



Annual Report

2020/21

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Shaping Electrical Power

The Schaffner Group is a global leader in EMC filter solutions for high-potential industrial markets and electromobility. The Group's portfolio includes EMC filters, electromagnetic components, power quality filters and the related services. Schaffner products protect power electronic systems in industrial applications such as machines and robotics, medical technology, building-systems engineering or electrical infrastructure against interference from the electricity grid. In electric and hybrid vehicles, Schaffner EMC filters prevent interference in the on-board power electronics and ensure reliable operation. For the automobile industry, Schaffner also develops and manufactures antennas for keyless authentication systems. Headquartered in Switzerland, Schaffner serves customers through its own development, production, service and application centers, with presence in Asia, Europe and North America.

At a glance

Order intake

191.0

in CHF million

Net sales

172.5

in CHF million

EBIT¹

18.2

in CHF million

10.6%

of net sales

¹Operating EBIT (operating profit before goodwill recycling)

Net profit²

- 2.3

in CHF million

- 1.3%

of net sales

²Net loss after goodwill recycling

Free cash flow

15.3

in CHF million

Equity ratio

56.3%

of total assets

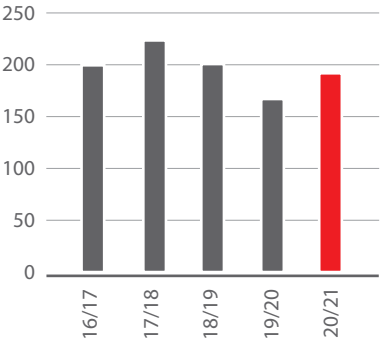
Key financials

Group	In CHF '000	2020/21	2019/20	2018/19
Order intake		190,989	166,975	200,674
EMC division		131,780	95,371	104,348
Automotive division		38,496	31,519	39,439
Power Magnetics division		20,713	40,085	56,887
Net sales		172,479	171,736	197,387
EMC division		108,612	94,906	106,923
Automotive division		38,650	32,796	38,511
Power Magnetics division		25,217	44,034	51,952
Operating profit (EBIT) before goodwill recycling		18,220	4,670	9,803
In % of net sales		10.6	2.7	5.0
Goodwill recycling		-14,898	-	-
Operating profit (EBIT)		3,322	4,670	9,803
In % of net sales		1.9	2.7	5.0
Net (-loss)/profit for the period		-2,295	2,715	7,207
In % of net sales		-1.3	1.6	3.6
Free cash flow		15,280	-437	6,253
Total assets		119,950	128,119	141,879
Shareholders' equity		67,573	56,951	63,227
Equity ratio in %		56.3	44.5	44.5
Number of employees (headcount)		1,739	2,180	2,422
Continuing operations		2020/21	2019/20	2018/19
Order intake		170,276	126,890	143,787
Net sales		147,262	127,702	145,434
EBITDA		20,796	6,807	15,855
In % of net sales in continuing operations		14.1	5.3	10.9
Operating profit (EBIT)		16,079	2,116	12,563
In % of net sales in continuing operations		10.9	1.7	8.6
Share-based metrics		2020/21	2019/20	2018/19
Number of shares entitled to dividends		630,495	632,986	632,557
(-Loss)/earnings per share	in CHF	-3.63	4.28	11.36
Shareholders' equity per share	in CHF	106.26	89.55	99.42
Repayment of excess share premium, per share	in CHF	4.50 ¹	1.00	2.50
Dividend per share	in CHF	4.50 ¹	1.00	2.50
Total distribution per share	in CHF	9.00 ¹	2.00	5.00

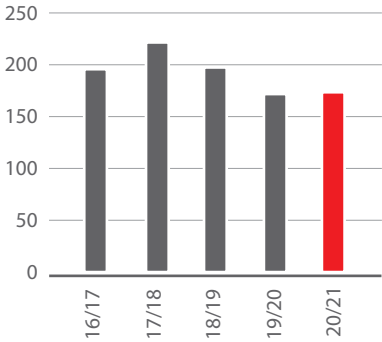
¹ Subject to approval by the Annual General Meeting on 11 January 2022.

Key financials

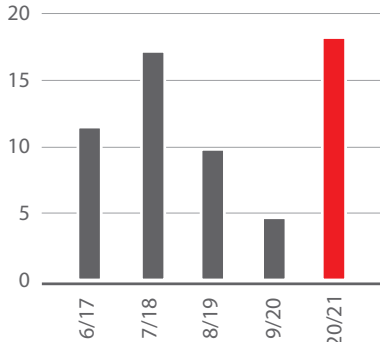
Order intake
in CHF million



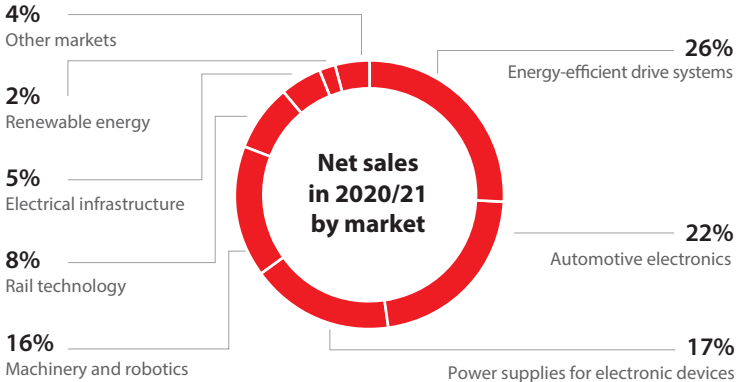
Net sales
in CHF million



Operating profit (EBIT)¹
in CHF million



¹The value for 2020/21 represents operating profit (EBIT) before goodwill recycling.



Dear shareholder,

The Schaffner Group realigned its business portfolio in fiscal year 2020/21. The clear focus on the core business of EMC solutions, on the most attractive growth markets and the highest-margin applications have put the company in a strong position going forward. This is underlined by a 34.2% increase in new orders and an EBIT margin of 10.9% in continuing operations. The outlook for fiscal 2021/22, the year now underway, also inspires optimism. For the years ahead, Schaffner is raising the EBIT target range to 10-12%.

In fiscal year 2020/21, the Schaffner Group took a strategic step of transformative importance. With the sale of the Power Magnetics division, completed at the end of June, the Group is now focusing on its core business of EMC filter solutions and magnetic components for various industrial markets and for e-mobility. In the industrial sector, Schaffner today already is the market leader in applications such as machinery and robotics, medical technology, building-services engineering, and energy management. In the automotive sector, Schaffner has been establishing a second strong pillar in the form of EMC filter solutions and magnetic components for electromobility, alongside the existing successful business of antennas for keyless authentication systems. The proceeds from the sale of Power Magnetics will progressively be invested in the expansion of these activities.

By the transformative nature of the portfolio realignment, we do not mean only that we are now focusing on our strengths and on the most attractive growth markets: The new Schaffner Group also has a significantly better margin profile, as we are thus concentrating on the most profitable applications for our technologies and products. As well, by divesting Power Magnetics, Schaffner has achieved a more homogeneous product portfolio, a marked reduction in complexity, and a leaner cost structure. And importantly, we have further strengthened our balance sheet. In short, the Group is now in a strong position for the future.

The focusing strategy and the new alignment are reflected organizationally in the renaming of the EMC division, which since the beginning of this new fiscal year is called

the Industrial division and is directly managed by CEO Marc Aeschlimann. In view of the greater uniformity of our business, going forward the Schaffner Group is no longer reporting segment results down to the EBIT level. However, we will continue to publish net sales by division, market and region.

The new Schaffner Group boasts a significantly better margin profile, as we are focused on the most profitable applications for our technologies and products.

Good demand in all markets

In fiscal year 2020/21, the Schaffner Group generated net sales of CHF 172.5 million. This was more than the prior-year comparative level of CHF 171.7 million, despite the fact that 2020/21 included only the first nine months of the Power Magnetics division's sales. Buoyed by good demand in all served markets, new orders grew by 14.4% to CHF 191.0 million, for a book-to-bill ratio of 1.11 (prior year: CHF 167.0 million and 0.97, respectively).

Looking at continuing operations only, i.e., excluding the Power Magnetics division, net sales rose by 15.3% to CHF 147.3 million in the year as a whole, and by a strong 19.6% in the second half of the year. What is more, new orders in continuing operations jumped by 34.2% in the year, to CHF 170.3 million.



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

In the year under review, the COVID pandemic led only to limited restrictions. The Schaffner Group was always fully operational and production was maintained at all times, while observing strict safety measures for employees. Challenges arose only in visits to customers and in global logistics, owing to longer transport times and in some cases significantly higher costs.

EMC division

Improving from the already good base of the first half of 2020/21, the latter half of the year brought a further acceleration in business for the EMC division. The resurgence of industrial markets and the pent-up demand for certain industrial goods drove a pronounced advance in new orders from March 2021. The EMC division was ready to deliver to customers throughout this stage and successfully converted the high order backlog into corresponding sales growth.

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Automotive division

In the automotive sector, the growth experienced since the fall of 2020, driven by a post-lockdown rebound in purchases in much of the world and by electromobility demand, continued apace in the first half of 2020/21. The Automotive division significantly expanded its sales. In addition to ramping up newly won projects, Schaffner executed some high-margin special projects for automobile manufacturers. From the second half of the year, however, Schaffner too felt the implications of the fact that auto makers and tier-1 suppliers were held back by the shortage of available semiconductor chips.

Target of double-digit EBIT margin achieved

The more attractive margin profile resulting from the realignment of the business portfolio is already evident in earnings for the full fiscal year 2020/21: Operating EBIT of CHF 18.2 million (EBIT before goodwill recycling) represented an EBIT margin of 10.6%, compared with a margin of 2.7% in the prior year that was hurt by the pandemic. In light of higher logistics costs and raw material prices, the earnings growth is all the more noteworthy.

Even after the non-cash recycling (required by Swiss GAAP FER) of the goodwill of CHF 14.9 million from the sale of the Power Magnetics division, EBIT for 2020/21 was still a profit of CHF 3.3 million. The Group's net loss for the period including goodwill recycling was CHF 2.3 million.

In continuing operations, the Schaffner Group delivered EBIT of CHF 16.1 million, corresponding to an EBIT margin of 10.9%.

In the fiscal year, Schaffner went from net debt to a net cash position of CHF 11.4 million.

Sound financial footing and net cash position

Free cash flow in the year was a robust CHF 15.3 million, and investment broadly normalized to CHF 5.8 million after years of high capital expenditures for the manufacturing plant in Thailand and e-mobility projects. In the fiscal year, Schaffner went from net debt to a net cash position of CHF 11.4 million. With equity of CHF 67.6 million and a high equity ratio of 56.3%, the Schaffner Group is even more soundly financed than in the prior year.

Dividend

In view of the good operating business performance and the high free cash flow, the Board of Directors will propose at the Annual General Meeting on 11 January 2022 to distribute CHF 9.00 per share for fiscal year 2020/21. The planned distribution consists of an ordinary dividend of CHF 4.50 per share from retained earnings and a distribution (exempt from withholding tax) of CHF 4.50 per share from the distributable share premium reserve. The combined amount proposed is the highest ordinary distribution since Schaffner Holding AG was first listed on the stock exchange.

Outlook

Schaffner has made a good start to the current fiscal year and we currently see no signs of material changes in the Schaffner Group's business environment in the coming months. The benign business conditions and the positive trend in our markets should continue. Although the recently very high level of new orders is bound to normalize, the strong order backlog and project pipeline assure high capacity utilization until well into 2022. Given the high raw material prices and elevated energy and logistics costs, the Schaffner Group will make a number of price adjustments this fiscal year.

Schaffner assumes that the shortage of microchips in the automobile industry will not ease substantially in the short term. Sooner or later, supplies should stabilize, which would boost production figures in view of backed-up orders. On balance, conditions are right for 2021/22 as well to prove a good year for the Schaffner Group.

In the medium term, the Group continues to aim for organic growth of more than 5% per year. The target range for the EBIT margin is raised to 10-12% from 8-10%. For this new fiscal year, 2021/22, the Schaffner Group expects earnings to be within this new multi-year target range.

In the medium term, the Schaffner Group aims for organic growth of more than 5% per year. The target range for the EBIT margin is raised to 10-12% from 8-10%.

Thank you

In the past year, our employees have once again demonstrated deep commitment to the Schaffner Group. We thank them sincerely. Our thanks also go to our customers for their trust and collaborative partnership, and to you, our valued shareholder, for your backing. We look forward to your continued support.



Urs Kaufmann
Chairman of the Board



Marc Aeschlimann
Chief Executive Officer

Business model and strategy

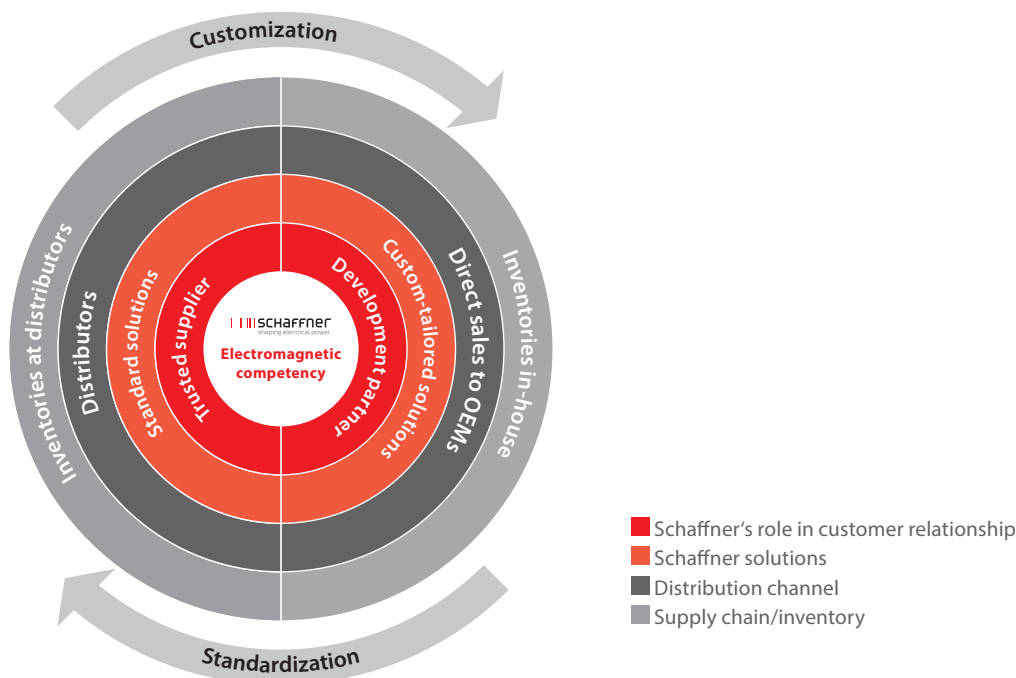
Schaffner adds value for customers by combining its leading expertise in electromagnetic compatibility with continuous innovation and local application support. The Group's business model has two, mutually reinforcing dimensions. The growth strategy is based on the existing strengths, and additionally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

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

Business model

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

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



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

Growth strategy

Schaffner has formulated growth strategies for its two divisions that place the focus on existing strengths and on attractive market opportunities.

EMC division

The EMC division's aim is to continue to expand its strong position in the EMC filter solutions business by further increasing market penetration. The product portfolio is being further developed both with a view to greater penetration of existing markets and for new areas of application. In addition, with novel technologies and solutions, the EMC division is moving into growth markets adjacent to the existing core business and thus expanding it.

Examples of new application spaces that Schaffner is entering with its EMC filter solutions are charging stations for electromobility and LED lights. For both these markets, Schaffner has launched new product families of EMC filters, which are meeting with a positive reception.

One example of innovative technologies which target new growth markets is that of active electronic components (active line impedance stabilizers) for smart grids. With these, Schaffner has developed a solution that ensures correct communication between smart meters and electricity companies' data centers.

Automotive division

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

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

EMC division

The EMC division, the world market leader in EMC filters, had a very strong fiscal year. New orders and net sales accelerated significantly. In addition to the existing core markets, the new segments of rapid charging systems for electromobility and LED lighting also performed well.

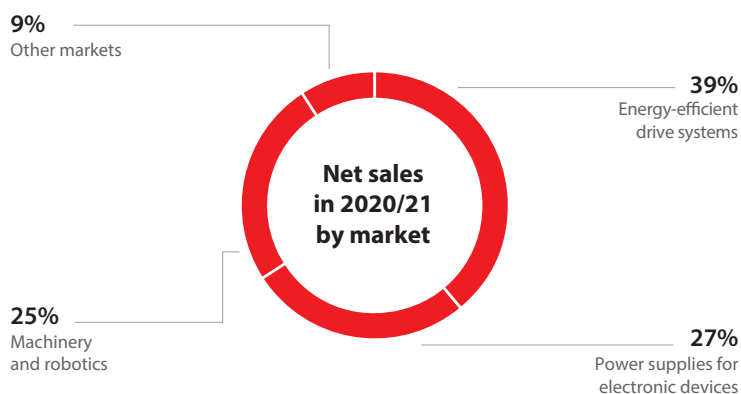
Business activity

The EMC division (which has recently been renamed the Industrial division) develops and manufactures electromagnetic compatibility (EMC) filters and power quality filters, which protect power electronic systems against interference from the electricity grid and ensure their reliable operation. The division offers the widest range of customized and standard products on the market. About half of the sales volume is handled by its global network of distributors and half by Schaffner's own distribution centers. These two channels ensure rapid availability of the products. In addition, the EMC division maintains numerous service and application centers in order to be close to customers worldwide.

Market

The EMC division is the world's leading maker of EMC filters. It estimates its market share to be in the 30% range. The key markets served include energy-efficient drive systems, machinery and robotics, and power supply systems for electronic systems. Other applications are in medical technology, data centers, charging systems for electric vehicles, and the growing market for LED lamps.

All markets were robust in the year under review. Particularly strong growth was seen in the machinery and medical technology segments, as well as in the newly established business areas of rapid charging systems for electromobility and LED lighting. Geographically as well, growth was broad-based, with sales increasing in all regions. The EMC division generated 59% of its sales in Europe, 27% in Asia and 14% in the Americas.



Financials

in CHF million	2020/21	H1 2020/21	H2 2020/21	2019/20	H1 2019/20	H2 2019/20
Order intake	131.8	59.6	72.1	95.4	52.3	43.0
Net sales	108.6	48.3	60.3	94.9	46.9	48.0

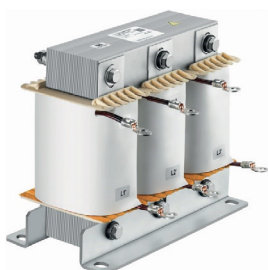
Business performance

In fiscal year 2020/21, net sales of the EMC division grew by 14.4% to CHF 108.6 million (prior year: CHF 94.9 million). While net sales in the first half of 2020/21, at CHF 48.3 million, were up only slightly from the same period of the prior year, they were significantly higher in the second half of the year at CHF 60.3 million. The acceleration in business was even more evident in the year's new orders, which at CHF 131.8 million were 38.2% above the year-ago level. Intra-year, new orders grew from CHF 59.6 million in the first six months of 2020/21 to CHF 72.1 million in the second half.

Innovation

The EMC division continued to drive forward its strategic initiatives to increase market penetration in fiscal 2020/21. For example, a new product family for robotics applications was launched in order to tap the fast-growing robotics and automation market in an even more systematic way. The new product families of EMC filter solutions for electric-vehicle charging stations and for LED lamps did well. On the other hand, the advance into the new market of smart grids by offering the new active electronic components (active line impedance stabilizers) has been delayed. The certification for this solution, which ensures correct communication between smart meters and a power company's data center, could not yet take place due to COVID-19-related restrictions.

RWK line reactor



Specialty filter for machinery



EMC filter for robotics



Automotive division

The Automotive division had a good first half of 2020/21, followed by a slightly weaker second half of the year. The reason for this was the shortage of semiconductors in the automotive industry – especially pronounced from March 2021 – which slowed demand for Schaffner products. In the year under review, the division won new orders for electromobility EMC solutions and for antennas used in keyless authentication systems.

Business activity

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

Market

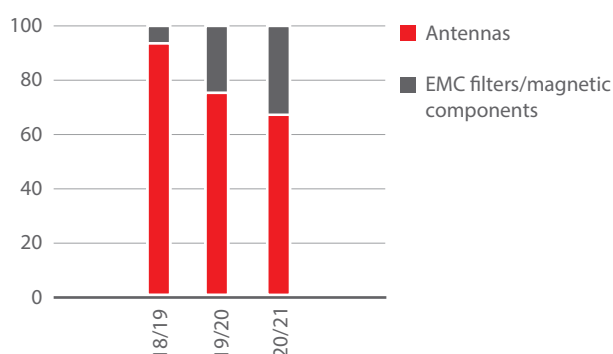
The Automotive division is one of the world's leading suppliers of antennas for vehicle keyless authentication systems. In the rapidly growing market for e-mobility, too, Schaffner is exceedingly well positioned. This is by virtue both of its comprehensive EMC filter expertise, and the ability to build on well-established customer relationships with leading automobile manufacturers and system suppliers thanks to Schaffner's antenna business. The division is involved in various development projects for e-mobility platforms of the future.

Due partly to the growth in the electromobility sector, Europe's share of the division's sales saw a further increase to 73%, from 63% in the prior year. Twenty-two percent of Automotive's sales were generated in Asia and 5% in the Americas.



Net sales by product group

in %



Financials

in CHF million	2020/21	H1 2020/21	H2 2020/21	2019/20	H1 2019/20	H2 2019/20
Order intake	38.5	22.4	16.0	31.5	14.8	16.7
Net sales	38.7	21.8	16.8	32.8	16.4	16.4

Business performance

The Automotive division increased its net sales by 17.8% to CHF 38.7 million in fiscal 2020/21. After a strong first half with net sales of CHF 21.8 million, Schaffner too felt the effects of the chip shortage in the automotive sector, resulting in lower net sales of CHF 16.8 million in the second half of the year. Thanks to the successful expansion of the product portfolio for filter solutions and magnetic components, the share of the division's sales accounted for by products for electromobility was pushed up from the prior year's 25% to 33%.

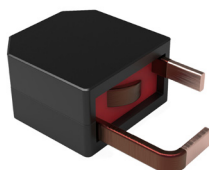
Innovation

Schaffner plans to further cement its position as an EMC specialist for electromobility and, in fiscal 2020/21, invested extensively in its product pipeline. The Automotive division is engaged in promising development projects for e-mobility platforms of leading automobile manufacturers and system suppliers. In the year under review, new orders were won both for EMC solutions for electromobility and in antennas for keyless authentication systems. However, some projects have been delayed due either to reprioritization as a result of the chip shortage or to lingering effects of the COVID pandemic.

Filter for inverter



Choke



PFC module



Sustainability

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

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

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

Schaffner also supports the Conflict Minerals Act for the protection of human rights in the mining industry, particularly in the extraction of ore to produce tin, tantalum, tungsten and gold in conflict regions. More information can be found at:

www.business-humanrights.org/en/big-issues/natural-resources/conflict-minerals/

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

Sustainability commitment of the Executive Committee

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

Social performance

Personnel policy

People make the difference: In its role as an employer, the Group pursues a socially responsible and progressive personnel policy. Schaffner promotes the diversity of employees in its international organization and supports them in the intercultural collaboration at work. With production centers on three continents, cross-cultural cooperation is practiced as a day-to-day reality at Schaffner. At the Swiss headquarters in Luterbach alone, people from 13 different nations work together and bring their unique perspectives to the work process. Language courses in German and English foster employee integration and facilitate cohesive work across international borders.

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

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

Employers in Switzerland are obligated to ensure pay equity. Under the Swiss constitution, women and men are entitled to equal pay for work of equal value. To assure that this principle is followed, the relevant data are reviewed by an independent entity as part of a pay equity analysis. This external analysis has confirmed that Schaffner adheres to the principle of equal pay for work of equal value.

Employee development

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

Employee health and workplace safety

Schaffner conscientiously promotes employee health and workplace safety. Regular compliance checks are carried out at the Group sites. The results are analyzed and, as part of the continual advancement of workplace safety and employee health, the findings are used in setting the health and safety objectives both for the Group and the individual sites. Schaffner maintains an occupational health management system, for which a focus topic is chosen each year. The injury rate at the plants was further reduced in fiscal year 2020/21 compared with the year-earlier period. Continuous training and investment in safety measures thus brought the expected improvements.

The ways of global collaboration in the Group continued to be shaped by the COVID-19 pandemic. Of particular significance was the elimination of most international travel to the worldwide Schaffner sites and to meetings. During this time, a new understanding of global digital collaboration has gained prominence. Even before the pandemic, Schaffner had additionally equipped most office employees with a notebook computer. This made it technically straightforward for staff to switch to working from their home office. As well, the first of the Group's sites were migrated to the Microsoft Teams platform, which supported and strengthened employee interaction. A regular schedule of online meetings was consciously instituted in order to maintain and enhance personal contact between employees.

At all Group locations an infection prevention protocol was implemented that included physical distancing rules and hygiene measures, temperature checks before and after shifts, as well as working from home. Great emphasis was placed on raising staff awareness for and providing training in hygiene precautions and general behavior both at and outside the workplace. At no time were the Group's operations adversely affected by COVID infections.

Sharing of value generated

Schaffner employees receive a significant share of the value generated by the Group. In fiscal year 2020/21, Schaffner's value generation amounted to CHF 78 million. Of this total, 73% was directly or indirectly paid to employees and 5% went to the public sector in the form of corporate income tax. Seven percent is available for distribution to shareholders (subject to their approval at the Annual General Meeting) and 14% remain in the company as depreciation, amortization and retained earnings.

Environmental performance

Energy consumption and CO₂ emissions

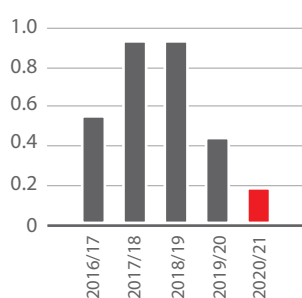
Schaffner is progressively making the operating business along its whole value chain more effective and efficient. A particular focus of these efforts is on reducing energy consumption in and CO₂ emissions from its business

activities. In this way, Schaffner contributes to the reduction of climate-harming greenhouse gas emissions. Overall, the Schaffner Group's energy costs amount to less than 1% of its sales.

In the development of new products, the use of materials and processes responsible for the production of greenhouse gases is avoided to the extent possible. For example, in the EMC and Automotive divisions, filters have been marked with labels instead of ink, thus reducing the use of solvents to a minimum.

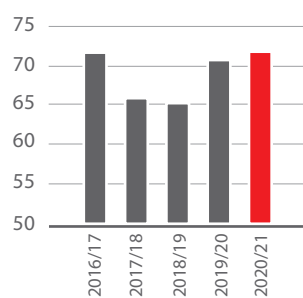
In Luterbach, the staff had moved into the new head office premises at the end of August 2019. The new building is heated primarily with energy from groundwater, using an electrically powered heat pump. The geothermal probes required for this can also be used to cool the technical facilities as needed. Some of the electricity for the operation of the building is supplied by an efficient solar power system. The total electricity consumption in the new building, including the energy for heating, is closely in line with the amount of purchased electricity that was required for the old building. Thanks to the highly sophisticated energy system and good insulation, the new building operates without any fossil heating energy.

Work-related lost time accident rate
LTA/250,000h²



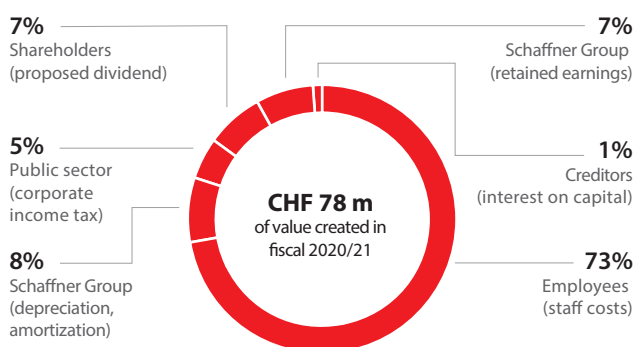
² For the fiscal year from October to September.

Energy consumption
KWh per CHF '000 of sales¹



¹ July to June.

Sharing of value generated in 2020/21



The Group's global energy consumption in the past measurement year¹ was in line with the previous year's level. Consumption relative to sales was accordingly stable.

The global presence of the Schaffner Group, with development, production service and application centers in Europe, Asia and the USA, substantially reduces transport costs.

During the COVID crisis, almost all scheduled flights were cancelled; however, demand picked up again strongly at the beginning of 2020. As a consequence, globally, demand for freight capacity exceeded supply both in ocean shipping and rail transport. Due to COVID cases at the transfer points, the remaining supply lines were frequently disrupted, causing more use of air freight. This raised the share of air cargo again, leading to an increase in greenhouse gas emissions.

Nonetheless, Schaffner does its utmost to reduce the share of air freight in its transport needs, and this will allow a further decrease in CO₂ emissions (per unit of weight and distance).

Until the summer of 2021, air freight from China to Europe was gradually replaced with rail transport. Capacity bottlenecks, however, regularly lead to a switch to air freight. The amount of CO₂ emitted in connection with business travel continued to fall sharply in fiscal 2020/21. With one exception, no intercontinental travel was undertaken.

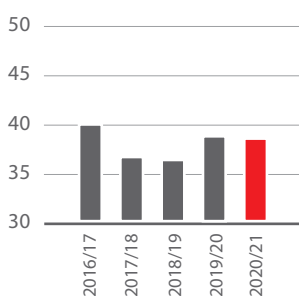
Water consumption and waste

The demand for drinking water at the plants declined further, both in absolute terms and relative to sales.

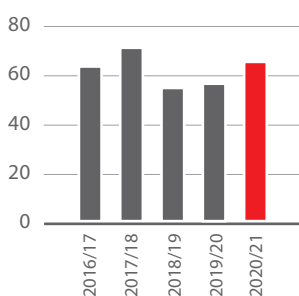
The amount of waste generated in the plants was reduced by about one-quarter in the year under review compared to one year earlier. The proportion of hazardous waste rose slightly. A large part of it can be recycled. Such recyclable, so-called secondary materials were returned to the material cycle.

¹ The environmental data were collected over the period (measurement year) from July 2020 to June 2021. The data thus do not yet reflect the sale of the Power Magnetics division. In the next annual report (representing the 2021/22 measurement year), all Power Magnetics effects will be eliminated. The data will therefore no longer be comparable with past periods.

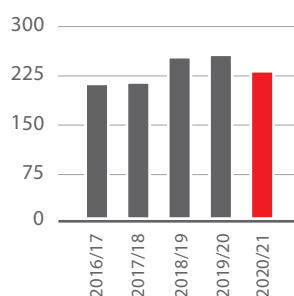
CO₂ emissions from production
Kg per CHF '000 of sales¹



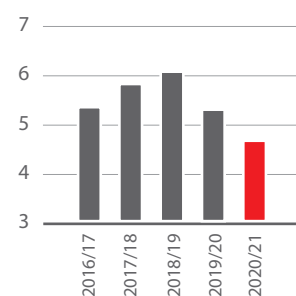
CO₂ emissions from transport
Kg per CHF '000 of sales¹



Water consumption
L per CHF '000 of sales¹



Waste generation
Kg per CHF '000 of sales¹



¹ July to June.

Information for investors

Key share data for Schaffner Holding AG

Key share data		2020/21	2019/20	2018/19
Number of shares (nominal value of CHF 32.50)		635,940	635,940	635,940
Weighted average number of shares outstanding (entitled to dividend)		631,692	633,828	634,231
Earnings per share (EPS)	in CHF	-3.63	4.28	11.36
Shareholders' equity per share	in CHF	106.26	89.55	99.42
Repayment of excess share premium per share	in CHF	4.50 ¹	1.00 ¹	2.50
Dividend per share	in CHF	4.50 ¹	1.00 ¹	2.50
Total distribution per share	in CHF	9.00 ¹	2.00 ¹	5.00
Share price²		2020/21	2019/20	2018/19
High for year	in CHF	312	231	330
Low for year	in CHF	181	122	190
At end of year	in CHF	282	181	203
Market capitalization²		2020/21	2019/20	2018/19
High for year	in CHF million	198	147	210
Low for year	in CHF million	115	78	121
At end of year	in CHF million	179	115	129

¹ Subject to approval by the Annual General Meeting on 11 January 2022.

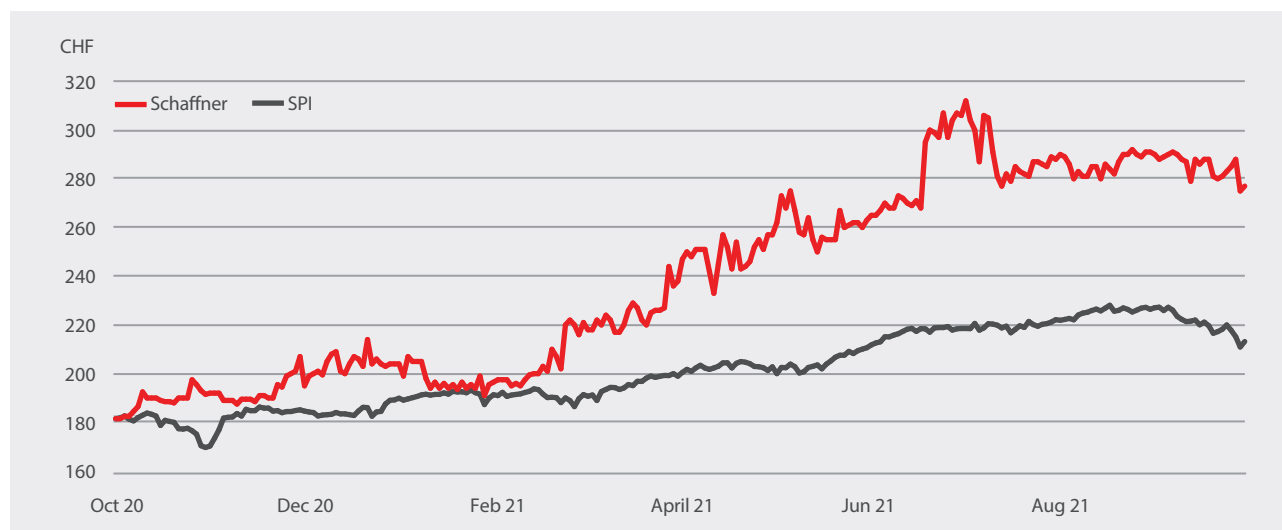
² Period: Fiscal year from 1 October to 30 September. Source: Bloomberg.

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

Swiss security number:	906209	Telekurs ticker:	SAHN
ISIN:	CH 0 009 062 099	Index membership:	SPI, SPI Extra, SPI ex SLI, SPI ESG, SPI ESG Select, Swiss All Shares Index

Share price

Share price performance on the SIX Swiss Exchange during fiscal year 2020/21 (1 October 2020 to 30 September 2021) relative to the Swiss Performance Index (SPI), based on the daily closing price.



Dividend policy

Schaffner Holding AG pursues an earnings-based dividend policy, distributing 40% to 50% of a fiscal year's net profit to shareholders. For fiscal year 2020/21 the Board will propose at the Annual General Meeting on 11 January 2022 to make a total distribution of CHF 9.00 per share to shareholders.

Shareholders

At 30 September 2021, there were 1,099 shareholders registered with voting rights in the share register of Schaffner Holding AG. Of the total issued shares, 0.9% were held by Schaffner Holding AG as treasury shares.

An overview of the shareholder structure of Schaffner Holding AG at the balance sheet date, showing those shareholders who reported holding 3% or more of the voting rights, is presented in the corporate governance section on page 25.

Financial calendar

11 January 2022	26th Annual General Meeting
5 May 2022	Publication of half-year report 2021/22
6 December 2022	Publication of annual report 2021/22
10 January 2023	27th Annual General Meeting

Investor relations contacts

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Thomas Balmer, +41 43 268 32 34 or +41 79 703 87 28
investor-relations@schaffner.com

Share register contact

Aktienregister Schaffner Holding AG
c/o ShareCommService AG
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8152 Glattbrugg
+41 44 809 58 53

Corporate governance

2020/21

Corporate governance

1 Basis of the corporate governance report

This corporate governance report of Schaffner Holding AG (“the Company”) describes the Schaffner Group’s principles of leadership and control, based on the Directive on Information Relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange. Unless indicated otherwise, the information in this report for fiscal year 2020/21 is as at 30 September 2021 or for the year then ended. This corporate governance report substantially follows the current guidelines and recommendations of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse, the Swiss business federation. The principles and rules of corporate governance are set out in the Articles of Association and the Organizational Regulations (German name: Organisationsreglement) of Schaffner Holding AG, which, like all of the Company’s relevant corporate governance documents, can be found at:

www.schaffner-ir.com/corporate-governance/articles-of-association-organizational-regulations/

2 Governance-related events in fiscal year 2020/21

2.1 Resolutions of the most recent Annual General Meeting

At the 25th Annual General Meeting (AGM) of Schaffner Holding AG on 12 January 2021, shareholders re-elected the existing Board members Philipp Buhofer, Urs Kaufmann and Gerhard Pegam as members of the Board of Directors for the term ending at the conclusion of the next AGM. Andrea Tranel was elected as a new member of the Board for the term ending at the conclusion of the next AGM. The existing board member Georg Wechsler did not stand for re-election. Urs Kaufmann was re-elected as the Chairman of the Board of Directors for the term ending at the conclusion of the next AGM and, together with Philipp Buhofer, was appointed as a member of the Nomination and Compensation Committee. Shareholders at the 25th AGM also appointed the lawyer and notary Jean-Claude Cattin, based in the town of Grenchen, as the new independent proxy for a period of one fiscal year and re-elected BDO AG of Solothurn as the external auditors for fiscal year 2020/21. As well, the AGM approved the distribution of an ordinary dividend of CHF 1.00 per share entitled to dividends, and additionally the distribution of CHF 1.00 per share from the distributable share premium reserve. The AGM adopted the compensation report for fiscal year 2019/20 in a consultative vote. For the compensation of the Board of Directors, shareholders approved a maximum aggregate amount of CHF 500 thousand for the period to the 26th AGM, which will be held on 11 January 2022. For the compensation of the Executive Committee for fiscal year 2021/22, shareholders approved a maximum aggregate amount of CHF 3,500 thousand. The minutes of the 25th Annual General Meeting of Schaffner Holding AG (in German only) can be accessed on the Schaffner Group’s website under the “Annual General Meeting” tab found at:

www.schaffner-ir.com/annual-general-meeting/archiv/

2.2 Changes in Group structure

The Schaffner Group sold the former Power Magnetics division with effect from 30 June 2021. Going forward, Schaffner is focusing its activities on the core competency of EMC filter solutions for promising industrial markets and for electromobility. As a consequence, the Schaffner Group has adjusted its management structure effective 1 October 2021: The existing “EMC” division has been renamed the “Industrial” division. It serves markets such as machinery and robotics, medical technology, building-systems engineering and electrical infrastructure. The EMC filter solutions business for electromobility and antennas for keyless authentication systems for the automobile industry will continue to operate as the Automotive division.

2.3 Changes on the Executive Committee in the year under review

With the closing of the sale of the Power Magnetics division on 30 June 2021, Daniel Zeidler, until then Head of the Power Magnetics division, left the Executive Committee. Effective 1 October 2021, CEO Marc Aeschlimann, in addition to managing the Schaffner Group as a whole, will also directly lead the Industrial division. Guido Schlegelmilch, previously Head of the EMC division, is taking over the newly created strategic Products & Technologies unit, which provides the Industrial division with services encompassing research and development, innovation, technology and product management. As a result, he ceases to be a member of the Schaffner Group Executive Committee.

3 Group structure and significant shareholders

3.1 Group structure

3.1.1 Group operating structure

The Schaffner Group has a divisional organizational structure, which until 30 June 2021 was made up of the three segments EMC, Automotive and Power Magnetics. Since the divestment of Power Magnetics, the divisions are the two segments EMC and Automotive. The reporting to the Executive Committee follows this structure.

The chart below shows the Group's operating structure at 30 September 2021:

Annual General Meeting
Board of Directors
Risk and Audit Committee, Nomination and Compensation Committee
Executive Committee
Group functions
EMC division, Automotive division

The Chief Executive Officer has responsibility for the operational management of the Schaffner Group. He is also the head of the Executive Committee, which is the top echelon of the Group's operational management. The management of the Schaffner Group is provided by the Board of Directors and (through the Board's delegation of authority) by the Chief Executive Officer and the Executive Committee. The division of responsibilities between the Board, the Chief Executive Officer and the Executive Committee is described in this corporate governance report from page 34 in section 5.6, from page 36 in section 5.7 and from page 37 in section 6.

The Executive Committee had the following structure at 30 September 2021:

Executive Committee	
Marc Aeschlimann	Chief Executive Officer
Christian Herren	Chief Financial Officer
Martin Lütenegger	Executive Vice President
Guido Schlegelmilch	Executive Vice President

More information about the Executive Committee is provided from page 37 in section 6 of this corporate governance report.

3.1.2 Listed companies

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

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

Schaffner Holding AG is a public limited company incorporated in Switzerland and has its registered office in Luterbach. At 30 September 2021, the share capital consisted of 635,940 ordinary registered shares with a total nominal value of CHF 20,668,050.

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

Key share data for Schaffner Holding AG is provided on page 20 of this annual report.

3.1.3 Non-listed Group companies

The directly and indirectly held companies consolidated in the Group accounts of Schaffner Holding AG are shown on page 83 of this report in the notes to the consolidated financial statements.

3.2 Significant shareholders

At 30 September 2021 there were 1,099 shareholders registered with voting rights in the share register of Schaffner Holding AG (prior year: 1,129). Of the total issued shares, 0.9% were held by Schaffner Holding AG, as treasury shares (prior year: 0.5%). At 30 September 2021, shares of unregistered owners amounted to 14.9% of the issued shares (prior year: 10.6%).

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

Shareholder	Equity interest
Shareholder group BURU Holding AG ¹	24.3%
UBS Fund Management (Switzerland) AG	10.4%
J. Safra Sarasin Investmentfonds AG	9.8%
Mirabaud - Equities Swiss Small and Mid	5.1%
Matter Group AG ²	3.0%
Avalon Park Group Holding AG ³	3.0%

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

² Beneficial owner: Thomas Matter.

³ Beneficial owner: Beat Kähli.

In connection with the disclosure obligations under stock exchange law for shareholders whose share of voting rights reaches, rises above or falls below certain thresholds, the following shareholders filed notifications with Schaffner Holding AG and SIX Swiss Exchange AG in fiscal year 2020/21.

22 September 2021	Mirabaud - Equities Swiss Small and Mid (beneficial owner: Mirabaud Asset Management (Europe) SA) Exceeded 5% of voting rights
1 July 2021	Avalon Park Group Holding AG (beneficial owner: Beat Kähli) Renaming of Kähli Holding AG to Avalon Park Group Holding

Further information on significant shareholders is provided on page 94 in the notes to the company financial statements of Schaffner Holding AG. As well, a current list of significant shareholders is available on the website of the SIX Swiss Exchange at:

www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/

3.3 Cross-shareholdings

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

4 Capital structure

4.1 Issued share capital

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

4.2 Authorized unissued capital

4.2.1 Authorized capital for equity-based compensation

Schaffner Holding AG at 30 September 2021 did not have unissued authorized capital designated for use in equity compensation plans (such capital is referred to in German as "bedingtes Kapital").

4.2.2 Other authorized capital

Schaffner Holding AG at 30 September 2021 did not have other unissued authorized capital (i.e., authorized capital for purposes other than equity-based compensation; such other capital is known in German as "genehmigtes Kapital").

4.3 Changes in equity in the last three fiscal years

The Annual General Meeting on 15 January 2019 (for fiscal year 2017/18) passed a resolution to distribute CHF 6.50 per share (exempt from Swiss anticipatory tax) in the form of a repayment of excess share premium. For fiscal year 2018/19, the Annual General Meeting on 14 January 2020 passed a resolution to distribute a dividend of CHF 2.50 per share as well as a repayment (exempt from withholding tax) of excess share premium of CHF 2.50 per share. For fiscal year 2019/20, the Annual General Meeting on 12 January 2021 passed a resolution to distribute a dividend of CHF 1.00 per share as well as a repayment (exempt from withholding tax) of excess share premium of CHF 1.00 per share.

The changes in share capital, in share premium, in retained earnings and in the other components of consolidated equity are presented in detail in the consolidated financial statements, on page 62 of this annual report 2020/21. The comparative information on changes in equity for the three prior years is found on page 63 of the consolidated financial statements in the annual report 2019/20, on page 58 of the annual report 2018/19 and page 60 of the annual report 2017/18.

The past annual reports can be found on the website of the Schaffner Group at:

www.schaffner-ir.com/reports/archiv/

4.4 Shares and participation certificates

4.4.1 Shares

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

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

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

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

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

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

4.4.2 Participation certificates

There were no participation certificates of Schaffner Holding AG at 30 September 2021 (participation certificates, or “Partizipationsscheine” in German, essentially are a type of preference share).

4.5 Dividend right certificates

Schaffner Holding AG had not issued any dividend right certificates as of 30 September 2021 (dividend right certificates, or “Genussscheine” in German, essentially are preference shares for related parties).

4.6 Restrictions on transferability and nominee registration

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

www.schaffner-ir.com/annual-general-meeting/annual-general-meeting/

4.6.1 Recognition of share purchasers as voting shareholders

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

4.6.2 Registration of share purchasers

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

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

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

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

4.6.3 Registration of nominees

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

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

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

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

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

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

At the balance sheet date of 30 September 2021, 14.9% (prior year: 10.6%) of all issued shares were unregistered or were registered as non-voting shares.

4.7 Convertible bonds and options

4.7.1 Convertible bonds

There are no outstanding convertible bonds of Schaffner Holding AG.

4.7.2 Share option plans

The share option plan for upper management and members of the Board of Directors of the Schaffner Group (the Employee Share Option Plan) expired on 21 November 2018. At 30 September 2021, Schaffner Holding AG no longer had a share option plan.

5 Board of Directors

5.1 Members of the Board

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

On 30 September 2021, the Board of Directors consisted of four, non-executive members. In the three years prior to the reporting period (fiscal years 2017/18, 2018/19 and 2019/20), none of these Board members were members of Schaffner's Executive Committee or of the management of a subsidiary, and none had or have material business relationships with the Schaffner Group. The members of the Board of Schaffner Holding AG are thus independent within the meaning of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse, the Swiss business federation.

At 30 September 2021 the Board of Directors of Schaffner Holding AG had the following members:

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

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

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

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

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

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

Electrical Engineer, Klagenfurt Technical College, Austria

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

Andrea Tranel, Swiss and German citizen, born 1974, member of the Board since 2021

Degree in economics, University of Hohenheim, Germany

Since 2017 is Chief Financial Officer of the electric power utility AEW Energie AG in the Swiss canton of Aargau. Previously was Head of Corporate Controlling and Deputy CFO of Swiss Federal Railways (SBB), and CFO of Schneider Electric in Switzerland.

Georg Wechsler did not stand for re-election at the Annual General Meeting of Schaffner Holding AG on 12 January 2021.

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

5.2. External activities and interests

Philipp Buhofer

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

Urs Kaufmann

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

Gerhard Pegam

Gerhard Pegam is Vice Chairman of the Board of OC Oerlikon Corporation AG, Pfäffikon, Switzerland, and a member of the Supervisory Board of Süss Microtech AG, Garching, Germany.

Andrea Tranel

Andrea Tranel ist Chairwoman of the Board of Windpark Lindenberg AG, Beinwil (located in Aargau's Freiamt region), and member of the Board of InnovaARE AG, Villigen, and of Wärmeverbund Rheinfelden AG, Rheinfelden (all in Switzerland).

5.3 Restrictions on positions outside the Group

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

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

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

5.4 Board elections and terms

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

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

5.5 Internal organization

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

5.5.1 Division of responsibilities within the Board

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

5.5.2 Composition, purpose and responsibilities of Board committees

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

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

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

5.5.2.1 Nomination and Compensation Committee

The Nomination and Compensation Committee has the following general responsibilities:

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

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

Membership of the Nomination and Compensation Committee

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

Members at 30 September 2021	Since AGM
Urs Kaufmann, committee chairman	2017
Philipp Buhofer	2018

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

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

5.5.2.2 Risk and Audit Committee

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

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

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

Membership of the Risk and Audit Committee

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

Members at 30 September 2021	Since AGM
Andrea Tranel, committee chairwoman	2021
Philipp Buhofer	2017
Gerhard Pegam	2013

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

5.5.3 Procedures of the Board and of its committees

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

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

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

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

Attendance at meetings

	BD ¹	RAC ¹	NCC ¹
Total number of meetings held	8	2	2
Urs Kaufmann, Chairman	8	2 ²	2
Philipp Buhofer, Vice Chairman	8	2	2
Gerhard Pegam	8	2	-
Andrea Tranel	6	1	-
Georg Wechsler	2	1	-
Meeting length	95-110 min.	87-90 min.	120-150 min.
Average length	283 min.	89 min.	135 min.

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

² Urs Kaufmann attends the RAC meetings as an advisory member.

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

5.6 Division of authority

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

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

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

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

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

5.7 Monitoring and control in respect of the Executive Committee

Board of Directors

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

At its meeting on 29 April 2021 the Board of Directors, as part of ongoing risk management, assessed the business risks of the Schaffner Group and adopted the risk report and the measures set out in it. The focus was on pandemic risks, cyber security, warranty risks, the dependence on the global economic situation, and currency risks.

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

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

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

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

Chairman of the Board

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

Committees

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

Internal audit

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

6 Executive Committee

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

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

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

At 30 September 2021, the Schaffner Executive Committee had four members, who held the positions described below.

Chief Executive Officer

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

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

Chief Financial Officer

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

Executive Vice Presidents

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

6.1 Responsibilities and members of the Executive Committee

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

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

The members of the Executive Committee are active participants in its consensus-oriented decision process. Decisions are made by consensus or, where a consensus cannot be reached, are made by the Chief Executive Officer with due regard to the views expressed by the Executive Committee members.

At 30 September 2021 the Executive Committee of the Schaffner Group had the following members:

Marc Aeschlimann, CEO, Swiss citizen, born 1968

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

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

Christian Herren, CFO, Swiss citizen, born 1976

MA in Management, University of Freiburg

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

Guido Schlegelmilch, Executive VP, German citizen, born 1964

Degree in Business Engineering and PhD, Darmstadt University of Technology

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

Martin Lütenecker, Executive VP, Swiss citizen, born 1969

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

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

Daniel Zeidler, Head of the Power Magnetics Division, ceased to be a member of the Executive Committee with effect from the closing of the sale of the Power Magnetics division on 30 June 2021.

6.2. External activities and interests

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

6.3 Restrictions on positions outside the Group

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

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

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

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

6.4 Management contracts

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

7 Compensation, share ownership and loans

Information on compensation, shareholdings and loans of the Board of Directors and Executive Committee is provided in the compensation report of the Schaffner Group on pages 49 to 56 of this annual report

8 Shareholders' participation rights

8.1 Voting rights restrictions and proxy voting

At 30 September 2021 there were 1,099 shareholders registered in the share register. Each share of Schaffner Holding AG, with the exception of any shares held by the Company (treasury shares), carries one vote at the General Meeting of shareholders. There are no restrictions on voting rights.

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

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

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

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

8.2 Quorums under the Articles of Association

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

8.3 Calling of the General Meeting

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

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

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

8.4 Placing business on the General Meeting agenda

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

8.5 Registration in the share register

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

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

www.schaffner-ir.com/annual-general-meeting/annual-general-meeting/

Further information regarding restrictions on transferability and nominee registrations is given from page 27 of this corporate governance report in section 4.6.

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

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

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

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

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

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

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

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

9 Change-of-control clauses and takeover defenses

9.1 Requirement to make a public tender offer

The Articles of Association of Schaffner Holding AG contain neither an opting-up nor an opting-out clause. Therefore, any person or entity acquiring one-third (33⅓%) or more of the voting rights of Schaffner Holding AG must, under section 135 para. 1 of the Financial Market Infrastructure Act, make a public tender offer for all remaining shares.

9.2 Clauses on changes of control

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

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

10 Auditors

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

10.1.1 Starting date of current audit engagement

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

10.1.2 Date of first appointment of lead audit partner

The lead audit partner at the external auditors (the person in charge of the audit engagement), Christoph Tschumi, has held this position since fiscal year 2020/21. The lead audit partner's tenure is limited by law to seven years.

10.2 Audit fees

In fiscal year 2020/21, BDO AG billed the Schaffner Group a total of CHF 227 thousand for services in connection with the auditing of the company financial statements of Schaffner Holding AG and the consolidated financial statements of the Schaffner Group (prior year: CHF 259 thousand).

10.3 Additional fees

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

In CHF '000	2020/21	2019/20
Tax consulting	0	0
Miscellaneous	0	6

10.4 Informational instruments pertaining to external audits

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

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

In fiscal year 2020/21, the Risk and Audit Committee held two meetings with the external auditors.

11 Communication policy

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

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

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

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

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

www.schaffner-ir.com/ad-hoc-pressrelease/ad-hoc-news/

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

www.schaffner-ir.com/reports/archiv/

Shareholders can receive Schaffner Holding AG's latest ad-hoc announcements under section 53 of the Listing Rules, and/or its press releases, by e-mail. Registration for this free service is offered on the website of the Schaffner Group at:

www.schaffner-ir.com/ad-hoc-pressrelease/e-mail-service/

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

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

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

www.schaffner.com

www.schaffner-ir.com

Investor relations contacts

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

investor-relations@schaffner.com

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

Financial calendar

12 January 2022	26th Annual General Meeting
5 May 2022	Publication of half-year report 2021/22
6 December 2022	Publication of annual report 2021/22
10 January 2023	27th Annual General Meeting

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

12 Blackout periods for trading

12.1 Regular blackout periods

At Schaffner Holding AG, the regular blackout period¹ begins on the day of the last regular Board meeting of the preceding fiscal year or preceding first half of the fiscal year, as the case may be, and ends one trading day after the publication of the relevant ad-hoc announcement related to the respective annual report or half-year report.

The regular blackout period applies to the following Affected Persons:

- › Members of Schaffner's Board of Directors
- › Members of Schaffner's Executive Committee and its assistants
- › Managing directors of all Group companies
- › Local controllers at all Group companies
- › Employees in Group finance & controlling
- › Employees in accounting at all Swiss Group companies
- › Employees of the SAP competence center
- › Employees of corporate communications
- › Members of all levels of management of the Swiss Group companies
- › Employees of the Schaffner Group who participate in projects that may involve price-sensitive information
- › External consultants

The CFO maintains an e-mail distribution list of all Affected Persons.

12.2 Special blackout periods

At any time, additional blackout periods may be imposed during which persons subject to such a special blackout period are not permitted to trade in shares of Schaffner (regardless of whether such person is in possession of inside information).

The decision on the commencement and termination of special blackout periods is made by the CEO or CFO. This decision may be made at any time as circumstances require. The persons subject to a special blackout period must be informed of the decision promptly by the CEO or CFO. The CFO keeps a list of the persons to whom a special blackout period applies.

12.3 Effects of blackout periods

During a regular blackout period, Affected Persons, and during a special blackout period, all persons subject to the special trading blackout period, are prohibited from trading in Schaffner shares for their own account or the account of anyone related to them (e.g., their spouse, persons living in the same household, relatives, etc.), or for the account of any investment fund or similar investment vehicle in which they have a personal financial interest or of which they are a director or manager. This applies regardless of whether they possess inside information. In addition, Affected Persons and all other persons subject to a special blackout period or in possession of inside information may not exercise options to purchase Schaffner shares during the blackout period.

¹ A blackout period for trading is a period when certain persons are prohibited from buying or selling equity securities of their company.

Affected Persons and persons subject to a special blackout period must treat the inside information as strictly confidential and may not disclose it to third parties.

The CEO, the CFO and those responsible for investor relations are obligated not to speak with the financial community, the media or analysts during the blackout periods, in order to avoid transmitting price-sensitive information until such information is published by the Company in accordance with the applicable laws and regulations and the Listing Rules of the SIX Swiss Exchange.

12.4 Pre-clearance procedure

In order to prevent inadvertent violations and to avoid even the appearance of an improper transaction, all transactions of Affected Persons in shares (even if they occur outside a blackout period and the Affected Person does not possess inside information) must be pre-approved in writing (by e-mail) by the CEO or by the CFO as his deputy in this matter.

Compensation report 2020/21

Compensation report

1 Introduction

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

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

2 Guiding principles

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

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

3 Responsibility and procedures for determining compensation

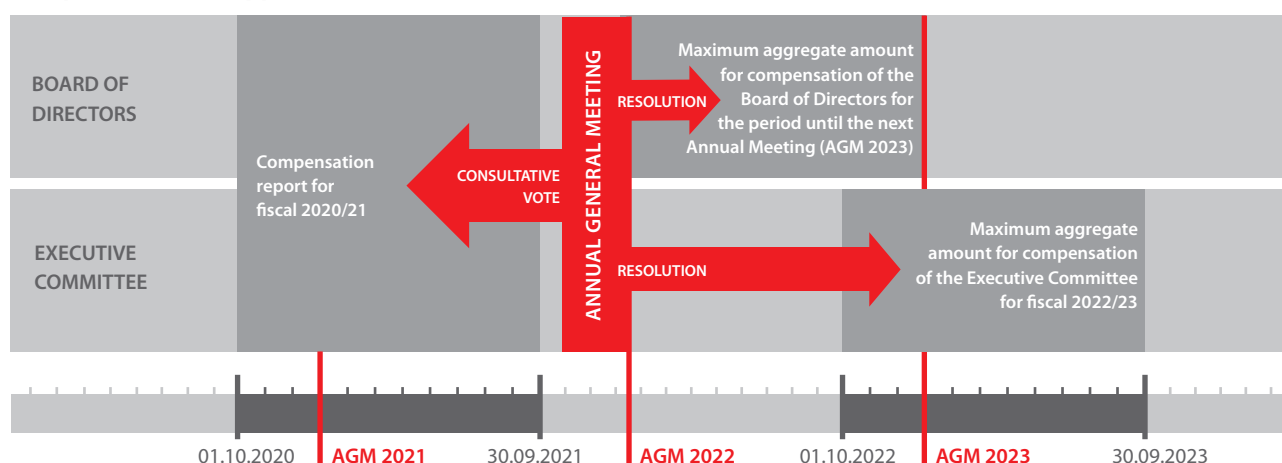
The Board of Directors has ultimate responsibility for the structuring and allocation of compensation. The compensation models used for the Board and the Executive Committee are set out in a compensation policy approved by the Board. The Board of Directors is supported in its work by the Nomination and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

From among the Board members, the General Meeting annually elects at least two members to the Nomination and Compensation Committee. The composition, responsibilities and operation of the NCC are described in the corporate governance report 2020/21 of Schaffner Holding AG in section 5.5.2.1 on page 32.

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

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

Compensation and approval mechanism



4 Compensation system for the Board of Directors

4.1 Non-executive members of the Board

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

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

a) Fixed cash compensation

Each member of the Board receives a fixed annual base compensation in cash (in fiscal year 2020/21: Chairman, CHF 170 thousand; other members, CHF 47 thousand). In addition, Board members receive a flat fee for their work on the Board committees (2020/21: committee chair, CHF 5 thousand; other committee members, CHF 3 thousand). This flat committee fee is paid only once per person, even if the recipient sits on several committees; the fee is included within the item "fixed cash compensation".

b) Long-term compensation in shares of the Company

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

4.1.1 Additional information

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

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

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

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

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

4.2 Executive members of the Board

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

5 Compensation system for the Executive Committee

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

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

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

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

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

a) Fixed cash compensation

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

b) Variable cash compensation

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

The corporate financial targets are set annually in advance for a one-year performance period. In fiscal year 2020/21 these target metrics were Group net sales and Group EBIT for the CEO and CFO; segment sales and segment EBIT for the division heads; and free cash flow for all members of the Executive Committee. In the prior fiscal year 2019/20 the target metrics were Group net sales and EBIT, segment sales and EBIT, and free cash flow.

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

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

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

	CEO/CFO	Division heads
Financial targets	60%	70%
– Group net sales	20%	15%
– Divisional net sales		15%
– Group EBIT	25%	15%
– Divisional EBIT		15%
– Free cash flow	15%	10%
Personal targets	40%	30%

c) Long-term compensation in shares of the Company

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

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

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

d) Pension and other compensation

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

5.1 Additional information

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

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

5.2 Additional amount for members of the Executive Committee

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

5.3 Employment contracts

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

6 Compensation of the members of the Board of Directors and Executive Committee for fiscal year 2020/21

6.1 Compensation of the members of the Board of Directors for 2020|21

In the fiscal year under review, the members of the Board received aggregate fixed compensation of CHF 331 thousand (prior year: CHF 327 thousand). In addition, aggregate share-based compensation of CHF 157 thousand was granted (prior year: CHF 111 thousand). This amount is based on the market value of a total of 533 shares under the LTIP (prior year: 558 shares) with a share price of CHF 294.00 on 30 November 2021, recognized in fiscal 2020/21 (prior year: CHF 199.00 on 1 December 2020).

In the prior year, in solidarity with the COVID-19 measures taken, the Board of Directors waived part of its fixed compensation.

The aggregate total compensation of the Board of Directors in the fiscal year under review was CHF 515 thousand (prior year: CHF 466 thousand). As the share ownership plan (the LTIP) is associated with a vesting period, the shares granted under it are recognized in the year of vesting, using accrual accounting.

Compensation of the members of the Board of Directors

	Fixed cash compensation in CHF '000		Share-based compensation ¹ in CHF '000		Social contributions ² in CHF '000		Total compensation in CHF '000		Number of shares granted	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Urs Kaufmann, Board Chairman ³	175	166	66	45	16	15	257	226	225	225
Philipp Buhofer, Board Vice Chairman ^{4,5}	50	48	29	20			79	67	100	100
Gerhard Pegam, Board member ⁵	50	48	29	20	5	5	85	72	100	100
Suzanne Thoma (until January 2020)		17		7		3		26		33
Andrea Tranel (from January 2021) ⁶	39		22		3		64		75	
Georg Wechsler (until January 2021) ⁷	17	49	10	20	3	5	30	74	33	100
Total	331	327	157	111	27	28	515	466	533	558

¹ Measured, in fiscal 2020/21, at the closing share price of CHF 294.00 at the date of determination of the number of shares granted, at the Board meeting of 30 November 2021 (prior year: CHF 199.00 on 1 December 2020).

² Social contributions include the employer's social security contributions. Employees' contributions are stated in the other compensation items.

³ Chairman of the Nomination and Compensation Committee (NCC).

⁴ Member of the NCC.

⁵ Member of the Risk and Audit Committee (RAC).

⁶ Chairwoman of the RAC from January 2021.

⁷ Chairman of the RAC until January 2021.

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

The shareholdings of the Board members of Schaffner Holding AG are disclosed on page 93 in the 2020/21 financial report.

Compensation of the members of the Executive Committee for 2020/21

For 2020/21, the fiscal year under review, the aggregate fixed compensation of the members of the Executive Committee was CHF 1,381 thousand (prior year: CHF 1,555 thousand). Their aggregate variable compensation for fiscal 2020/21 was CHF 817 thousand (prior year: CHF 334 thousand). This included equity compensation based on the market value of a total of 844 shares under the LTIP (prior year: 738) at a share price of CHF 294.00 on 30 November 2021 (prior year: CHF 199.00 on 1 December 2020).

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

The aggregate total compensation of the Executive Committee for fiscal year 2020/21 was CHF 2,581 thousand (prior year: CHF 2,321 thousand). As the share ownership plan (the LTIP) is associated with a vesting period, the shares granted under it are recognized in the year of vesting, using accrual accounting.

Compensation of the Executive Committee

In CHF '000, except share counts	Highest individual compensation ¹		Total compensation of Executive Committee ²	
	2020/21	2019/20	2020/21	2019/20
Fixed cash compensation	425	409	1,381	1,555
Variable cash compensation ³	222	77	569	187
Share-based compensation – LTIP ⁴	110	60	248	147
Pension contributions	109	107	350	392
Other compensation	7	7	33	40
Total compensation	873	659	2,581	2,321
Number of shares granted				
LTIP	375	300	844	738

¹ Marc Aeschlimann, Chief Executive Officer.

² In the course of fiscal 2020/21, the size of the Executive Committee decreased from five members to four.

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

⁴ Measured, in fiscal 2020/21, at the closing share price of CHF 294.00 at the date of determination of the number of shares granted, at the Board meeting of 30 November 2021 (prior year: CHF 199.00 on 1 December 2020).

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

The shareholdings of the members of the Executive Committee of Schaffner Holding AG are disclosed on page 93 in the financial report 2020/21.

6.2 Management transactions

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

www.ser-ag.com/de/resources/notifications-market-participants/management-transactions.html?#/

7 Benefits to former members of management

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

8 Related parties

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

Report of the statutory auditor on the compensation report



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REPORT OF THE STATUTORY AUDITOR

To the General Meeting of Schaffner Holding AG, Luterbach

Report of the statutory auditor on the compensation report

We have audited the compensation report dated 6 December 2021 of Schaffner Holding AG for the year ended 30 September 2021. The audit was limited to the information provided under articles 14 -16 of the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (the Ordinance) in sections 6 to 8 of the compensation report.

Responsibility of the Board of Directors

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

Auditor's responsibility

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

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

Opinion

In our opinion, the compensation report dated 6 December 2021 of Schaffner Holding AG for the year ended 30 September 2021 complies with Swiss law and articles 14 - 16 of the Ordinance.

Solothurn, 6 December 2021

BDO Ltd

Christoph Tschumi

Auditor in Charge

Licensed Audit Expert

Bianca Knödler

Licensed Audit Expert

Financial report 2020/21

Consolidated balance sheet

In CHF '000	Note	30.09.2021	30.09.2020
Intangible assets	3	1,363	981
Property, plant and equipment	4	25,594	32,986
Other non-current financial assets		1,032	1,011
Deferred tax assets	15	6,467	8,465
Total non-current assets		34,456	43,443
Prepaid expenses and deferred income		1,143	1,036
Inventories	5	29,578	31,602
Other current financial assets		1,476	2,020
Other receivables		3,650	2,892
Trade receivables	6	25,621	32,907
Cash and cash equivalents		24,026	14,219
Total current assets		85,494	84,676
Total assets		119,950	128,119
Exchange differences		-21,718	-21,769
Retained earnings		40,159	28,280
Treasury shares		-1,221	-608
Share premium		29,685	30,380
Share capital		20,668	20,668
Total shareholders' equity		67,573	56,951
Deferred tax liabilities	15	251	312
Non-current provisions	7	4,157	4,498
Non-current borrowings	8	12,105	34,374
Total non-current liabilities		16,513	39,184
Accrued expenses	12, 15	11,749	9,772
Current provisions	7	942	1,367
Other payables		2,743	4,439
Trade payables		19,936	15,772
Current borrowings	8	233	222
Derivatives	9	261	412
Total current liabilities		35,864	31,984
Total liabilities		52,377	71,168
Total liabilities and shareholders' equity		119,950	128,119

Consolidated income statement

(year ended 30 September)

In CHF '000	Note	2020/21	2019/20
Net sales of goods and services	16	172,479	171,736
Cost of sales	11	- 116,910	- 125,413
Gross profit		55,569	46,323
Marketing and selling expense	11	- 15,013	- 16,297
Research and development expense	11	- 15,260	- 16,073
General and administrative expense	11	- 8,966	- 9,283
Other operating expense ¹	1	- 13,008	0
Operating profit (EBIT)		3,322	4,670
Net finance expense	14	- 1,420	- 1,033
Profit before tax (EBT)		1,901	3,638
Income tax	15	- 4,196	- 923
Net (-loss)/profit for the period		- 2,295	2,715
(-Loss)/earnings per share in CHF	18		
Basic		- 3.63	4.28
Diluted		- 3.63	4.28

¹ Loss on divestiture of Power Magnetics division after goodwill recycling under Swiss GAAP FER 30.17.

Consolidated cash flow statement

(year ended 30 September)

In CHF '000	Note	2020/21	2019/20
Net (-loss)/profit for the period		-2,295	2,715
Depreciation and impairment of property, plant and equipment	4	5,502	5,645
Amortization and impairment of intangible assets	3	365	295
Result on divestiture of Power Magnetics division	1	13,008	0
Result on disposal of property, plant and equipment and intangible assets		41	289
Change in provisions	7	282	744
Change in deferred tax	15	1,975	-340
Change in trade receivables		3,056	2,986
Change in inventories		-7,291	3,890
Change in other receivables, prepaid expenses and deferred income		-2,646	-897
Change in trade payables		7,725	-7,617
Change in other current payables and accrued expenses		1,328	2,455
Expense for share-based payments to staff		261	470
Exchange differences on intra-Group items		-497	-620
Other non-cash expense/(-income)		80	-257
Cash flow from operating activities		20,894	9,758
Purchase of property, plant and equipment	4	-5,073	-9,873
Disposal of property, plant and equipment		215	154
Purchase of intangible assets	3	-756	-476
Cash flow from divestiture of Power Magnetics division	1	18,303	0
Change in current financial assets		698	-564
Change in loan receivables and non-current financial assets		-26	-63
Cash flow from investing activities		13,362	-10,822
Purchase of treasury shares	19	-1,027	-401
Dividend payment		-633	-1,586
Repayment of excess share premium		-633	-1,586
(-Repayment)/proceeds of borrowings		-22,253	1,756
Amortization in connection with finance leases		-223	-209
Cash flow from financing activities		-24,769	-2,027
Effect of exchange rates on cash and cash equivalents		320	-704
Change in cash and cash equivalents		9,807	-3,794
Cash and cash equivalents at 1 October		14,219	18,013
Cash and cash equivalents at 30 September		24,026	14,219
Free cash flow¹		15,280	-437
Included in cash flow from operating activities:			
Interest paid		-607	-799
Interest received		54	34
Income tax paid		-1,216	-1,691

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

Consolidated statement of changes in equity

In CHF '000	Share capital	Share premium	Cumulative exchange differences	Retained earnings	Treasury shares	Total shareholders' equity
At 1 October 2019	20,668	31,912	- 15,882	27,329	- 800	63,227
Net profit for the period				2,715		2,715
Exchange differences			- 5,887			- 5,887
Treasury share transactions		54		- 647	192	- 401
Repayment of excess share premium ¹		- 1,586				- 1,586
Dividend payment ²				- 1,586		- 1,586
Share-based incentive plans				470		470
At 30 September 2020	20,668	30,380	- 21,769	28,280	- 608	56,951
Net (-loss)/profit for the period				- 2,295		- 2,295
Exchange differences			51			51
Goodwill recycling				14,898		14,898
Treasury share transactions		- 62		- 352	- 613	- 1,028
Repayment of excess share premium ³		- 633				- 633
Dividend payment ⁴				- 633		- 633
Share-based incentive plans				261		261
At 30 September 2021	20,668	29,685	- 21,718	40,159	- 1,221	67,573

^{1,2} CHF 2.50 per share.

^{3,4} CHF 1.00 per share.

Share capital

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

The Group's legally required retained earnings and share premium totaled CHF 25.2 million at the balance sheet date (prior year: CHF 25.6 million). These reside in the holding company, Schaffner Holding AG.

Notes to the consolidated financial statements

Accounting policies

Basis of preparation

The consolidated financial statements comprise the individual financial statements of Schaffner Holding AG (the “Company”) and its subsidiaries (together, “Schaffner”, the “Group” or the “Schaffner Group”) at and for the year ended 30 September 2021, drawn up in accordance with the uniform accounting policies of the Group.

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

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

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

Changes in accounting policies

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

Assumptions and estimates

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

Methods of consolidation

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

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

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

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

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

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

Foreign currency transactions

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

Intangible assets

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

a) Acquisitions and goodwill

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

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

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

b) Internally generated intangible assets

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

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

Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less depreciation and impairment. Depreciation is charged on a straight-line basis or – in the case of automated production lines in the Automotive division – using the unit of production method. Straight-line depreciation is applied based on the estimated useful life of the asset, as follows:

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

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

Impairment of non-financial assets

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

Inventories

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

Trade receivables

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

Securities held as current assets

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

Cash and cash equivalents

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

Provisions

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

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

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

Revenue recognition

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

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

The sources of the Schaffner Group's revenue are detailed in note 16.

Pension obligations

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

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

Derivative financial instruments

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

Segment reporting

Until the end of June 2021, the Schaffner Group was organized into three divisions: EMC, Power Magnetics and Automotive. This delineation of segments (i.e., divisions) was consistent with the internal reporting on the basis of which the chief decision maker responsible allocates resources to these segments and evaluates their profitability.

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

As a result of the divestiture of the Power Magnetics division, the segment structure and segment reporting content were re-evaluated. Based on the outcome of this analysis, it was decided to retain the EMC and Automotive segments as the divisional organizational structure. However, for competition reasons, Schaffner now no longer publishes publishes segment earnings.

Income tax

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

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

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

Borrowings

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

Share-based payments

Schaffner maintains a Long-Term Incentive Plan (LTIP), which has been in place since 1 October 2018. The fair value of the shares of Schaffner Holding AG granted under the LTIP is measured at the quoted market price at the beginning of the vesting period (which starts at 1 October of the respective year), less a discount to compensate for the restricted nature of the shares during the three-year holding period.

In setting the target number of shares, it is assumed that the target number will be multiplied by a target achievement factor of 1.

1 Changes in the basis of consolidation

Sale of the Power Magnetics division

At 30 June 2021 the Schaffner Group divested the Power Magnetics division to the AQ group, based in Sweden. In fiscal year 2020/21, the year under review, the Power Magnetics division contributed CHF 25.2 million (prior year: CHF 44.0 million) to the Group's net sales, along with a divisional operating loss of CHF 0.2 million (prior year: operating profit of CHF 2.0 million).

The division's net sales and operating loss for fiscal 2020/21 in the income statement represent a period of nine months, while the prior-year comparative period was a full twelve months.

The Power Magnetics division's net assets recognized at the disposal date of 30 June 2021 and acquired by the buyer were as follows:

Net assets of the Power Magnetics division

In CHF '000	30.06.2021
Total non-current assets	5,780
Total current assets	18,576
Total assets	24,356
Total non-current liabilities	201
Total current liabilities	5,259
Total liabilities	5,460
Total net assets	18,896

Calculation of loss on divestiture of Power Magnetics division

In CHF '000	
Sale price ¹	22,488
Transaction costs	- 1,702
Net assets of Power Magnetics	- 18,896
Gain on divestiture before goodwill recycling	1,890
Recycling of goodwill recognized in equity	- 14,898
Loss on divestiture of Power Magnetics after goodwill recycling	- 13,008

¹ The remaining payment of CHF 1.9 million is included in other receivables at 30 September 2021.

The shadow accounting showing the hypothetical capitalization of the related goodwill and which was reported until fiscal year 2019/20 is no longer presented in fiscal 2020/21, as the hypothetical net book value at the end of fiscal 2019/20 was zero.

The goodwill of CHF 14.9 million recycled as a result of the divestiture of the Power Magnetics division can be reconciled to the cost of CHF 16.4 million reported in the prior year's shadow accounting by taking into consideration the amortization of CHF 2.1 million that had already been recognized before the initial application of Swiss GAAP FER in fiscal year 2014/15, and the positive exchange differences of CHF 0.6 million.

2 Foreign currencies

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

Country or region	Currency	Balance sheet		Income statement	
		30.09.2021 In CHF	30.09.2020 In CHF	2020/21 In CHF	2019/20 In CHF
China	CNY 100	14.48	13.56	14.02	13.68
EU	EUR 100	108.29	108.02	108.78	107.52
UK	GBP 100	125.82	118.36	124.85	122.56
Hungary	HUF 100	0.30	0.30	0.30	0.31
India	INR 100	1.26	1.25	1.24	1.31
Japan	JPY 100	0.84	0.87	0.8447	0.89
Sweden	SEK 100	10.65	10.22	10.70	10.17
Singapore	SGD 100	68.74	67.37	67.97	69.24
Thailand	THB 100	2.76	2.91	2.91	3.07
Taiwan	TWD 100	3.36	3.18	3.25	3.20
USA	USD 100	93.55	92.28	91.05	95.63

3 Intangible assets

In CHF '000	Technology and rights	Software	Intangible assets under construction	Total
Cost at 1 October 2019	425	10,336	0	10,761
Additions		25	451	476
Disposals		-211		-211
Reclassifications		46	-46	-0
Exchange differences	8	-47		-39
Cost at 30 September 2020	433	10,149	405	10,987
Additions		638	118	756
Changes in scope of consolidation	-385	-166		-550
Disposals		-51		-51
Reclassifications		477	-477	0
Exchange differences		17		17
Cost at 30 September 2021	48	11,065	46	11,159
Accumulated amortization and impairment at 1 October 2019	-415	-9,539	0	-9,954
Amortization	-4	-291		-295
Disposals		212		212
Exchange differences	-9	40		31
Accumulated amortization and impairment at 30 September 2020	-428	-9,578	0	-10,007
Amortization	-3	-362		-365
Changes in scope of consolidation	324	158		483
Disposals	61	51		112
Exchange differences	-1	-18		-19
Accumulated amortization and impairment at 30 September 2021	-47	-9,749	0	-9,796
Net book value at 30 September 2020	5	571	405	981
Net book value at 30 September 2021	1	1,316	46	1,363

In the consolidated income statement, amortization of intangible assets is included within “cost of sales”, “marketing and selling expense”, “research and development expense”, and “general and administrative expense”. The decrease in net book values in the fiscal year in the categories “technology and rights” and “software” was related to the divestiture of the Power Magnetics division.

4 Property, plant and equipment

In CHF '000	Undeveloped land	Land and buildings	Plant and machinery	IT hardware	Other tangible assets	Assets under construction	Total
Cost at 1 October 2019	156	15,136	53,305	3,254	4,565	6,801	83,217
Additions		119	640	98	314	6,399	7,569
Disposals		-98	-3,945	-567	-631	-121	-5,362
Reclassifications		5,434	2,325	8	37	-7,804	
Exchange differences		-1,442	-4,000	-125	-61	-484	-6,111
Cost at 30 September 2020	156	19,150	48,325	2,668	4,224	4,791	79,314
Additions		204	713	121	51	3,846	4,935
Changes in scope of consolidation	-156	-4,865	-10,892	-515	-591	-39	-17,059
Disposals		-101	-1,567	-99	-133	-111	-2,010
Reclassifications		49	3,598	46	87	-3,779	0
Exchange differences		40	-656	-5	-16	-358	-994
Cost at 30 September 2021	0	14,478	39,521	2,215	3,622	4,350	64,186
Accumulated depreciation and impairment at 1 October 2019		-7,747	-35,075	-2,496	-3,293	0	-48,611
Depreciation		-816	-4,179	-277	-372		-5,645
Disposals		84	3,659	590	587		4,920
Exchange differences		401	2,481	100	25		3,008
Accumulated depreciation and impairment at 30 September 2020		-8,078	-33,113	-2,082	-3,054	0	-46,328
Depreciation		-774	-4,097	-287	-344		-5,502
Changes in scope of consolidation		1,402	9,058	437	465		11,361
Disposals		75	1,451	96	132		1,754
Exchange differences		-149	269	1	3		124
Accumulated depreciation and impairment at 30 September 2021	0	-7,524	-26,432	-1,836	-2,798	0	-38,591
Net book value at 30 September 2020	156	11,072	15,212	585	1,169	4,791	32,986
Of which finance leases		1,700					1,700
Net book value at 30 September 2021		6,954	13,089	379	824	4,350	25,594
Of which finance leases		1,599					1,599

In the consolidated income statement, depreciation of property, plant and equipment is included within “cost of sales”, “marketing and selling expense”, “research and development expense”, and “general and administrative expense”. The decrease in net book values in the fiscal year in the various categories of property, plant and equipment was related to the divestiture of the Power Magnetics division.

At the end of the fiscal year there were commitments to purchase property, plant and equipment in the amount of CHF 1.1 million (prior year: CHF 1.8 million). Additions to property, plant and equipment included unpaid investment of CHF 0.8 million (prior year: CHF 0.6 million).

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

Operating leases

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

In CHF '000	30.09.2021	30.09.2020
Minimum lease payments due:		
Within 1 year	2,828	2,122
In more than 1 year and up to 5 years	6,784	8,212
In more than 5 years	8,536	9,614
Total minimum payments	18,148	19,948

Finance leases

The carrying amount of assets held under finance leases was CHF 1.6 million (prior year: CHF 1.7 million) and related to the leased logistics center in Wittelsheim, France. The associated obligations under finance leases were CHF 0.8 million (prior year: CHF 1.0 million).

5 Inventories

In CHF '000	30.09.2021	30.09.2020
Raw materials	10,655	13,160
Work in process and semi-finished goods	1,126	3,431
Finished goods	17,796	15,011
Total inventories	29,578	31,602

Inventory provisions

In CHF '000	2020/21	2019/20
At 1 October	3,782	2,957
Created	594	1,903
Changes in scope of consolidation	-1,161	0
Used	-519	-319
Unused amounts reversed	-143	-615
Exchange differences	88	-144
At 30 September	2,641	3,782

6 Trade receivables

In CHF '000	30.09.2021	30.09.2020
Trade receivables from non-Group entities, gross	25,945	33,061
Provision for doubtful debts	- 324	- 155
Total trade receivables	25,621	32,907

Provision for doubtful debts

In CHF '000	2020/21	2019/20
At 1 October	155	101
Created	252	179
Used	- 51	- 36
Unused amounts reversed	- 33	- 86
Exchange differences	1	- 3
At 30 September	324	155

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

In CHF '000	Total	Not yet due	Overdue			
			Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days
Trade receivables at 30 September 2020	33,061	24,796	4,104	2,279	1,246	636
Trade receivables at 30 September 2021	25,945	20,596	3,550	1,038	284	477

7 Provisions

In CHF '000	Warranty provisions	Pension provisions	Restructuring provisions	Other provisions	Total
At 1 October 2019	1,412	3,645	11	284	5,352
Created	658	614		942	2,214
Used	-264	-196		-155	-615
Unused amounts reversed	-665	-2	-11	-177	-855
Exchange differences	-55	-173		-3	-231
At 30 September 2020	1,086	3,888	0	891	5,865
Created	573	336		557	1,466
Changes in scope of consolidation	-438			-10	-449
Used	-423	-127		-416	-966
Unused amounts reversed	-574	-66		-170	-810
Exchange differences	56	-55		-8	-7
At 30 September 2021	280	3,976	0	843	5,099
Non-current provisions	598	3,888	0	12	4,498
Current provisions	488	0	0	879	1,367
Total provisions at 30 September 2020	1,086	3,888	0	891	5,865
Non-current provisions	169	3,976	0	12	4,157
Current provisions	111	0	0	831	942
Total provisions at 30 September 2021	280	3,976	0	843	5,099

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

Warranty provisions

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

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

Pension provisions

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

Restructuring provisions

For fiscal year 2020/21 as for the prior year, no restructuring provisions were raised.

Other provisions

In fiscal year 2020/21, provisions in the amount of CHF 0.4 million were created in connection with the divestiture of the Power Magnetics division. The amount used in the year related largely to onerous contracts of the divested Power Magnetics division in the USA.

8 Borrowings

The average interest rate payable on borrowings in fiscal year 2020/21 was 2.0% (prior year: 2.0%).

The composition of borrowings is shown in the following table:

In CHF '000	Effective interest rate at 30.09.2021	30.09.2021	30.09.2020
Bank loans in Switzerland	Libor (min. 0%) + 1.0%	11,803	33,992
Finance leases	4.514%	796	1,016
Total borrowings		12,599	35,008
Of which:			
Current borrowings and derivatives		494	634
Non-current borrowings		12,105	34,374

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

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

9 Derivative financial instruments

In CHF '000	Contract amounts		Positive fair values		Negative fair values	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Forward contracts	1,446	1,534			-10	-30
Other derivative hedging transactions	14,755	15,676	33	35	-283	-417
Total	16,201	17,210	33	35	-293	-447

Contract amounts represent the outstanding transaction volume. At the balance sheet date, there were only currency contracts; these had a net negative fair value of CHF 0.3 million (prior year: CHF 0.4 million). The changes in the fair value of these currency contracts are reported in cash flow from operating activities based on the recognition of the underlying transaction.

10 Contingent liabilities and pledged assets

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

Assets of CHF 0.2 million (prior year: CHF 0.6 million) were pledged as collateral for electricity consumed and for pension liabilities.

11 Exceptional effects and accounting for and disclosure of government grants and assistance

In response to the coronavirus pandemic, countries worldwide adopted different measures to reduce the spread of the virus. In order to contain the negative impacts of the coronavirus pandemic and at the same time maintain its ability to assure deliveries to customers, the Schaffner Group immediately initiated an action program in 2019/20, the prior fiscal year. It included structural and capacity adjustments in the plants, reduced work hours for overhead staff, the postponement of renewal investments, and strict management of costs. In the year under review, the Group was able to partly dispense with these measures and focused on ongoing structural and resource adjustments at the plants.

The effects of the public-health measures and Schaffner's own actions to contain the COVID-19 pandemic, and the grants and other assistance from national governments, are reflected in these annual financial statements, with an overall net positive impact of about CHF 1.9 million on the income statement (prior year: CHF 2.7 million) which served to offset adverse financial effects.

All effects of government assistance (referred to locally by terms such as "paycheck protection program", "social cost reduction" and "governmental support packages") in countries such as the USA, China and Thailand are included on a net basis in the accounts concerned.

12 Staff costs

In CHF '000	2020/21	2019/20
Wages and salaries	43,014	44,850
Share-based payments expense (Long-Term Incentive Plan) ¹	171	390
Social security costs	7,270	8,425
Temporary employees and other staff costs	6,379	5,817
Total staff costs	56,834	59,481

¹ See note 17, page 81. The difference relative to the consolidated statement of changes in equity is attributable to the compensation of the Board of Directors.

For fiscal year 2020/21, a total of CHF 5.1 million (prior year: CHF 3.6 million) was recognized as accrued expenses for i) performance-related compensation, ii) "thirteenth monthly salary" (an extra month's pay at the end of the year), and iii) social security.

13 Pension obligations

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

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

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

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

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

Economic benefit/economic obligation and pension costs

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

In CHF '000	Plan surplus/ (-deficit)	Economic benefit/ (-obligation) of the Schaffner Group		Exchange differences	Change in economic benefit or obligation, recognized in income statement ¹	Accrued contributi- ons	Pension costs recognized in staff costs	
	30.09.2021	30.09.2021	30.09.2020	2020/21	2020/21	2020/21	2020/21	2019/20
Plans with a surplus	0	0	0	0	0	1,061	1,061	1,141
Unfunded plans	0	-3,221	-3,131	-114	204	13	217	358
Balance	0	-3,221	-3,131	-114	204	1,075	1,279	1,499

¹ Change in economic benefit or obligation of the Schaffner Group..

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

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

The economic obligation recognized in the balance sheet for unfunded pension plans was CHF 3.2 million (prior year: CHF 3.1 million) and related to the pension plans in Germany, France, Thailand, Italy and Japan

14 Finance income and expense

Finance income

In CHF '000	2020/21	2019/20
Interest income	54	33
Foreign exchange gains	52	4,595
Other financial income	47	0
Total finance income	153	4,628

Finance expense

In CHF '000	2020/21	2019/20
Interest cost	-597	-802
Foreign exchange losses	-858	-4,784
Other finance expense	-118	-75
Total finance expense	-1,573	-5,661

15 Income tax

In CHF '000	2020/21	2019/20
Current tax in respect of the current year	-1,621	-1,094
Adjustments in respect of prior periods, net	-600	-169
Current tax	-2,221	-1,263
Current tax	-2,221	-1,263
Deferred tax	-1,975	340
Income tax	-4,196	-923

Deferred tax liabilities of CHF 3.2 million (prior year: liabilities of CHF 2.8 million) for temporary differences in connection with reinvested profits in subsidiaries were not recognized at the end of the fiscal year, as the Group is able to control the timing of reversal of these differences and no repayment is planned for the foreseeable future.

For fiscal 2020/21, CHF 1.2 million (prior year: CHF 0.7 million) for deferred taxes was included in accrued expenses.

Tax loss carryforwards

At 30 September 2021 there were tax loss carryforwards and interest carryforwards of CHF 35.8 million (prior year: CHF 20.2 million) for which no deferred tax assets were recognized. The reason for the non-recognition is that it is considered unlikely the potential tax assets would be applied to taxable profits within the period allowed. The average tax rate applicable to the tax loss carryforwards would be 21.8% (prior year: 24.0%).

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

In CHF '000	2020/21	2019/20
Expiry in 1 year	0	0
Expiry in 2 years	0	0
Expiry in 3 years	458	0
Expiry in 4 years	0	0
Expiry in 5 years	0	2,650
Expiry in more than 5 years	35,356	17,558
Total unused tax loss and interest carryforwards	35,814	20,208
Potential positive tax effect	7,808	4,850

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

In CHF '000	2020/21	2019/20
Profit before tax reported in the income statement	1,901	3,638
Nominal tax rate	16%	17%
Expected income tax at nominal tax rate	-311	-615
Effect of non-recognition of tax loss carryforwards	-901	-89
Effect of tax rates/tax bases other than nominal tax rate/tax bases	38	-501
Effect of expenses not deductible for tax purposes	-34	-65
Effect of non-taxable income	32	8
Utilization of previously unrecognized tax losses or gains	135	573
Adjustments in respect of prior periods	-600	-169
Non-refundable withholding taxes	-143	-131
Change in recognition of tax loss carryforwards	23	68
Effect of goodwill recycling	-2,437	-2
Income tax (-expense) reported in the income statement	-4,196	-923

For the tax reconciliation, the tax rate under the so-called home-based approach was used, i.e., the tax rate that applies to the Group's principal activities in Switzerland. The weighted average applicable tax rate based on the subsidiaries' pre-tax profit (EBT) was 23.1% (prior year: 25.4%).

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

In CHF '000	2020/21	2019/20
Intangible assets	-4	1,711
Property, plant and equipment	-720	-769
Inventories	1,059	1,626
Trade receivables	-79	11
Provisions	595	749
Trade and other payables	675	1,467
Tax loss carryforwards	4,697	3,391
Net deferred tax assets	6,223	8,158
Of which:		
Reported in the balance sheet as deferred tax liabilities	-251	-312
Reported in the balance sheet as deferred tax assets	6,467	8,465

16 Segment reporting

Until 30 June 2021, the Schaffner Group was organized into the three divisions EMC, Automotive and Power Magnetics. They were the organizational units for which results were reported to the Executive Committee.

As a result of the divestiture of the Power Magnetics division, the remaining segment structure and the segment reporting content were re-evaluated. Based on the outcome of this analysis, it was decided to retain the EMC and Automotive segments as the divisional organizational structure. However, for competition reasons, Schaffner now no longer publishes segment earnings. The continued publication of full segment data would entail disadvantages for the Schaffner Group due to the resulting information asymmetry relative to its competitors and would materially affect potential orders in an environment of strong downward pressure on prices. For this reason, beginning with these 2020/21 financial statements, the only segment data reported by the Schaffner Group will be divisional sales

Electromagnetic Compatibility (EMC)

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

Automotive (AM)

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

Power Magnetics (PM)

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

As discussed in note 1, the Power Magnetics division was sold effective 30 June 2021. It is presented for the sake of completeness, having been part of the Schaffner Group for the first nine months of the fiscal year.

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

Information by division

2020/21 In CHF '000	EMC	AM	PM	Group
Net sales	108,612	38,650	25,217	172,479

2019/20 In CHF '000	EMC	AM	PM	Group
Net sales	94,906	32,796	44,034	171,736

Information by region

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

In CHF '000	Europe	Asia	Americas	Group
Net external sales	97,390	46,310	28,779	172,479

In CHF '000	Europe	Asia	Americas	Group
Net external sales	81,981	49,781	39,974	171,736

17 Share-based payments

The Schaffner Group has an equity incentive plan (share ownership plan) for upper management employees and the Board of Directors, the Long-Term Incentive Plan (LTIP).

Long-Term Incentive Plan

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

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

In fiscal year 2020/21 a final total of 2,071 shares (prior year: 2,506 shares) was granted, on 4 January 2021, with a fair value of CHF 171 per share (prior year: CHF 258 per share). The final expense totaling CHF 353 thousand (prior year: CHF 647 thousand) was largely accounted for in the past fiscal year, 2019/20, by provisionally recognizing an accrued expense of CHF 337 thousand (prior year: CHF 513 thousand) based on the target number of shares.

For the fiscal year under review, based on the assumption of an achievement factor of 1, a total target number of 1,786 shares was allocated (accrued) under the LTIP. At a fair value of CHF 149 per share, the allocated shares were expensed in the fiscal year at a total amount of CHF 261 thousand. The actual final number of shares to be granted for fiscal year 2020/21 was determined by the Board of Directors on 30 November 2021.

18 Earnings per share

Basic earnings per share

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

	2020/21	2019/20
Basic earnings per share		
Net (-loss)/profit for the period in CHF '000	- 2,295	2,715
Weighted average number of shares outstanding entitled to dividend	631,692	633,828
Basic (-loss)/earnings per share in CHF	- 3.63	4.28

Diluted earnings per share

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

	2020/21	2019/20
Diluted earnings per share		
Net (-loss)/profit for the period in CHF '000	- 2,295	2,715
Weighted average number of shares outstanding to use in calculation of diluted earnings per share	631,692	633,828
Diluted (-loss)/earnings per share in CHF	- 3.63	4.28

19 Treasury shares

	Number of shares	Average share price in CHF	At average price in CHF '000
At 1 October 2019	3,383	236	800
+ Purchase ¹	2,077		401
- Utilized for share-based incentive plans ²	- 2,506		- 647
Valuation differences ³			54
At 30 September 2020	2,954	206	608
+ Purchase ¹	4,562		1,027
- Utilized for share-based incentive plans ²	- 2,071		- 352
Valuation differences ³			- 62
At 30 September 2021	5,445	224	1,221

¹ At share prices quoted at the transaction date.

² At fair value.

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

20 Related parties

All transactions with subsidiaries were completely eliminated on consolidation.

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

21 Release of the consolidated financial statements for publication

The consolidated financial statements were released by the Board of Directors of Schaffner Holding AG on 6 December 2021 for publication and will be presented to shareholders for adoption at the Annual General Meeting on 11 January 2022.

22 Events after the balance sheet date

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

23 Companies of the Schaffner Group

The following companies' results were consolidated in the accounts of the Schaffner Group at 30 September 2021:

Company	Registered office	Capital in '000	Group's interest in %
Schaffner Holding AG	Luterbach, Switzerland	CHF 20,668	100%
Schaffner EMV AG	Luterbach, Switzerland	CHF 14,000	100%
Schaffner Oy	Lohja, Finland	EUR 34	100%
Schaffner EMC S.A.S.	Wittelsheim, France	EUR 5,330	100%
Schaffner Ltd.	Wokingham, UK	GBP 50	100%
Schaffner EMV Hungary Kft. ¹	Kecskemét, Hungary		0%
Schaffner EMC S.r.l.	Milano, Italy	EUR 100	100%
Schaffner Deutschland GmbH	Karlsruhe, Germany	EUR 380	100%
Schaffner PM Services GmbH ²	Büren, Germany		0%
Schaffner EMC AB	Sollentuna, Sweden	SEK 200	100%
Schaffner EMC, Inc.	Edison, NJ, USA	USD 1,030	100%
Schaffner MTC LLC	Wytheville, VA, USA	USD 2,676	100%
Schaffner EMC Ltd.	Shanghai, China	CNY 52,815	100%
Schaffner EMC K.K.	Tokyo, Japan	JPY 10,000	100%
Schaffner EMC Pte. Ltd.	Singapore	SGD 1,200	100%
Schaffner EMC Co. Ltd.	Lamphun, Thailand	THB 140,000	100%
Schaffner EMV Ltd. (Taiwan Branch)	Taipei, Taiwan	TWD 5,000	100%
Schaffner India Pvt. Ltd.	Bangalore, India	INR 1,000	100%

¹ Since 1 July 2021, this company is no longer consolidated, as a result of the divestiture of the Power Magnetics division completed at the end of June 2021.

² The liquidation of this company was completed, and the company deconsolidated, on 10 September 2021.

Report of the statutory auditor on the consolidated financial statements



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STATUTORY AUDITOR'S REPORT

To the General Meeting of Schaffner Holding AG, Luterbach

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Schaffner Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2021, the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 59 to 83) give a true and fair view of the consolidated financial position of the Group as at 30 September 2021, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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



Key Audit Matter

How our audit addressed the key audit matter

Recognition and Disclosure Sale Power Magnetics (PM)

As of June 30, 2021, the Schaffner Group completed the sale of the Power Magnetics (PM) division by means of a share deal in the investment Schaffner EMV Hungary Kft. and various asset deals. In total, CHF 18.9 million net assets were sold for a sales price of CHF 22.5 million. Furthermore, goodwill of CHF 14.9 million is recycled from equity.

We treated the assessment of the accounting and reporting of this transaction as a key audit matter for two reasons:

Firstly, the sale has a material impact on the company's results for 2020/2021. The transaction further has an impact on various items of the balance sheet as of September 30, 2021, the income statement and the cash flow statement for the year 2020/2021.

Schaffner Holding AG explains the transaction and the impact on the scope of consolidation in note 1 and note 23 to the consolidated financial.

We have received and reviewed the Company's sales documents, evidence and memoranda. We reconciled the sales price with the sales documents and bank records. We verified the goodwill recycling and the related foreign currency effects based on the historical goodwill offsetting and by means of interviews. To ensure the correct recording of the transaction, we verified the carrying amounts of the net assets sold at the date of loss of control and the deconsolidation entries.

We also assessed the appropriateness of the disclosure in the consolidated financial statements.

Valuation of deferred tax assets

Deferred tax assets of CHF 6.5 million are recognized in the consolidated financial statements. Details of their composition and origin are given in note 15 to the consolidated financial statements.

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

From our point of view, this item, which is high in terms of amount, was of particular importance for the audit, as the underlying forecasts are based to a large extent on management estimates and assumptions.

By interviewing management, we obtained an understanding of the way deferred tax assets are determined. We validated the reconciliations from the tax balance sheet to the balance sheet prepared in accordance with Swiss GAAP FER, taking into account tax law aspects. Furthermore, we critically examined the plan calculations with regard to their feasibility and checked their accounting correctness.

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related



to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

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

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

Solothurn, 6 December 2021

BDO Ltd

Christoph Tschumi

Auditor in Charge

Licensed Audit Expert

Bianca Knödler

Licensed Audit Expert

Company financial statements of Schaffner Holding AG

Balance sheet

In CHF '000	Note	30.09.2021	30.09.2020
Cash and cash equivalents, and current assets with a quoted market price	2.1	71	389
Other current receivables	2.2	201	3,273
Prepaid expenses and deferred income		302	178
Current assets		574	3,839
Non-current receivables	2.3	0	2,004
Investments in subsidiaries	2.4	85,250	85,251
Non-current assets		85,250	87,255
TOTAL ASSETS		85,824	91,094
Current interest-bearing liabilities	2.5	6,428	3,489
Other current payables	2.6	137	6,175
Accrued expenses	2.7	1,516	694
Current liabilities		8,081	10,358
Non-current interest-bearing receivables	2.5	7,400	9,692
Non-current provisions	2.8	2	2
Non-current liabilities		7,402	9,693
Total liabilities		15,483	20,051
Share capital	1.1	20,668	20,668
Legally required capital reserves			
– Share premium	2.9	20,861	21,495
Legally required retained earnings			
– General legally required retained earnings		4,134	4,134
Discretionary retained earnings			
– Earnings brought forward		24,722	25,215
– Net profit for the year		1,177	140
Treasury shares	5.1	–1,221	–608
Shareholders' equity		70,341	71,043
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		85,824	91,094

Income statement

(year ended 30 September)

In CHF '000	Note	2020/21	2019/20
Operating income	3.1	6,401	4,933
Net sales of services		6,401	4,933
Staff costs		–2,580	–2,319
Other operating expenses	3.2	–2,376	–2,035
Operating profit before interest and tax (EBIT)		1,445	579
Finance income	3.3	8	43
Finance expense	3.4	–133	–461
Profit before tax (EBT)		1,321	161
Direct tax		–144	–20
Net profit for the year		1,177	141

Notes to the company financial statements of Schaffner Holding AG

1 Background information and basis of preparation

1.1 General information

Legal form, registered office and share capital

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

Purpose of the Company

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

Average full-time equivalents in the year

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

Level of audit

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

1.2 Accounting policies

Accounting principles

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

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

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

Estimates and assumptions by management

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

Related parties

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

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

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

Other current receivables and payables

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

Treasury shares

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

Operating income

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

Share-based payments

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

2 Notes to the balance sheet

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

In CHF '000	30.09.2021	30.09.2020
Bank deposits	71	389
Total	71	389

2.2 Other current receivables

In CHF '000	30.09.2021	30.09.2020
Other receivables from non-Group entities	10	24
Other receivables from subsidiaries	191	3,249
Total	201	3,273

2.3 Non-current receivables

In CHF '000	30.09.2021	30.09.2020
Non-current receivables from subsidiaries	0	2,004
Total	0	2,004

2.4 Investments in subsidiaries

Directly held

In CHF '000, except %	Details	30.09.2021	30.09.2020
Schaffner EMV AG	Share capital	CHF 14,000	CHF 14,000
Luterbach, Switzerland	Equity/voting interest	100%	100%
Schaffner EMV Hungary Kft. ¹	Share capital		HUF 8,000
Kecskemét, Hungary	Equity/voting interest	0%	2%

¹ Since 1 July 2021, this company is no longer consolidated, as a result of the divestiture of the Power Magnetics division completed at the end of June 2021.

Indirectly held

In CHF '000, except %	Details	30.09.2021	30.09.2020
Schaffner Oy	Share capital	EUR 34	EUR 34
Lohja, Finland	Equity/voting interest	100%	100%
Schaffner EMC S.A.S.	Share capital	EUR 5,330	EUR 5,330
Illzach, France	Equity/voting interest	100%	100%
Schaffner Ltd.	Share capital	GBP 50	GBP 50
Wokingham, United Kingdom	Equity/voting interest	100%	100%
Schaffner EMV Hungary Kft. ¹	Share capital		HUF 8,000
Kecskemét, Hungary	Equity/voting interest	0%	98%
Schaffner EMC S.r.l.	Share capital	EUR 100	EUR 100
Milan, Italy	Equity/voting interest	100%	100%
Schaffner EMC AB	Share capital	SEK 200	SEK 200
Sollentuna, Sweden	Equity/voting interest	100%	100%
Schaffner EMC Inc.	Share capital	USD 1,030	USD 1,030
Edison, NJ, USA	Equity/voting interest	100%	100%
Schaffner MTC LLC	Share capital	USD 2,676	USD 2,676
Wytheville, VA, USA	Equity/voting interest	100%	100%
Schaffner EMC Ltd.	Share capital	CNY 52,815	CNY 52,815
Shanghai, China	Equity/voting interest	100%	100%
Schaffner EMC K.K.	Share capital	JPY 10,000	JPY 10,000
Tokyo, Japan	Equity/voting interest	100%	100%
Schaffner EMC Pte. Ltd.	Share capital	SGD 1,200	SGD 1,200
Singapore	Equity/voting interest	100%	100%
Schaffner EMC Co. Ltd.	Share capital	THB 140,000	THB 140,000
Lamphun, Thailand	Equity/voting interest	100%	100%
Schaffner EMV Ltd.	Share capital	TWD 5,000	TWD 5,000
Taipei City, Taiwan	Equity/voting interest	100%	100%
Schaffner Deutschland GmbH	Share capital	EUR 380	EUR 380
Karlsruhe, Germany	Equity/voting interest	100%	100%
Schaffner PM Services GmbH ²	Share capital		EUR 25
Büren, Germany	Equity/voting interest	0%	100%
Schaffner India Pvt. Ltd.	Share capital	INR 1,000	INR 1,000
Bangalore, India	Equity/voting interest	100%	100%

¹ Since 1 July 2021, this company is no longer consolidated, as a result of the divestiture of the Power Magnetics division completed at the end of June 2021.

² The liquidation of this company was completed, and the company deconsolidated, on 10 September 2021.

2.5 Interest-bearing liabilities

In CHF '000	30.09.2021	30.09.2020
Interest-bearing liabilities to subsidiaries	9,328	13,181
Interest-bearing liabilities to non-Group entities	4,500	0
Total	13,828	13,181
Of which:		
Current interest-bearing liabilities	6,428	3,489
Non-current interest-bearing liabilities	7,400	9,692

2.6 Other current payables

In CHF '000	30.09.2021	30.09.2020
Other liabilities to non-Group entities	117	267
Other liabilities to social security plans	20	53
Other liabilities to subsidiaries	0	5,855
Total	137	6,175

2.7 Accrued expenses

In CHF '000	30.09.2021	30.09.2020
Accrued tax	119	1
Accrued social security expenses	40	0
Accrued performance-related compensation	423	85
Other accrued expenses	933	608
Total	1,516	694

2.8 Non-current provisions

In CHF '000	30.09.2021	30.09.2020
Provisions for length-of-service awards	2	2
Total	2	2

2.9 Share premium

In CHF '000	30.09.2021	30.09.2020
Share premium	20,861	21,495
Total	20,861	21,495

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

3 Notes to the income statement

3.1 Operating income

In CHF '000	2020/21	2019/20
Income from management fees	4,034	2,919
Income from licensing	2,415	2,013
Total	6,448	4,933

3.2 Other operating expenses

In CHF '000	2020/21	2019/20
General and administrative expense	- 823	- 967
Consulting expenses	- 1,472	- 917
Miscellaneous operating expenses	- 80	- 151
Total	- 2,376	- 2,035

3.3 Finance income

In CHF '000	2020/21	2019/20
Interest income from subsidiaries	8	43
Other finance income	15	0
Exchange differences	18	0
Total	41	43

3.4 Finance expense

In CHF '000	2020/21	2019/20
Interest expense with non-Group entities	- 97	0
Interest expense with subsidiaries	- 68	- 34
Other finance expense	0	- 42
Exchange differences	0	- 385
Total	- 166	- 461

4 Notes on compensation

4.1 Schaffner shares, options and conversion rights held by the members of the Board of Directors and Executive Committee

	30.09.2021 Number of shares held	30.09.2020 Number of shares held
Board of Directors		
Urs Kaufmann, Chairman	1,400	1,175
Philipp Buhofer ¹	154,547	154,447
Gerhard Pegam	676	576
Suzanne Thoma (until January 2020)		929
Georg Wechsler (until January 2021)		1,124
Andrea Tranel (since January 2021)	0	
Total holdings of the Board of Directors	156,623	158,251
Executive Committee		
Marc Aeschlimann, CEO	1,718	1,418
Christian Herren, CFO	511	411
Guido Schlegelmilch, Executive VP, EMC division	707	607
Martin Lütenegger, Executive VP, AM division	250	150
Daniel Zeidler, Executive VP, PM division (until June 2021)		140
Total holdings of the Executive Committee	3,186	2,726

¹ Including shares held by the shareholder Group BURU Holding AG.

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

4.2 Equity securities granted

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

	2020/21		2019/20	
	Number of shares	In CHF '000	Number of shares	In CHF '000
Granted to the Board of Directors	525	107	625	138
Granted to the Executive Committee	738	151	1,001	220
Granted to other employees	808	171	880	194
Total	2,071	429	2,506	551

5 Other information

5.1 Treasury shares

	Number of shares	Average share price in CHF	Value at avg share price in CHF '000
At 1 October 2019	3,383	236	800
+ Purchase ¹	2,077		401
– Utilized for share-based incentive plans ²	–2,506		–647
Valuation differences ³			54
At 30 September 2020	2,954	206	608
+ Purchase ¹	4,562		1,027
– Utilized for share-based incentive plans ²	–2,071		–352
Valuation differences ³			–62
At 30 September 2021	5,445	224	1,221

¹ At share prices quoted at the transaction date.

² At the exercise price.

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

5.2 Significant shareholders

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

	30.09.2021		30.09.2020	
	Number of shares	Equity interest	Number of shares	Equity interest
Shareholder group BURU Holding AG	154,547	24.3%	154,447	24.3%
UBS Fund Management (Switzerland) AG	66,285	10.4%	66,285	10.4%
J. Safra Sarasin Investmentfonds AG	62,271	9.8%	62,271	9.8%
Mirabaud - Equities Swiss Small and Mid	32,304	5.1%	29,002	4.6%
Matter Group AG	19,100	3.0%	19,100	3.0%
Avalon Park Group Holding AG	19,100	3.0%	19,100	3.0%
Shareholders with interests of less than 3%	276,888	43.5%	282,781	44.5%
Treasury shares	5,445	0.9%	2,954	0.5%
Total shares outstanding	635,940	100.0%	635,940	100.0%

5.3 Total amount of security pledged for liabilities of third parties

In CHF '000	30.09.2021	30.09.2020
Guarantee obligations	49,500	49,500
Of which utilized in subsidiaries in respect of credit obligations	3,790	24,938

Joint and several liability

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

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

5.4 Residual amount of lease obligations

In CHF '000	30.09.2021	30.09.2020 ¹
Due in:		
Up to 1 year	13	26
More than 1 and up to 5 years	8	26
More than 5 years	0	0
Total	20	52

5.5 Significant events after the balance sheet date

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

5.6 Release of the company financial statements for publication

The company financial statements were released by the Board of Directors of Schaffner Holding AG on 6 December 2021 for publication and will be presented to shareholders for adoption at the Annual General Meeting on 11 January 2022.

5.7 Proposal for the appropriation of retained earnings

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

In CHF '000	30.09.2021	30.09.2020 ¹
Earnings brought forward	24,722	25,215
Net profit for the year	1,177	140
Retained earnings available for distribution	25,899	25,355
Transfer to legally required reserves ²	0	0
Distribution of CHF 4.50 (prior year: CHF 1.00) per share entitled to dividends	-2,837	-633
Earnings carried forward	23,062	24,722

¹ Amounts approved by the Annual General Meeting for the prior year.

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

In CHF '000, except share counts	30.09.2021	30.09.2020 ¹
Distributable share premium reserve brought forward	0	0
Transfer from share premium account to distributable share premium reserve	2,837	633
Distribution of CHF 4.50 (prior year: CHF 1.00) per share entitled to dividends, exempt from withholding tax	-2,837	-633
Distributable share premium reserve carried forward	0	0
Total number of shares outstanding	635,940	635,940
Number of treasury shares	-5,445	-2,954
Number of shares entitled to dividends ²	630,495	632,986

¹ Amounts approved by the Annual General Meeting for the prior year.

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

Report of the statutory auditor on the company financial statements



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STATUTORY AUDITOR'S REPORT

To the General Meeting of Schaffner Holding AG, Luterbach

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Schaffner Holding AG (the company), which comprise the balance sheet as at 30 September 2021 and the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements (pages 87 to 95) as at 30 September 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We concluded that there were no key audit matters to report in our report.



Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

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

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

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

Solothurn, 6 December 2021

BDO Ltd

Christoph Tschumi

Auditor in Charge
Licensed Audit Expert

Bianca Knödler

Licensed Audit Expert

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Important note on forward-looking statements

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

Comments

As a result of rounding, minor variances in calculated sums and percentages are possible in this annual report.

In the interest of readability, this report may sometimes use language that is not gender neutral. Any gender-specific references should be understood to include masculine, feminine and neuter as the context permits.

This English version of the Schaffner Group annual report is a translation from German and is provided solely for readers’ convenience. Only the German version is binding.

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