

Compliance declaration pursuant to section 161 German Stock Corporation Act (Aktiengesetz)

(Date: December 2020)

The Executive Board and Supervisory Board of Schweizer Electronic AG (hereinafter "Company") are making the following compliance declaration pursuant to section 161 German Stock Corporation Act with respect to the recommendations of the "Government Commission for the German Corporate Governance Code" and will ensure that this is published on the Company's website. The Executive Board and Supervisory Board of Schweizer Electronic AG made the last compliance declaration pursuant to section 161 German Stock Corporation Act in December 2019. The following declaration for the period from December 2019 until March 19, 2020 refers to the recommendations of the version of the German Corporate Governance Code of February 7, 2017 which was published on April 24, 2017 in the Federal Gazette ("Version 2017"). For the period from March 20, 2020 the declaration refers to the recommendations of the version of the Code of December 16, 2019 which was published on March 20, 2020 in the Federal Gazette ("Version 2020").

The Executive Board and Supervisory Board of Schweizer Electronic AG declare that the recommendations of the Code have been complied with since the last compliance declaration was submitted in December 2019, with the following exceptions:

Code No. 4.2.1

Version 2017: In Code No. 4.2.1 sentence 1 Version 2017 it is recommended that the Executive Board have a chair or a spokesperson. Owing to the premature departure of Dr. Rolf Merte from the Executive Board the position of Chairman of the Executive Board was vacant between March 6, 2020 and April 9, 2020. Code No. 4.2.1 Version 2017 was therefore not complied with in the period between March 6, 2020 and when Version 2017 ceased to apply.

Code No. 4.2.2

Version 2017: In Code No. 4.2.2 paragraph 2 sentence 3 Version 2017 it is recommended that the Supervisory Board consider the ratio of Executive Board remuneration to the remuneration paid to the senior management and entire staff, including its development over time,

when determining the total remuneration for the individual Executive Board members.

The Supervisory Board has not fully complied with this recommendation. When concluding the director's service contracts, the Supervisory Board, in compliance with the requirements of the German Stock Corporation Act, did ensure that the total emoluments granted to the Executive Board members do not exceed the usual remuneration without there being special reasons for this. However, to the extent that the Code specifies this review of vertical appropriateness of the Executive Board remuneration, which is required under the German Stock Corporation Act anyway, and sets out in detail the relevant comparison groups for the comparison and the timescale for the comparison, the Company is declaring a departure in this respect. Nevertheless, the Personnel and Financial Committee address the issue of the vertical remuneration comparison at regular intervals.

The Supervisory Board considers the requirements of the recommendation to be too vague. In particular, the Supervisory Board lacks specific indications for how to separate senior management from junior management and relevant staff from irrelevant staff. The timescale and the perspective to be considered in connection with the "development over time" are also unclear. The Supervisory Board therefore maintains that the measures previously taken into account to determine the Executive Board remuneration are sufficient to ensure adequate overall remuneration of Executive Board members.

For the future the Supervisory Board will resolve within the statutory time period a system of remuneration for the Executive Board members in accordance with section 87a German Stock Corporation Act introduced by the German Act Implementing the Second Shareholder Rights Directive (ARUG II) and submit this to the shareholders' meeting for approval.

Code No. 4.2.3

Version 2017:

Code No. 4.2.3 paragraph 2 sentence 8 Version 2017 recommends excluding a subsequent amendment of the performance targets or the comparison parameters with regard to the variable remuneration components.

This recommendation has not been and is not being complied with. The remuneration provisions which currently apply to the director's service contracts provide that, in the event of extraordinary developments on the part of the Company (such as e.g. measures under the German Reorganization Act (*Umwandlungsgesetz*), repurchase of shares, acquisition and/or sale of companies and operations, realization of hidden reserves) which have a significant impact on the ability to achieve the targets for the variable remuneration provided for, the Supervisory Board is entitled to unilaterally adjust the terms of the contract and other variable remuneration parameters. The Executive Board and Supervisory Board consider that such a provision makes sense and is necessary to reasonably neutralize the consequences of such extraordinary developments.

The recommendation in Code No. 4.2.3 paragraph 4 sentence 1 Version 2017 which states that, when concluding director's service contracts, it is necessary to ensure that payments made to an Executive Board member in cases where the activity as Executive Board member comes to an end prematurely, including fringe benefits, do not exceed the value of two annual salaries (severance pay cap) and compensate no more than the remaining term of the contract, has not been and is not being complied with. The director's service contracts of the Executive Board members of Schweizer Electronic AG do not contain such a provision. The Executive Board and Supervisory Board maintain that such a provision does not make sense as even in this case an Executive Board member could refuse to give his/her consent to the end of his/her Executive Board activity and could insist on payment of his/her remaining claims under the director's service contract. We are also convinced that the Supervisory Board will sufficiently bear the Company's interests in mind when negotiating with an Executive Board member who is prematurely leaving the Company and will not grant an unreasonable severance payment. The recommendation in Code No. 4.2.3 paragraph 4 sentence 3 Version 2017 (calculation of the severance pay cap) is therefore not being complied with.

In Code No. 4.2.3 paragraph 5 Version 2017 it is recommended that Benefit Commitments made in connection with an Executive Board member's activity ending prematurely due to a change of control should not exceed 150% of the severance pay cap in the sum of two annual salaries (i.e. a total of three annual salaries).

Where the activity of the Executive Board members comes to an end prematurely due to a change of control, the Executive Board members have a right under the director's service contract to a severance payment which is limited to three annual salaries meaning that the recommendation in Code No. 4.2.3 paragraph 5 Version 2017 is basically complied with. However, the annual salary is not calculated – as stipulated in the Code – on the basis of the total remuneration for the fiscal year just expired and, where appropriate, also on the basis of the expected total remuneration for the current fiscal year. Instead, the calculation is based on the average total remuneration of the last three fiscal years before the Executive Board member left the Company. The Executive Board and Supervisory Board maintain that calculating the severance pay cap on the basis of the average of several annual salaries is more meaningful and appropriate than on the basis of the total remuneration of only the fiscal year just expired and possibly the current fiscal year. In light of this, as a precautionary measure, a partial departure from Code No. 4.2.3 paragraph 5 in conjunction with Code No. 4.2.3 paragraph 4 sentence 3 Version 2017 is being declared.

Code No. 5.1.2

Version 2017,

B.5 Version 2020:

The Code recommends determining an age limit for Executive Board members (Code No. 5.1.2 paragraph 2 sentence 3 Version 2017, B.5 Version 2020) and stating this in the corporate governance declaration (in this respect only B.5 Version 2020). This recommendation has not been and is not being complied with. The Executive Board and Supervisory Board maintain that it does generally not make sense to specify an age limit for members of the Executive Board. Instead, what is important is competence, expertise and experience which do not depend on age.

Code No. 5.3.1,

5.3.2 and 5.3.3

Version 2017,

D.2, D.3, D.4, D.5

Version 2020:

The Company has neither the Audit Committee recommended in 5.3.2 Version 2017, D.3 sentence 1 Version 2020 nor the Nomination Committee of the Supervisory Board recommended in Version 5.3.3 Version 2017, D.5 Version 2020. The Supervisory Board does not think it makes sense or is necessary to set up such committees at a

company the size of Schweizer Electronic AG with a Supervisory Board of only six members. The responsibilities assigned to the Audit Committee and the Nomination Committee and the other responsibilities of the Supervisory Board can be easily dealt with by the Supervisory Board as a whole, provided they have not been assigned to the existing Personnel and Financial Committee of the Supervisory Board.

The only committee which exists is the Personnel and Financial Committee of the Supervisory Board. Owing to the size of the Company and the size of the Supervisory Board of Schweizer Electronic AG, the Supervisory Board maintains that it does not make sense and it is not necessary to set up any other committees.

By setting up the Personnel and Financial Committee, the Supervisory Board has therefore satisfied the recommendation in Code No. 5.3.1, sentence 1 Version 2017, D.2 sentence 1 Version 2020 (the forming of committees of members with relevant specialist expertise depending on the specific circumstances of the Company and the number of its members). As an utmost precaution we are declaring this point as a departure from the Code recommendation.

Code No. 5.4.1

Version 2017,

C.2 Version 2020:

In Code No. 5.4.1 paragraph 2 sentence 1, alternative 1 and sentence 2 Version 2017 it is recommended that the Supervisory Board determine specific objectives for its composition including an age limit for members of the Supervisory Board (in this respect also C.2 Version 2020) and a limit for the terms of office of Supervisory Board members. These recommendations have not been and are not being complied with. The Supervisory Board considers that it does not make sense to generally determine an age limit for members of the Supervisory Board. Instead, what is important is competence, expertise and experience which do not depend on age. The Supervisory Board therefore did not specify an age limit when determining the specific objectives for its composition. The Supervisory Board does not consider it expedient to set a limit for the length of time served on the Supervisory Board. Those Supervisory Board members affected by such a limit have in-depth knowledge of the Company and many years of experience from which the

Company profits. Further terms of office should therefore always be decided on a case-by-case basis.

C.7 Version 2020

According to the recommendation under C.7 paragraph 1 Version 2020, more than half of the representatives of the shareholders on the Supervisory Board should be independent of the Company and of the Executive Board. This new recommendation is not being complied with. This is because, when determining the independence of its members of the Company and of the Executive Board, the shareholders are responsible for taking account of certain indicators which argue against the independence of the shareholder representatives (C.7 paragraph 2 Version 2020). However, if several of the indicators mentioned in C.7 are satisfied, the Supervisory Board member concerned can still be regarded as independent. In light of this, the representatives of the shareholders currently consider two of the representatives of the shareholders not to be independent. One representative of the shareholders is a close family member of a member of the Executive Board, a further representative of the shareholders, who has a role of responsibility at a company which is not part of the Company group, has a significant business relationship with the Company.

C.10 Version 2020

Since Mr. Christoph Schweizer as Chairman of the Supervisory Board and of the Personnel and Financial Committee responsible for the remuneration of Executive Board members is not independent of the Executive Board and of the Company for the reasons given, a departure from C.10 sentence 1 Version 2020 is being declared.

Code No. 5.4.1

Version 2017,

C.13 Version 2020:

In Code No. 5.4.1 paragraphs 6 to 8 Version 2017, C.13 Version 2020 it is recommended that in its election proposals the Supervisory Board disclose to the General Meeting the personal and business relationships of every candidate with the Company, the governing bodies of the Company and any shareholders with a material interest in the Company. This recommendation has not been and is not being complied with as the Supervisory Board considers that the requirements of the Code with regard to the reporting duty are vague and not clearly defined. In light of this, such reporting does not make sense.

Code No. 5.4.6

Version 2017,

G.18 Version 2020: Code No. 5.4.6 paragraph 2, G.18 sentence 2 Version 2017 recommends that any performance-related remuneration granted to Supervisory Board members be linked to the sustainable and long-term development of the Company. This recommendation has not been and is not being complied with as the performance-related remuneration granted to Supervisory Board members is linked to the dividends paid out for the respective fiscal year. The Executive Board and Supervisory Board maintain that by linking performance-related remuneration to dividends the Supervisory Board is acting with the appropriate responsibility required to sustain growth at the Company and under the existing remuneration provision there is an adequate incentive for Supervisory Board members when exercising their office to focus on the long-term and successful growth of the Company.

Code No. 7.1.2

Version 2017,

F.2 Version 2020: In Code No. 7.1.2 sentence 3, 1st half-sentence Version 2017, F.2, 1st half-sentence Version 2020 it is recommended that the consolidated financial statements and the group management report be made publicly available within 90 days of the end of the fiscal year.

This recommendation has not been and is not being complied with. Compliance with the 90-day period is not possible owing to the time involved in preparing the consolidated financial statements and group management report. However, the consolidated financial statements and group management report have been and are disclosed within the statutory period.

Schramberg, December 2020

Schweizer Electronic AG

Executive Board

Supervisory Board

Nicolas-Fabian Schweizer
Chairman of the Executive Board

Christoph Schweizer
Chairman of the Supervisory Board