of a highly skilled workforce. SFS is therefore committed to employee empowerment and to growing and developing its 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 88% of the company's workforce. Employees whose work is controlled by SFS, but who do not have a permanent employment contract with SFS (temporary employees) are not covered in these disclosures. Not every site has fully implemented Group reporting processes (for example, because they were acquired during the reporting period), so some employee data is still lacking or is incomplete. 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 skill sets of its employees at every level of the organization in line with their potential. Thus, it builds and grows an internal pool of talent that can be tapped to fill key positions or vacancies when needed. This company policy 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 centres 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 been defined in the company's strategy and are reviewed on an annual basis:

Dual vocational training: SFS aims to have 5–7% of its permanent headcount worldwide enrolled in training programs over a long-term period (2019: 6.3%, 2018: 6.6%).

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

A special HR peer group was 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.

Key positions (members of divisional management and site managers):

SFS aims to fill more than 70% of its management vacancies with internal candidates (2019: 80%, 2018: 66%)

Here, too, the divisional managing directors are responsible for achieving this goal. They screen potential successor candidates and promote the career development of high-performing employees by means of the group-wide SEDP (Structured Employee Development Program). This process is initiated and coordinated annually by the Corporate HR department.

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

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.). Actual 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 these regular employee performance reviews (MbO):

- 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

SFS also wants to achieve greater consistency in terms of international training opportunities across SFS Group. The Leadership@SFS project was launched during the reporting year at the initiative of the Group Executive Board. The 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 concept will be presented to the Group Executive Board in summer 2020, after which the board will decide the steps to take next and the timeframe.

Disclosure 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. External disclosures were previously made in the Annual Report; they are now made in the Sustainability Report.

Data collection at Group level is still a challenge, as a uniform reporting process has not yet been implemented throughout the Group. SFS is steadfastly pursuing the ongoing implementation of its reporting processes and aims to have a uniform reporting process in place within the next three years.

GRI 404: Training and education 2016

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

Percentage of employees who received a performance review during the year under review (prior-year percentage in parentheses).

Data was collected at 43 of the 53 legal entities that belong to SFS Group. The number of employees (8,577 Headcounts) covered by this data during the year under review represented approximately 88% of SFS Group's total permanent headcount.

Due to the first-time collection of the data, no previous values are available. An additional breakdown by professional groups is planned for the coming reporting period.

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 controlled by SFS Group (temporary workers).

Share of employees with a performance review in the reporting year

Total	Weiblich	Männlich
6'970	1'958	5'012
81.3% ¹	87% ²	91.3% 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 all male employees that were taken into account in the data collection.

Key topics

Emissions

SFS will produce a Group roadmap by the end of 2020 with the objective of a continuous reduction of its emissions. This roadmap will serve as the basis for a systematic reduction in CO2 emissions and will be presented and described in the next Sustainability Report.

GRI 103: Management approach 2016

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

Energy is vital to SFS' production process. At the same time, burning fossil fuels to generate energy poses major challenges to the world community. Reporting on this material topic is structured as follows:

Scope 1: Emissions from sources owned or controlled by the company. Most of SFS' direct emissions result from the heat treatment systems and its own heating systems.

Scope 2: Emissions that result from the generation of energy purchased from sources not owned or controlled by the company. At SFS, these indirect emissions result from energy consumption (electricity) and industrial gases, primarily in production processes at the company's operating sites.

Scope 3: Other indirect emissions that result from the company's activities at sources owned or controlled by a third party (e.g. suppliers or service providers).

SFS procures materials such as steel, non-ferrous metal, plastics and packaging material from external entities. These sources of indirect emissions were not assessed during the year under review.

No, or only negligible, emissions result from the deployment and use of SFS products by (B2B) customers. Therefore, this aspect was not assessed in the current Sustainability Report.

The data published under GRI 305-1 include around 86% of the global work output (around 9.047 FTE) and thus also includes the largest and most production-intensive sites of SFS. The remaining sites have little or no production activities and very few employees and were therefore not taken into account for data collection in the year under review.

GRI 103-2 The management approach and its components

SFS' emissions management approach is also described in the "Quality, environmental and occupational health and safety policies" document. This document details, inter alia, SFS' commitment to manufacture and offer all its products and services in compliance with legal and regulatory requirements for environmental protection and occupational health and safety. The goal of continuous improvement naturally also applies in this area: SFS uses energy and natural resources in a sensitive and efficient manner to reduce or eliminate environmental impact. The overriding aim is to produce products and services that are environmentally compatible and resource-responsible throughout their lifecycle.

At the request of the Group Executive Board, SFS has prioritized two goals within this material topic for the 2020 reporting year:

- Continuous reduction in CO2 emissions: SFS will produce a Group roadmap by the end of 2020 with the objective of a continuous reduction of its emissions. This roadmap will serve as the basis for a systematic reduction in CO2 emissions and will be presented and described in the next Sustainability Report.
- Ongoing ISO 14001 certification of SFS sites: 15 SFS manufacturing sites have already been awarded ISO 14001 certification. In 2020, the activities for a certification of further locations will be continued.

The Group EHS (Environment Health Safety) Manager is responsible for the implementation of the defined goals and measures in cooperation with the EHS managers of the divisions and sites.

GRI 103-3 Evaluation of the management approach

The management approaches and measures described in GRI 103-2 are evaluated annually through systematic management reviews, and adjusted if necessary. This also includes environmental performance reviews: ISO 14001-compliant sites, for example, report their progress in reducing CO₂ emissions.

GRI 305: Emissions 2016

GRI 305-1 Direct (Scope 1) GHG emissions

SFS' direct CO₂ emissions amounted to 17.125 metric tonnes in 2019 (see table: CO₂ emissions SFS Group). Electricity consumption represented the largest source of CO₂ emissions (81.3%, scope 2), followed by industrial gases (18.5%, scope 1) and heating oil (0.2%, scope 1). The data was collected for the first time in this form during the year under review. The standards and methodologies of the IEA (International Energy Agency) were used to gather this data, and are then checked for plausibility and consolidated.

CO₂ emissions SFS Group

Consumption	CO₂ emissions in tons 2019
Electric (scope 2)	74'140
Industrial gas (scope 1)	16'916
Heating oil (scope 1)	16'916
Total CO₂ emissions (scope 1 & 2)	91'265

*Except for the organizational units Tegra Medical and TFC

Key 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 2020.

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 10 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) 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 2020.

Communication on Progress

Communication on Progress UN Global Compact (COP) 2019: Statement of continued support by the Chief Executive Officer (CEO)

To our stakeholders

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
- supplier

Therefore the Ten Principles of the United Nations 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 SFS Group AG

SFS continues to remain engaged in other areas. For instance, it is a signatory to the UN Global Compact and has upheld the ten principles embodied in this corporate sustainability initiative since 2010. Progress in the year under review is described below.

Human rights

Previous initiatives continued

The Corporate Principles and the Code of Conduct are two key documents on the subject of sustainability at SFS and in terms of business practices that uphold 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 continue to apply. Robust and effective compliance processes are in place to ensure enforcement of the Code of Conduct. The information contained in our Corporate Principles and Code of Conduct is imparted to all new employees and apprentices as soon as they join the company through formal training courses or e-learning. Awareness of these themes is part of the basic skillset that every SFS employee must have, and should guide and shape them from the start (see GRI 102-16 →).

SFS strives to introduce the Code of Conduct as quickly as possible to all new employees. The Code of Conduct therefore is an integral element of the onboarding process. The Group also demands that suppliers respect basic human rights unconditionally. Respect for human rights is a mandatory criterion when screening potential business partners, since it is an integral part of SFS' general procurement terms and conditions (see GRI 102-9 →). The last two reporting years involved a large implementation effort in the areas of data protection and trade compliance. The statutory requirements and the Group standards based on these provisions were implemented at all Group companies. SFS plays its part in protection of international legal order through full compliance with such sanctions, and provides comprehensive information on their scope and repercussions.

Priorities 2020

The general procurement terms and conditions will be renewed in 2020. In this context a special focus will again lie on the integration of compliance topics to ensure observance of these standards along the whole supply chain.

Labor standards

Facilitate 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, SFS suppliers are similarly required to uphold these values (see GRI 102-9 →).

SFS Group's international presence and size make diversity a natural feature of the workforce and it is viewed as positive and enriching. The regular internships that SFS apprentices complete at different sites and the international training programmes for management to promote intercultural collaboration are examples of how SFS champions diversity. A series of articles in our employee magazine under the title of "Diversity" illustrate the advantages of a diverse work force. All forms of discrimination during the recruitment process or in employment are expressly prohibited. In this context, an e-learning was completed worldwide by all employees of the SFS Group in the area of "violation of personal integrity". The discussions in connection with this e-learning show a significantly increased awareness of this issue by employees and line managers.

Priorities 2020

The topic of violation of personal integrity will be communicated to all new employees in 2020. Additionally, employees who conduct leadership training will be made particularly aware of this issue.

Environmental protection

ISO14001 certification of further sites

All audits conducted during the reporting year at the 15 certified sites were completed without any significant objections identified (see GRI 305/emissions →). Additionally, the Riveting division's plants at Mörfelden-Walldorf, Thal and Olpe (Germany) and the Electronics division's new plant in Nantong (China) received ISO14001 certification in 2019. The achievement of the site in Nantong is highlighted in particular as it was able to conclude the relocation from the four existing plants in the Shanghai area to Nantong in record time and ensure that all the necessary requirements for certification were fulfilled. The planned certifications of the plants in Keighley (UK) and Nansha (China) were postponed due to additional major challenges in the Riveting division in 2019 and will be resumed if a specific customer requirement is received.

Although the company has achieved full compliance with all applicable environmental laws and guidelines, all sites are encouraged and strive to engage in continuous improvement of their environmental performance. These efforts emphasize the high relevance of this topic for SFS and also address the increasing expectations of customers for compliance with ever tougher environmental requirements (e.g. lifecycle environmental impact, conflict minerals, REACH).

Targeted measures to reduce environmental impact

Various initiatives launched or continued in 2019 had an immediate positive effect on the environment.

In Switzerland, the Eco Points initiative which was launched in the previous year and which allows employees to collect points if they commute by bicycle, public transport or in a carpool, led to savings of about 120 tons of CO₂ in 2019 (see Success Story occupational health and safety →). The renewal of the central waste water system resulted generally in a higher grade of automation and in particular to a reduction in the chemicals used of about 50% and a saving in energy consumption (gas, electricity) of also about 50%. With the comprehensive energetic partial refurbishment of a Technical Services building, energy savings to an extent of about 40% were achieved. A reduction of electricity and gas consumption of approximately 30% was obtained by the technical refurbishment of six ventilation systems in two further buildings. Additional premises experienced a remarkable improvement of air quality due to retrofitting of the electrostatic filters.

Measures to reduce the environmental impact were taken not only in Switzerland. In Pune (India), for example, a redesign of the waste water treatment led to major improvements in this area.

Priorities 2020

The focus of 2020 lies in particular in the elaboration of the SFS Group's CO₂ roadmap. This roadmap forms the basis for the systematic reduction of CO₂ emissions above all SFS sites. Additionally, various individual initiatives are planned in this context that should lead to an improvement in the global footprint.

Anti-corruption efforts

No corruption cases in the year under review

The anti-corruption policy, which SFS has had in place since 2016 and which is communicated to employees with the greatest potential exposure in a mandatory e-learning module, was delivered as usual to all new employees in management positions and in sales, procurement and finance units in the reporting year.

We are glad to report that no corruption cases occurred at SFS Group in the year under review. The fact that in the year under review more and more people requested advice for specific situations indicates an increasing awareness of corruption as an issue. Another sign is that the internal Code of Conduct is increasingly cited and referred to: for example, refusal of invitations from business partners to certain events. SFS also expects unconditional rejection of corruption in any form from third parties, in particular on the part of SFS (external) sales consultants. A standard clause to this effect is included in cooperation agreements with these consultants. The general procurement terms and conditions also imposes an obligation on SFS suppliers to fight against corruption and bribery (see GRI 102-9 →).

Priorities 2020

A new edition of the e-learning module for anti-corruption training is planned for 2020, which will be mandatory for management and all employees in the sales, procurement and finance units. Initially, this new edition was planned for 2019, but due to intensive training in other compliance areas (e.g. data protection) for the same group of employees, this e-learning was postponed in order to allow these employees to deal with each topic in more depth.



Sustainability Website

