

# Corporate Governance

- 1 Group structure and shareholders 42
- 2 Capital structure 43
- 3 Board of Directors 44
- 4 Group Executive Board 53
- 5 Compensation, shareholdings, loans 57
- 6 Shareholders' participation 57
- 7 Changes of control and defense measures 58
- 8 Auditing body 58
- 9 Information policy 59
- 10 Non-applicability/negative statement 59

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

The structure of the following Corporate Governance report follows the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange AG (DCG). All figures apply to 31 December 2015, unless otherwise stated.

## 1 Group structure and shareholders

### 1.1 Group structure

SFS Group is organized in three segments: Engineered Components, Fastening Systems and Distribution & Logistics.

Engineered Components develops, manufactures and sells precision components and special screws in three divisions. Fastening Systems combines the principles of threaded fastening and riveting technologies and consists of two divisions. Distribution & Logistics is a leading national supply partner for fasteners, tools and architectural hardware in Switzerland and in neighboring countries.

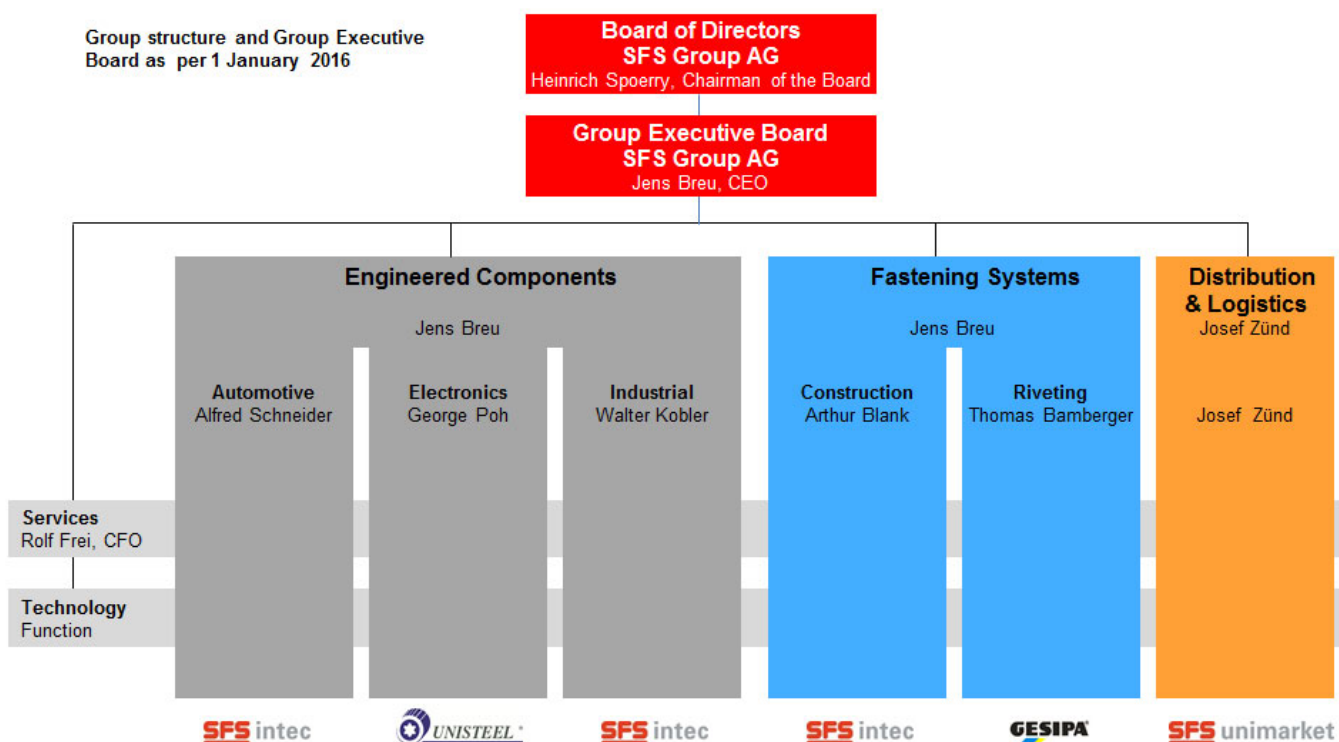
The Board of Directors and Group Executive Board are supported in their management and supervisory functions by the corporate cross-functions Technology (technology- and know-how-transfer, operations, business development) and Services (information technology, finance, controlling, human resources, communication).

The parent company of SFS Group is SFS Group AG, domiciled in Heerbrugg, municipality of Au/SG, Switzerland. It is incorporated under Swiss law and listed in the main segment of SIX Swiss Exchange AG (security number 23.922.930, ISIN CH 023 922 930 2). Its share capital is CHF 3,750,000 (PY 3,750,000) and its market capitalization was CHF 2,625.0 million (PY 2,966.3) as per 31 December 2015.

An overview of all affiliated companies in the scope of consolidation can be found in the appendix of the Financial Report, note 32. The scope of consolidation does not contain any other listed companies besides SFS Group AG.

### 1.2 Significant shareholders

The founding families of SFS Group AG, Huber and Stadler/Tschan, form an organized group according to Art. 10 of the Ordinance of the Swiss Financial Supervisory Authority on Stock Exchanges and Securities Trading (SESTO-FINMA).



## Share capital and voting rights

	31.12.2015	31.12.2014
Founding families	55.10%	55.04%

Both families have defined their principles of cooperation and partnership in a pool agreement. It is their intention to retain a majority of more than 50% of the capital and the voting rights in the long run. They agree with each other on important decisions and always put the successful development of the SFS Group in front of the particular interests of the families.

The Board of Directors is not aware of any other shareholders listed in the share register or shareholder groups holding more than 3% of the share capital or voting rights as per 31 December 2015 (PY none).

SFS Group AG does not hold any treasury shares. Disclosure notifications pertaining to shareholdings are published on the electronic publication platform of SIX Swiss Exchange AG. The notifications can be assessed via the following weblink to the database search page of the disclosure office:

<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

### 1.3 Cross-shareholdings

There are no cross-shareholdings of capital or voting rights with any other company.

## 2 Capital structure

### 2.1 Capital

SFS Group AG's share capital amounts to CHF 3,750,000 and is divided into 37,500,000 registered shares each with a par value of CHF 0.10.

### 2.2 Authorized and conditional capital

With regard to the initial public offering (IPO) and the official admission of the shares at SIX Swiss Exchange AG, the Annual General Meeting of 4 April 2014 resolved an authorized capital increase of max. CHF 555,750 which should be exclusively used for the purpose of the IPO (Art. 3a of the Articles of Association).

With the IPO of 7 May 2014 an actual capital increase of CHF 505,750 from CHF 3,244,250 to CHF 3,750,000 was effected.

The remaining authorized capital referred to in Art. 3a of the Articles of Association in the amount of CHF 50,000, valid until 4 April 2016, is irrelevant as it would have been available only for the IPO.

Conditional capital does not exist in SFS Group AG.

### 2.3 Changes in capital

In the reporting year 2015 no changes in capital occurred. Due to the IPO in 2014 share capital increased from CHF 3,244,250 to CHF 3,750,000. For this purpose existing shareholders were excluded from subscription rights in favor of third parties. There were no additional changes in capital in the last three reporting years.

### 2.4 Shares and participation certificates/Dividend right certificates

The share capital of SFS Group AG is divided into 37,500,000 registered shares with a nominal value of CHF 0.10 each. The share capital is fully paid in and entitled to dividend. Each share represents one voting right at the Annual General Meeting. SFS Group AG has issued neither participation certificates nor dividend right certificates.

### 2.5 Limitations on transferability and nominee listings

Persons acquiring registered shares of SFS Group AG shall be entered in the share register without limitation as shareholders with voting rights, provided they expressly declare themselves to have acquired the said shares in their own name and for their own account and comply with the disclosure requirement stipulated by the Stock Exchange Act.

Persons not expressly declaring themselves to be holding shares for their own account in their application for entry in the share register or upon request by the Company ("nominees") shall be entered in the share register with voting rights without further inquiry up to a maximum of 2.0% of the share capital outstanding at that time.

Above this limit registered shares held by nominees shall be entered in the share register with voting rights only if the nominee declares the names, addresses and shareholdings of the persons for whose account he is holding 0.3% or more of the share capital outstanding at that time and provided that the disclosure requirement stipulated by the Stock Exchange Act is complied with. The Board of Directors has the right to conclude agreements with nominees concerning their disclosure requirements.

The above mentioned limit of registration also applies to the subscription for or acquisition of registered shares by exercising preemptive, option or convertible rights arising from shares or any other securities issued by the Company or third parties.

Legal entities or partnerships or other associations or joint ownership arrangements which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities and partnerships (especially syndicates) which act in concert with the intent to avoid the entry restriction are considered as one shareholder or nominee.

The Company may in special cases approve exceptions to the above restrictions. After due consultation with the persons concerned, the Company is further authorized to delete entries in the share register as shareholder with voting rights with retroactive effect if they were effected on the basis of false information or if the respective person does not provide the information requested. The concerned person has to be informed about the deletion.

In the reporting year no exceptions were granted and no deletions were executed (PY none).

Cancellation or easing of the restrictions on the transferability of registered shares requires a resolution of the General Meeting passed by at least two-thirds of the shares represented and an absolute majority of the par value of the shares represented.

## 2.6 Convertible bonds and options

There are no outstanding convertible bonds and SFS Group has issued no options (including employee options).

## 3 Board of Directors

### 3.1 Members of the Board of Directors

The Board of Directors of SFS Group AG consists of a minimum of five and a maximum of nine members. At the end of the reporting year it consisted of six members.

During the last three years, the non-executive members of the Board of Directors did - with one exception in 2013 - not have any material business relationship with SFS Group.

Increasing the focus on the core business, SFS Group disposed of investments in associated and other assets in 2013. A member of the Board of Directors or his affiliated companies purchased these assets for a total of CHF 62.0 million. The named assets are composed of:

- the investment in INHAUS and stürmsfs;
- all shares in the subsidiary SFS Locher AG and
- a property.

The purchase price has been determined based on business and property valuations which have been validated by independent experts performing a "second or fairness opinion".

### 3.2 Other activities and vested interests

The profiles of the members of the Board of Directors give an overview over other activities and vested interests. Beyond that, no member of the Board of Directors belongs to any important body, is permanent head of or consultant to important interest groups, has public functions or holds public office.

### 3.3 Permitted additional activities

The members of the Board of Directors may have other functions in the executive management or administrative bodies. The number of functions for third parties and legal units which are not controlled by SFS Group is limited to:

- five mandates in publicly traded companies (Art. 727 para. 1 num. 1 OR); and, in addition;
- ten mandates in companies which exceeded, in two successive reporting years, CHF 20 million of total assets, CHF 40 million of total sales and 250 full-time employees in average (Art. 727 para. 1 num. 2 OR); and, in addition;
- twenty mandates in legal entities that do not meet the above mentioned criteria; and, in addition;
- ten mandates in associations, charity foundations and employee assistance foundations.

Mandates in companies that are under uniform control or the same beneficial ownership are deemed to be one mandate.

### 3.4 Election and terms of office

The terms of office of each member of the Board of Directors correspond to the legally permitted maximum term of one year. The members of the Board of Directors, the Chairman and the members of the Nomination and Compensation Committee are elected by the Annual General Meeting. Every member is elected individually.

The term of office ends at the end of the next Annual General Meeting. Re-election is possible as long as the relevant member has not completed the age of 70.

If the office of the Chairman of the Board of Directors is vacant, the Nomination and Compensation Committee is not complete or the company does not have an Independent Proxy, the Board of Directors shall appoint a substitute

for the time period until the conclusion of the next Annual General Meeting that must be – with the exception of the Independent Proxy – a member of the Board of Directors.

# Board of Directors

## 1 Heinrich Spoerry

- Chairman of the Board of Directors since 1999
- Chief Executive Officer from 1999 to 31 December 2015
- Member of the Board of Directors (BoD) of several SFS Group companies
- With SFS from 1981 to 1986 and since 1998
- Swiss citizen, born 1951

### Other activities

- Mikron Holding AG, Chairman of the BoD since 2010
- Bucher Industries AG, member of the BoD since 2006
- Frutiger AG, member of the BoD since 2008

### Qualifications

- MBA, Massachusetts Institute of Technology 1979
- Master's degree in economics, University of St. Gallen 1976

## 2 Ruedi Huber

- Member since 1999
- Non-executive member since 1 July 2014
- With SFS from 1983 to 30 June 2014 in various management positions in Switzerland, the US and other locations
- Represents the Huber family shareholders
- Swiss citizen, born 1960

### Other activities

- HUWA Finanz- und Beteiligungs AG, Vice Chairman of the BoD since 1997
- Locher Bewehrungen AG, Chairman of the BoD since 2013
- Schlatter Industries AG, member of the BoD since 2010
- Fisba Optik AG, member of the BoD since 2005
- DGS Druckguss Systeme AG, member of the BoD since 2003

### Qualifications

- Matura Type C in mathematics and natural science 1980
- SKU Advanced management Program, Switzerland 2001

## 3 Urs Kaufmann

- Independent, external member since 2012
- Lead Director since 2014
- Chairman of the Nomination and Compensation Committee since 2014
- Swiss citizen, born 1962

### Other activities/professional background

- HUBER + SUHNER AG, delegate of the BoD and Chief Executive Officer since 2002
- University of St. Gallen, ITEM, Chairman of the Executive Committee since 2014
- SWISSMEM, member of the Executive Committee since 2012
- Technorama Winterthur, member of the Foundation Board since 2010
- Müller Martini Holding AG, member of the BoD since 2009
- Gurit Holding AG, member of the BoD since 2006

### Qualifications

- Senior Executive Program IMD Lausanne 1995
- Master's degree in engineering, Swiss Federal Institute of Technology (ETH) Zurich 1987

## 4 Thomas Oetterli

- Independent, external member since 2011
- Chairman of the Audit Committee since 2014
- Swiss citizen, born 1969

### Other activities/professional background

- Schindler Group, member of the Executive Management Committee since 2010
- Schindler Group, designated Chief Executive Officer as of 1 April 2016
- Schindler Group, Head of China 2013 – 2016
- Schindler Group, Head of Europe North & East 2010 – 2013
- Schindler Group, Head of Switzerland 2006 – 2009
- With Schindler Group since 1994

### Qualifications

- Master's degree in economics, University of Zurich 1996



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## 5 Karl Stadler

- Non-executive member since 1993
- With SFS 1967 – 1993 in various managing positions
- Represents the Stadler/Tschan family shareholders
- Swiss citizen, born 1946

### Other activities/professional background

- POLYGENA AG, majority shareholder and Chairman of the BoD since 1992
- icotec ag, founder, majority shareholder and Chairman of the BoD since 2000
- Suprem SA, co-founder, majority shareholder and Chairman of the BoD since 2006
- Frauenhof Immobilien AG, Owner and Chairman of the BoD since 1986
- WISTAMA Finanz- und Beteiligungs AG, founder and Chairman of the BoD since 1985

### Qualifications

- PhD in economics, University of St. Gallen 1976
- Master's degree in economics, University of St. Gallen 1970

## 6 Jörg Walther

- Independent, external member since 2014
- Swiss citizen, born 1961

### Other activities/professional background

- Partner at Schärer Attorneys at law since 2010
- Sika AG, Chairman of the Special Expert Committee of Sika AG since 2015
- AEW Energie AG, member of the BoD since 2014
- Proderma AG, Chairman of the BoD since 2014
- Kraftwerk Augst AG, member of the BoD since 2015
- Immobilien AEW AG, member of the BoD since 2015
- Resun AG, General Counsel und Head Corporate Services, member of the Executive Committee 2010 – 2012
- Novartis International AG, Global Head Legal M&A and Antitrust, member of the Group Legal Executive Committee 2001 – 2009
- ABB Asea Brown Boveri AG, Group Vice President M&A 1999–2001
- ABB Schweiz AG, Senior Legal Counsel 1995 – 1998
- Danzas Management AG, Senior Legal Counsel and Head Legal Services 1991 – 1995

### Qualifications

- MBA University of Chicago 1999
- Postgraduate certificate in European Economic Law, University of St. Gallen 1993
- Admitted to the bar (Attorney at Law) 1990
- MLaw, University of Zurich 1989

## 7 Hans Huber

- Honorary Chairman (outside of the Board of Directors) since 1999
- Chairman of the Board of Directors until 1999
- Pioneer/co-founder of the SFS Group
- Swiss citizen, born 1927





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### 3.5 Internal organizational structure

The Board of Directors is responsible for the ultimate direction, supervision and control of the Group Executive Board.

In support of its directive and supervisory capacity, the Board of Directors has nominated an independent Lead Director and has formed two standing committees, the Nomination and Compensation Committee and the Audit Committee

#### Board of Directors' procedures

A meeting of the Board of Directors is held whenever the business of the Company requires but at least six times per annum. The meetings are usually spread in a regular interval over the first and second half-year. The chairman, or in his absence the Lead Director, or in the absence of both the aforementioned, another member of the Board of Directors, chairs the meeting. He convenes Board meetings and sets meeting agendas. Additionally, he makes sure that the meeting agenda and supporting material are sent to Board members no later than ten days prior to the meeting date. The Chief Executive Officer, the Chief Operating Officer (until 31 December 2015) and the Chief Financial Officer and other members of the Group Executive Board regarding specific agenda items attend Board meetings with advisory vote.

Eight ordinary Board meetings took place in the reporting year. Two meetings lasted less than two hours, five meetings lasted for one day and a strategy workshop lasted for one and a half days. The meetings were held in a regular frequency of one or two months during the reporting year.

The Chairman of the Board of Directors maintains continuous contact with the members of the Board of Directors and keeps them updated in a regular and timely fashion. Decisions are made by the Board of Directors as a whole. A quorum of the Board of Directors is constituted when a majority of the members attend the meeting in person. In exceptional cases, the presence can take place by telephone or electronic media. The Board of Directors passes its resolutions with the majority of the votes cast. In case of a tie of votes, the Chairman has the casting vote. Voting by proxy is not allowed. All resolutions and deliberations are recorded. The minutes are signed by the Chairman and the secretary and must be approved by the Board of Directors.

#### Lead Director

The Board of Directors has elected Urs Kaufmann as Lead Director until the end of the next Annual General Meeting. In his function, he takes the chair of Board meetings if the Chairman is indisposed. In particular, the Lead Director

chairs Board meetings if the Chairman is required to abstain from the deliberation and decision-taking in case the following items are on the agenda:

- assessment of the work of the Chairman;
- decision of the Board of Directors on the request to the general meeting for the re-election or not of the Chairman;
- decision about the compensation of the Chairman.

#### Committee's constitution and procedures

The committee's areas of authority and responsibility are defined in Section 5 of the Organizational Regulations of SFS Group. Available on the SFS Group website: [http://www.sfs.biz/en/web/investoren/corporate\\_governance/corporate\\_governance\\_1.html](http://www.sfs.biz/en/web/investoren/corporate_governance/corporate_governance_1.html)

They support the Board of Directors in its supervisory and control capacities and act mainly as consulting, assessing and preparation bodies. The Nomination and Compensation Committee only has final decision competence concerning the approval of agreements and employment contracts of the Chairman of the Board of Directors, the Chief Executive Officer and the other members of the Group Executive Board as well as concerning the approval of the acceptance of external mandates by members of the Board of Directors and the Group Executive Board. The Audit Committee approves with final competence additional services of the external auditor that are not related to the actual audit.

At the end of the reporting period, the committees were set up as follows like in the previous year:

#### Nomination and Compensation Committee

Urs Kaufmann	Chairman
Karl Stadler	Member

#### Audit Committee

Thomas Oetterli	Chairman
Ruedi Huber	Member
Jörg Walther	Member

The committees meet as often as the business of the company requires. The Nomination and Compensation Committee usually meets in February and December before the Board meeting. Due to the change in the function of the Chief Executive Officer, the Nomination and Compensation Committee met one additional time in September 2015. The Audit Committee typically meets in January, February and September. Since internal audits have been performed by an external partner for the first time, an extraordinary meeting of the Audit Committee was necessary in June

2015. A record is kept of every meeting and the meetings' participants and the Board of Directors are provided with the minutes. The Chairmen of the committees report about the committees' activities at the next meeting of the Board of Directors and prepare formal requests to the Board of Directors in whole.

The term of office of the committee members is one year and corresponds to their term of office as members of the Board of Directors.

#### Nomination and Compensation Committee

The committee consists of a Chairman and at least one additional member with a maximum of four members of the Board of Directors. The committee members are elected by the General Meeting on a yearly basis upon request of the Board of Directors. The Nomination and Compensation Committee constitutes itself. The committee prepares all relevant decisions with regard to the nomination and compensation of the members of the Board of Directors and the Group Executive Board. The Nomination and Compensation Committee only has a consulting and preparing function and no decision-making authority with few exceptions.

The Chief Executive Officer and the Chief Human Resources Officer attend the meetings of the committee unless their own nomination or compensation is being discussed. In the reporting period, the committee held three meetings, each of them lasting about three hours.

In particular, the Nomination and Compensation Committee has the following duties:

- requests regarding the compensation system of the Group;
- requests regarding the setting of compensation-related targets for the Group Executive Board;
- requests regarding the approval of the individual compensation of the Chairman and the members of the Board of Directors, the Chief Executive Officer and the other members of the Group Executive Board;
- requests regarding amendments to the Articles of Association in respect of the compensation system;
- proposals regarding a balanced composition of the Board of Directors and determination of the criteria of independence;
- selection process for new members of the Board of Directors, the Chief Executive Officer and the members of the Group Executive Board;
- evaluation of proposals of the Chief Executive Officer regarding the appointment or removal from office of members of the Group Executive Board;
- approval of agreements and employment contracts with the Chairman of the Board of Directors, the Chief Execu-

– tive Officer and the other members of the Group Executive Board;

- approval of the acceptance of external mandates by members of the Board of Directors and the Group Executive Board.

The motions of the committee are proposed to the Board of Directors as a whole. Further functions of the Nomination and Compensation Committee are defined in Section 5.3 of the Organizational Regulations.

#### Audit Committee

The Audit Committee has a minimum of three members, elected by the Board of Directors among themselves. The Audit Committee constitutes itself and supports the Board of Directors in its ultimate supervisory function, regarding the completeness of the financial statements, the compliance with the legal requirements, the aptitude of the external auditor and the performance of the internal and external auditors. The Audit Committee assesses the appropriateness of the financial reporting, the internal control system and the general control of business risks.

The Chief Financial Officer, the Chief Executive Officer, the Head of Corporate Controlling, the Head of Accounting as well as the external auditor attend the meetings of the Audit Committee. If necessary, the Audit Committee discusses certain agenda items separately with the external Auditor. In the reporting period, the committee held four meetings, each of them lasting about two hours.

In particular, the Audit Committee has the following duties and competences:

- evaluation of the external auditor and proposal to the Board of Directors regarding the appointment of the external auditor at the General Meeting;
- assessment of the performance of the current external auditor and approval of the budget for auditing and other fees by the external auditor;
- organization of the internal audit, appointment of the internal auditors and assessment of their performance;
- review and approval of the audit plans of both the internal and external auditors;
- approval of any non-audit related services of the external auditor;
- request of information from the Group Executive Board and the internal and external auditors regarding major risks, contingent liabilities and other liabilities of the Group as well as assessment of the measures taken to their minimization;
- review and discussion of the annual and interim financial statements as well as other published financial information;

- discussion of the results of the annual audit with the external auditor and the reports of the internal audit as well as submissions or proposals to the Board of Directors;
- assessment and ensuring of the collaboration between external and internal auditors.

Further functions of the Audit Committee are defined in Section 5.2.2 of the Organizational Regulations.

### 3.6 Definition of areas of responsibility

The functions and responsibilities of the various bodies are set out in detail in Section 2 ff. of the Organizational Regulations. The Board of Directors is responsible for the ultimate direction, supervision and control of the Group Executive Board.

The Board of Directors deals with all matters which are not delegated to the General Meeting or another body of the Company either by law, its Articles of Associations or the Organizational Regulations.

Pursuant to the Articles of Association and the Organizational Regulations, the Board of Directors has delegated corporate management responsibility to the Group Executive Board.

The Board of Directors particularly approves the business strategy and organization as proposed by the Group Executive Board, as well as the budgets, medium-term plans and any other business which, by its nature or financial importance, is considered strategically significant. For any projects requiring a Board of Directors' decision written requests are prepared.

### 3.7 Information and control instruments vis-à-vis Group Executive Management

During the Board of Directors' meeting, the Chief Executive Officer, the Chief Operating Officer (until 31 December 2015) and the Chief Financial Officer inform about the current state of business, the most important business transactions of the segments, the divisions and the subsidiaries (management units) as well as about the execution of the functions delegated to the Group Executive Board.

The management-information-system of SFS Group works as follows: quarterly, half-yearly and yearly, the balance sheet, income statement, cash flow statement and key figures of the management units are set up and consolidated, comparing them to the previous year's figures and the budget. The budget is reviewed based on the quarterly financials in the form of a latest best estimate about the reachability of each unit and on a consolidated basis. The

Board of Directors is provided with a monthly overview of the development of the group sales and a quarterly estimate of financial results for the whole reporting year.

The Board of Directors approves the budget of SFS Group, the segments and the divisions. Once a year the Board of Directors is provided with the results of the mid-term planning for the following three to five years. Usually, the Board of Directors deals with strategic questions with regard to the group, the segments and the divisions in a one and a half to two-day workshop.

The Chief Executive Officer, the Group Executive Board and the Chairman of the Board of Directors are provided with condensed financial reporting about the business development on a monthly basis. Substantial discrepancies and developments are brought to the attention of the whole Board of Directors immediately in written form.

The internal audit is executed by the Corporate Controlling team and since 2015 in cooperation with an external partner. Although the Head of Corporate Controlling is subordinate to the Chief Financial Officer, he reports directly to the Audit Committee with regard to these activities. The internal audit of SFS Group is aligned with the size of the group. Based on financial risk considerations approved by the Audit Committee, the group companies are audited every two to four years depending on the risk assessment. The written internal audit report is discussed with the management of the companies concerned and the most significant measures are agreed upon. Material findings of the internal audit and the Audit Reports are presented to and discussed in the Audit Committee. Internal audit attends the meetings of the Audit Committee. In the reporting period, twelve internal audits took place within the group, two of them performed by the external partner.

The external auditor annually assesses the internal control system (ICS) in a comprehensive report to the Audit Committee and confirms its existence.

The Group Executive Board annually selects and assesses the substantial financial, operational and strategic risks together with the ICS managers. Based on its own assessment (top-down) and on information provided by the Segments and Divisions (bottom-up), risks are categorized depending on their probability of occurrence and their potential financial impact. For each listed risk, mitigation measures are defined. The risks assessed as well as the actions defined are submitted in the "Risk Analysis of the SFS Group" to the Board of Directors' meeting in December for discussion and approval. In the reporting period, the following potential risks with possible countermeasures were discussed in particular:

- investment risks in large-scale projects;
- currency risks;
- risks with acquired corporations;
- dependency on global economic developments;
- compliance risks.

For further information we refer to note 5 "financial risk management" of the appendix of the Financial Report.

## **4 Group Executive Board**

### **4.1 Members of the Group Executive Board**

The Chief Executive Officer, together with the Group Executive Board, is responsible for the management of the SFS Group. Under his leadership, the Group Executive Board addresses all issues of relevance to the Group, takes decisions within its remit and submits proposals to the

Board of Directors. The Heads of the Segments, Divisions and corporate cross-functions are responsible for outlining and achieving their business objectives and for managing their units autonomously.

As per 1 January 2016, Jens Breu, former Chief Operation Officer, took over the function of the Chief Executive Officer from Heinrich Spoerry. Heinrich Spoerry remains within the SFS Group as Chairman of the Board of Directors. Herewith the change at the top of the management and the personal separation of the Chairman of the Board of Directors from the Chief Executive Officer function, which was already announced prior to the IPO, was implemented.

The Group Executive Board had eight members as per 1 January 2016:

# Group Executive Board

## Heinrich Spoerry

- Chief Executive Officer 1999 to 31 December 2015
- Further comments in section 3 Board of Directors (BoD)

## Jens Breu

- Chief Executive Officer from 1 January 2016
- Head of Segment Engineered Components since October 2014
- Head of Segment Fastening Systems since 2014
- With SFS since 1995
- Swiss citizen, born 1972

### Functions within SFS Group

- Member of the BoD of several SFS Group companies
- Chief Operating Officer from 2014 to 31 December 2015
- Head of Division Industrial 2012 – 2013
- Technical Director SFS intec 2008 – 2013
- Vice President of manufacturing SFS intec Inc. (USA) 2000 – 2008
- Tool engineer 1995 – 2000

### Qualifications

- MBA, Cleveland State University 2007
- Mechanical engineer, FHS St. Gallen 1996

## Rolf Frei

- Chief Financial Officer since 2003
- With SFS since 1981
- Swiss citizen, born 1958

### Functions within SFS Group

- Member of the BoD of several SFS Group companies
- Managing Director of SFS services AG since 2008
- Head of Corporate Controlling 1994 – 2003
- Corporate Controller 1981 – 1994

### Further functions

- Chamber of Commerce and Industry St. Gallen – Appenzell, Member since 2015

### Qualifications

- Stanford Executive Program, Stanford University 2010
- SKU advanced management program, Switzerland 1995
- Swiss certified Expert for Accounting and Controlling 1987
- Degree in Business Administration, FHS St. Gallen 1981

## Thomas Bamberger

- Head of Division Riveting since 2014
- With SFS (GESIPA) since 1995
- German citizen, born 1961

### Functions within SFS Group

- Member of the BoD of several SFS Group companies
- Head of GESIPA Group 2008 – 2013
- Managing Director GESIPA Germany 2006 – 2008

### Qualifications

- Stanford Executive Program, Stanford University 2013
- Degree in Mechanical Engineering, University of Applied Sciences, Darmstadt 1989

## Arthur Blank

- Head of Division Construction since 2014
- With SFS since 1983
- Swiss citizen, born 1959

### Functions within SFS Group

- Member of the BoD of several SFS Group companies
- General Manager Europe 2010 – 2013
- Head of various Business Units 2008 – 2010
- General Manager International Manufacturing 1998 – 2008

### Qualifications

- SKU advanced management program, Switzerland 2000
- International management program with focus on managing manufacturing, IMD Lausanne 1994
- Bachelor of Science (B.Sc.), Buchs Institute of Technology (NTB) 1982

## Walter Kobler

- Head of Division Industrial since 2014
- With SFS since 1987
- Swiss citizen, born 1963

### Functions within SFS Group

- Member of the BoD of several SFS Group companies
- General Manager of SFS intec's aerospace activities 2004 – 2014

### Qualifications

- Stanford Executive Program, Stanford University 2012
- Sales manager at the Institute of Marketing, University of St. Gallen 1994
- Advanced courses in sales and leadership, Management Center St. Gallen 1992
- Federally certified marketing planner, Kaderschule St. Gallen 1990

**George Poh**

- Head of Division Electronics since October 2014
- With SFS (Unisteel) since 1995
- Singapore citizen, born 1963

**Functions within SFS Group**

- Member of the BoD of several SFS Group companies
- Chief Operating Officer Unisteel 2012 – 2014
- Chief Technology Officer Unisteel 2011 – 2012
- Managing Director Unisteel 2003 – 2011
- Various management positions within Unisteel 1995 – 2003

**Qualifications**

- MBA, University of Hull, United Kingdom 1998
- Bachelor of Engineering (B.Eng.), Mechanical Engineering, University of Sheffield, United Kingdom 1988
- Diploma Mechanical Engineering, Singapore Polytechnic 1983

**Alfred Schneider**

- Head of Division Automotive since 2014
- With SFS since 1987
- Swiss citizen, born 1959

**Functions within SFS Group**

- Member of the BoD of several SFS Group companies
- Member of the BoD of the joint venture in China, Sunil SFS intec since 2008
- General Manager Automotive Products 2008 – 2013

- General Manager Industrial Products 2002 – 2008

**Qualifications**

- SKU Advanced Management Program, Switzerland 1999
- Diploma in Sales Management, University of St. Gallen 1994
- Business Management, Swiss Engineering STV 1986
- Mechanical engineer, Buchs Institute of Technology (NTB) 1982

**Josef Zünd**

- Head of Segment Distribution & Logistics since 2014
- With SFS since 1971
- Swiss citizen, born 1955

**Functions within SFS Group**

- Member of the BoD of several SFS Group companies
- Chief Executive Officer SFS unimarket 2000 – 2013
- Various sales and management positions SFS unimarket

**Further functions**

- Member of the BoD of Locher Bewehrungen AG since 2013
- Management Board member of SWISSAVANT trades and household services association since 2013

**Qualifications**

- SKU advanced management program, Switzerland 1995
- Federally certified sales manager, Kaderschule St. Gallen 1986



From left to right: – George Poh, Head of Division Electronics – Rolf Frei, CFO – Walter Kobler, Head of Division Industrial – Josef Zünd, Head of Segment Distribution & Logistics – Alfred Schneider, Head of Division Automotive – Heinrich Sperry, Chairman of the Board of Directors – Jens Breu, CEO – Thomas Bamberger, Head of Division Riveting – Arthur Blank, Head of Division Construction



#### 4.2 Other activities and vested interests

The profiles of the members of the Group Executive Board in Section 4.1 give an overview over other activities and vested interests. Beyond that, no member of the Group Executive Board belongs to any important body, is permanent head of or consultant to important interest groups, has public functions or holds public office.

#### 4.3 Permitted additional activities

The members of the Group Executive Board may have other functions in the executive management or administrative bodies if approved by the Nomination and Compensation Committee. The number of functions for third parties and legal units which are not controlled by SFS Group is limited to:

- two mandates in publicly traded companies (Art. 727 para. 1 num. 1 CO); and, in addition;
- three mandates in companies which exceeded, in two successive reporting years, CHF 20 million of total assets, CHF 40 million of total sales and 250 full-time employees in average (Art. 727 para. 1 num. 2 CO); and, in addition;
- five mandates in legal entities that do not meet the above mentioned criteria.

Mandates in companies that are under uniform control or the same beneficial ownership are deemed one mandate.

#### 4.4 Management contracts

No management contracts exist with companies or individuals outside SFS Group.

### 5 Compensation, shareholdings and loans

All information on this subject can be found in chapter 2 "Fundamental principals of the compensation system" of the Compensation Report of this Annual Report.

### 6 Shareholders' participation

#### 6.1 Voting rights and representation restrictions

Shareholders' participation rights are detailed in the Articles of Association.

Each share entitles to one vote, subject to the provisions in Section 2.5 "Limitations on transferability and nominee listings". In the reporting year, no exceptions were granted (PY none).

The Board of Directors determines the requirements regarding proxies and voting instructions.

An easement or abolition of the restriction of the transferability of the registered shares can be resolved by the General Meeting. A resolution passed by at least two thirds of the represented share votes and the absolute majority of the represented shares par value is required.

The Articles of Association do not contain any regulations concerning the issuance of instructions to the Independent Proxy or the electronic participation at the Annual General Meeting.

#### 6.2 Independent Proxy

Each shareholder may be represented by the Independent Proxy.

The term of office of the Independent Proxy ends at the next Annual General Meeting. Re-election is possible. His duties are governed by the relevant statutory provisions.

The Annual General Meeting of 7 May 2015 has elected bürki bolt németh Rechtsanwälte, 9435 Heerbrugg, as Independent Proxy until the next Annual General Meeting.

#### 6.3 Statutory quorums

For:

- the cases listed in Art. 704 para. 1 CO and in Art. 18 and 64 of the Federal Act on Merger, Demerger, Transformation and Transfer of Assets (Merger Act);
- the easement or abolition of the restrictions of the transferability of registered shares;
- any change to the provisions of Art. 13 of the Articles of Association;

a resolution of the General Meeting passed by at least two thirds of the represented share votes and the absolute majority of the represented shares par value is required.

#### 6.4 Convocation of the Annual General Meeting

There are no regulations deviating from the relevant statutory provisions.

#### 6.5 Inclusion of items on the agenda

The Board of Directors states the items on the agenda.

Registered shareholders with voting rights individually or jointly representing at least five percent of the share capital may demand that items are put on the agenda. Such demands have to be submitted to the Chairman of the Board of Directors at least 45 days before the date of the Annual General Meeting and shall be in writing.

## 6.6 Registration in the share register

No registrations are made in the share register about ten days before and five days after the date of the Annual General Meeting. The exact dates are set in the invitation to the Annual General Meeting. In the reporting year the Board of Directors has granted no exceptions to this rule (PY none).

## 7 Changes of control and defense measures

### 7.1 Duty to make an offer

According to Art. 31 of the Articles of Association, the obligation to submit a public takeover offer pursuant to Art. 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA) has been waived in accordance with Art. 22 para. 2 SESTA (Opting out).

### 7.2 Clauses on changes of control

No contractual clauses governing changes in control exist in agreements or plans with the members of the Board of Directors. The employment contracts of the members of the Group Executive Board do not contain any provisions regarding a change of control either. The blocking period of shares continues to apply in the event of a change of control. There are no clauses regarding a change of control in the employment contracts of other key members of the management.

The contractual notice period for members of the Group Executive Board amounts to six months.

The agreed noncompetition clause of members of the Group Executive Board lasts two years after the termination of employment. The noncompetition clause is not applicable if employment is terminated due to a change of control.

## 8 Auditing body

### 8.1 Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, St. Gallen, has been the independent auditor of SFS Group AG and several subsidiaries since 1993. The independent auditor is elected by the Annual General Meeting for a period of one year. The lead auditor in the present mandate, Beat Inauen, took office at the Annual General Meeting of 2009. According to the relevant statutory provisions in the Swiss Code of Obligations (Art. 730a CO) the term of the lead auditor is limited to a maximum of seven years. Herewith the term of Beat Inauen as lead auditor ends with the Annual General Meeting 2016.

Thomas Illi will take office as lead auditor after the Annual General Meeting 2016 if PricewaterhouseCoopers AG, St. Gallen is re-elected as independent auditor in the Annual General Meeting 2016.

### 8.2 Audit fees

In the reporting period, PricewaterhouseCoopers charged SFS Group about CHF 0.7 million (PY 0.8) for auditing SFS Group AG, the Group financial statements and several subsidiaries.

### 8.3 Additional fees

PricewaterhouseCoopers AG and affiliated companies did not raise any invoices for audit-related services in the reporting period (PY 0.2 million). For additional services with regard to tax compliance as well as other tax consulting services a total amount of CHF 0.2 million (PY 0.2) was paid to PricewaterhouseCoopers AG and affiliated companies in 2015.

### 8.4 Informational instruments pertaining to an external audit

The Audit Committee briefs the Board of Directors on the work done by and the working relation with the external auditor at least once a year. Each year, the external auditor submits an audit plan as well as a comprehensive report on the financials for the attention of the Board of Directors and the Audit Committee. The report contains conclusions on financial accounting, the internal control system and the process and results of the audit.

The Audit Committee evaluates the scope of the annual audit and the audit plans, and discusses audit results with the external auditor. In the reporting period, the external and internal auditors were present at three meetings of the Audit Committee.

The Audit Committee annually assesses the effectiveness, performance, independence and fees paid to the external auditor and provides the Board of Directors with a proposal regarding the election of the auditor by the General Meeting.

This evaluation is based on the reports and presentations provided by the external auditors, the discussions held in the meetings, their objectivity as well as their technical and operational competency.

The Audit Committee assesses the sustainability, the scope and the amount of the fees for the services rendered by the external auditor.

## 9 Information policy

Open and regular communication on all levels is an important part of the managerial responsibility. All information measures are based on a commitment to uphold the credibility of the group. Communication is carried out in an active, open and timely way with all stakeholders.

Numbers and figures about the group, presentations about important activities as well as dates of events that are important for shareholders, analysts or media are available on the website:

[http://www.sfs.biz/en/web/investoren/aktionaersinformation/en/finanzpublikationen\\_1/finanzpublikationen\\_1.html](http://www.sfs.biz/en/web/investoren/aktionaersinformation/en/finanzpublikationen_1/finanzpublikationen_1.html)

As a company listed on the SIX Swiss Exchange AG, SFS Group AG is subject to the ad hoc publicity regulations, i.e. the obligation to report any information that is potentially relevant to the share price.

SFS Group maintains a dialog with investors and media on a regular basis including media and analyst conferences in March and in July/August, an investors' day in September, roadshows in spring and fall, a volume notification with sales numbers in January as well as investors' days from various banks.

Interested parties can subscribe to an email service free of charge under the following link:

[http://sfs.biz/en/web/maillinglist/maillingliste\\_addon.html](http://sfs.biz/en/web/maillinglist/maillingliste_addon.html)

All media releases, Annual Reports and Half-Year Reports, volume notifications, media and analyst conference, etc. go online at the same time as they are published on the following website:

[http://www.sfs.biz/en/web/investoren/aktionaersinformation/en/medienmitteilungen\\_1/newsoverview.html](http://www.sfs.biz/en/web/investoren/aktionaersinformation/en/medienmitteilungen_1/newsoverview.html)

Shareholders receive the short version of the Annual Report automatically with the invitation to the Annual General Meeting. The long version of the Annual Report is available electronically on the website:

[http://www.sfs.biz/en/web/investoren/aktionaersinformation/en/finanzpublikationen\\_1/finanzpublikationen\\_1.html](http://www.sfs.biz/en/web/investoren/aktionaersinformation/en/finanzpublikationen_1/finanzpublikationen_1.html)

Other interested parties receive the reports upon request. Official announcements and company notices are published in the Swiss Commercial Gazette (SHAB).

The following information is available on the SFS Group website [www.sfs.biz](http://www.sfs.biz):

### Investors' information

[http://www.sfs.biz/en/web/investoren/investoren\\_1.html](http://www.sfs.biz/en/web/investoren/investoren_1.html)

### Organizational regulations

[http://www.sfs.biz/en/web/investoren/corporate\\_governance/corporate\\_governance\\_1.html](http://www.sfs.biz/en/web/investoren/corporate_governance/corporate_governance_1.html)

### Articles of Association

[http://www.sfs.biz/en/web/investoren/corporate\\_governance/corporate\\_governance\\_1.html](http://www.sfs.biz/en/web/investoren/corporate_governance/corporate_governance_1.html)

### Company news and ad hoc announcements

[http://www.sfs.ch/en/web/investoren/aktionaersinformation/en/medienmitteilungen\\_1/newsoverview.html](http://www.sfs.ch/en/web/investoren/aktionaersinformation/en/medienmitteilungen_1/newsoverview.html)

### Financial reports

[http://www.sfs.biz/en/web/investoren/aktionaersinformation/en/finanzpublikationen\\_1/finanzpublikationen\\_1.html](http://www.sfs.biz/en/web/investoren/aktionaersinformation/en/finanzpublikationen_1/finanzpublikationen_1.html)

### Corporate Communications/Investor Relations

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## 10 Non-applicability/negative statement

It is explicitly declared that all statements that are not included or mentioned in this report are considered as either not applicable or negative statement (according to the Directive on Information relating to Corporate Governance published by SIX Swiss Exchange AG or the associated Commentary).

