

## Strategy

# Inventing success together

**Creating added value for our customers and inventing success together in close partnership is our number one goal. That claim is underpinned by the high levels of application and technology-driven expertise of our well-qualified employees. They drive the value engineering process at SFS and enable it to create new solutions for its customers day after day. Our strategy has proved its worth in the face of the ongoing COVID-19 pandemic and the many challenges it has created.**

### **At your side 24/7**

SFS is a reliable companion throughout your day, from early in the morning to late at night, seven days a week. Not many people realize this, since our precision components and mechanical fastening systems are embedded in the successful products of our customers, where they perform often critical functions.

Your first contact with SFS products happens early in the morning when using your coffee machine or your smartphone. Driving to work, you are also surrounded by numerous SFS products: embedded in your car's safety systems such as seat belts, airbags and braking systems, they help to protect your life in the event of an accident. At work, hard disc drives function with high-precision miniature SFS components.

SFS products can also be found in many electronic lifestyle products, such as adventure cameras, smart watches and smart home devices. In the field of healthcare, our precision components in bone screws, dental implant fixtures or surgical instruments help to improve your quality of life.

### **Our value proposition: creating added value for the customer**

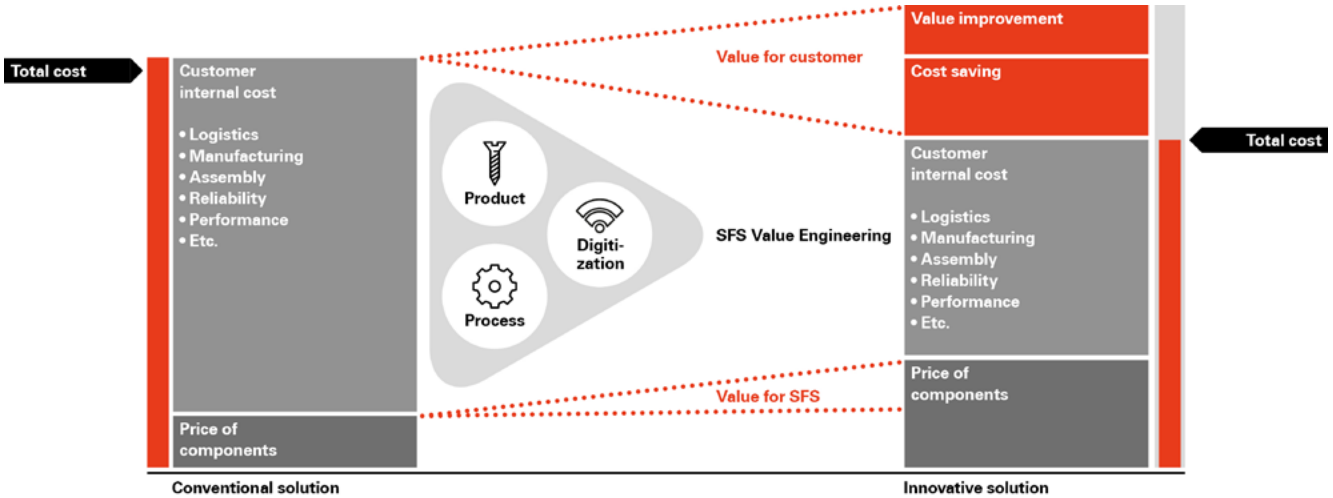
The cost of SFS components embedded into a customer's product often account for less than 1% of the total product cost. But the costs at the customer end arising from procurement, logistics and handling operations can be several times the actual cost of these components. That is why we are not primarily focusing on reducing our direct product costs and

differentiating ourselves on price – there would be limited potential. Instead, our main goal is to optimize the overall product-related costs of our customers (see graph on page 12).

This approach generates significantly more cost-savings potential and allows us to create sustainable value for our customers. Our value engineering model focuses on product design, definition of manufacturing processes and on exploiting the power of digitization. The result: custom-tailored products and intelligent solutions that increase the competitiveness of our customers. Hence, the SFS solutions lead to greater differentiation and stronger collaborative partnerships. Our aim of continuous improvement as we seek to create added value for the customer can only be achieved with a strong work ethic: an unwavering commitment to "inventing success together".

### **Our brand management: clear messages conveyed with distinctive typography and focused imagery**

The renewal of SFS's corporate identity and corporate design in 2018 sharpened the contours of its branding strategy and simplified its brand structure. The SFS brand is the focus, replacing the SFS intec and SFS unimarket brands. This brand consolidation has clearly enhanced the effectiveness and efficiency of our internal and external communications. The SFS brand has a more distinctive profile and differentiates our services and solutions from the competition even better than before.



Brands such as GESIPA®, Tegra Medical, Triangle Fasteners Corporation (TFC) and Unisteel continue to be used. Their strategic and cultural association with SFS is emphasized with the tagline: “A member of SFS”.

Digitalization is a high priority in our communications activities. The [sustainability.sfs.com/en](https://sustainability.sfs.com/en) website was launched as a dedicated platform for reporting on sustainability-related activities, underlining the high level of importance attached to this topic. Furthermore, the online annual report ([annual-report.sfs.com/en](https://annual-report.sfs.com/en)) was embedded for the first time on the SFS website, ensuring consistency between the company’s multiple websites.

The new employee app mySFS was created to improve internal communication and has already been rolled out in several divisions. The app, which will become the most important internal communication channel at SFS, facilitates internal communication, in particular for employees without a workplace computer. MySFS provides everybody with tailored information, supports the internal dialog and will also serve emergency communications purposes.

SFS’s brand strengthening efforts will continue with a focus on digital communication channels. The employee app will be extended to other divisions and new features that make work easier will be added. The Construction division’s e-commerce project will be rolled out to market organizations in order that our customers in the construction industry are able to order our products online.

**Global development and production platform continuously expanded:**

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

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

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

**2 Basis laid for sustained growth in medical device industry**

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

has proven time and again that it creates substantial value added for its customers.

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

All SFS Group's current activities for the medical device industry, which until now have been conducted in the Medical and Industrial divisions, will be aligned under the Tegra Medical brand. As part of this expansion, Walter Kobler, a long-standing member of the Group Executive Board of SFS Group and Head of the Industrial division, has additionally assumed management responsibility for the Medical division, effective 1 January 2021. Jens Breu, CEO of SFS Group, had previously managed the Medical division ad interim after Mark King, the former divisional head, announced his retirement in August 2020.

#### **Fastening system business for façades in Germany expanded**

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

#### **Creating additional capacity for growth projects in the automotive business**

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

#### **Sustainability is a strategic priority**

Since last year, SFS is publishing a stand-alone Sustainability Report. The report for the period 2020 will be published end of May 2021. Reporting on sustainability reflects SFS's long-term goal of a holistic integration of sustainable business practices into its corporate strategy and business model.

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## **SFS in brief**

SFS is a leading global provider of mechanical fastening systems and precision components. The company operates in the three segments Engineered Components, Fastening Systems and Distribution & Logistics, which represent the company's different business models.

#### **Engineered Components**

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

#### **Fastening Systems**

In the Fastening Systems segment (FS), which consists of the Construction and Riveting divisions, SFS develops, manufactures and markets application-specific mechanical fastening systems, including under the brands SFS, HECO, TFC (Construction division) and GESIPA® (Riveting division).

#### **Distribution & Logistics**

In the Distribution & Logistics segment (D&L), SFS positions itself as the leading sales and logistics partner for C-parts, hardware tools and fasteners for customers in industrial and construction sectors in Switzerland. The segment also offers customized logistics solutions that significantly improve the competitiveness of its customers.

#### **SFS Group**

SFS Group is a global player with manufacturing sites and distribution companies at more than 100 locations in 26 countries around the world. It generated sales of CHF 1,704.9 million in financial year 2020 with a workforce of approximately 10,000 (FTE).

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As a signatory of the UN Global Compact, SFS is committed to the Sustainable Development Goals (SDGs) and currently prioritises four goals: SDG 4 – Quality education, SDG 8 – Decent work and economic growth, SDG 12 – Responsible consumption and production, and SDG 13 – Climate action. This prioritisation reflects the material topics as determined in the materiality assessment conducted in 2019: economic performance, occupational health and safety, training and education, emissions reduction and socioeconomic compliance. SFS reports annually on the goals, measures and progress with respect to these topics within the framework of the “Communication on Progress” report (UN Global Compact) and the GRI Report (“core” option).

Sustainability is an important driver of our value engineering activities and thus for the products and solutions we create for our customers. For example, the general trend towards higher energy efficiency is an important innovation driver for SFS, specifically in automotive and building envelope applications. SFS also makes an important contribution to sustainability by using highly efficient manufacturing processes, such as cold forming in the production of components.

## Strategy tested by COVID-19 pandemic

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

- For SFS, close customer relationships are essential for the successful realization of its value proposition. In keeping with our ‘local for local’ strategy, we are steadily building up our global development and production platform. SFS and its customers benefit from superior supply reliability thanks to short and robust supply chains.
- Thanks to its balanced focus on different end markets, regions and sales channels, SFS successfully cushioned the consequences of the decline in demand.
- With its increased focus on the medical device industry – a market that is growing worldwide – SFS is attractively positioned for the future.
- Thanks to its good profitability and solid balance sheet, the company has the means and the ability to pursue its long-term strategy and to make the associated investments even in such a crisis.

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

### Strategic priorities



### Responsible management in action

In the spirit of good corporate governance and to facilitate a timely succession process, the Board of Directors of SFS Group appointed Volker Dostmann at the end of April 2020 successor to Rolf Frei as CFO. Volker Dostmann joined the Group Executive Board on 1 November 2020 and will assume the position of CFO at the Annual General Meeting on 22 April 2021. After the handover of the CFO function, Rolf Frei will continue to serve the company in selected strategic projects until he retires.

At the General Meeting 2021, the Board of Directors of SFS Group will propose the election of Manuela Suter, currently CFO of Bucher Industries and a member of its Executive Board, for election to the Board of Directors. With her many years of experience in multi-divisional, international and listed industrial companies, the Board of Directors is confident she will be a valuable addition to the Board.

### Taking advantage of the opportunities of the digital revolution with a new ERP platform

The digital revolution is one of the most important megatrends for SFS. Basis for a successful participation builds SFS's internal organizational performance and its ERP system. During the period under review, SFS decided to switch to the new generation of SAP ERP software. The implementation of SAP S/4HANA underscores SFS's commitment to its valued partnership with SAP. With the new ERP solution, SFS aims for an improved and more efficient meeting of market and customer requirements, to raise the level of process standardization, simplify the ERP system landscape and ensure centralized data availability. The higher degree of automation and integrated processes will lead to more efficient and attractive workplaces for employees.



60 years press plant  
Heerbrugg (Switzerland)

### Strong DNA since 1928

SFS's roots go back more than 90 years, to the opening of a hardware store called Stadler in Altstätten, Switzerland. In 1960, the company branched out into cold forming technology and the production of fasteners. Today SFS Group is one of the world's leading suppliers of mechanical fastening solutions, precision components and logistics systems for management of C-parts. The mission from day one – creating added value for the customer, every employee an entrepreneur and achieving sustainable success together – has been pursued consistently. The focus on entrepreneurship and longevity is upheld to this very day. It is anchored in our core values and is actively lived internally and externally on a daily basis through our value proposition: "Inventing success together".