

**Declaration of conformity pursuant to § 161 Stock Corporation Act
(Aktiengesetz)**

(Date: November 2021)

The Management Board and Supervisory Board of Schweizer Electronic AG (hereinafter "Company") are making the following declaration of conformity pursuant to § 161 Aktiengesetz (Stock Corporation Act) with respect to the recommendations of the "Government Commission on the German Corporate Governance Code" and will ensure that this is published on the Company's website. The Management Board and the Supervisory Board of Schweizer Electronic AG made the last declaration of conformity pursuant to § 161 Aktiengesetz (Stock Corporation Act) in December 2020. The following declaration refers to the recommendations of the version of the German Corporate Governance Code of 16 December 2019, which was published in the Federal Gazette on 20 March 2020.

The Management Board and Supervisory Board of Schweizer Electronic AG declare that the recommendations of the Code have been complied with since the last declaration of conformity was submitted in December 2020, with the following exceptions:

- B.5:** The Code recommends that an age limit be specified for members of the Management Board and disclosed in the Corporate Governance Statement (recommendation B.5 of the Code). The company has not complied with and is not complying with this recommendation. The Management Board and the Supervisory Board do not consider a general specification of an age limit for members of the Management Board to be reasonable. Competence, technical expertise and experience are far more relevant criteria, which should be evaluated regardless of age.
- C.2:** C.2 of the Code recommends that an age limit be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement. The company has not complied with and is not complying with this recommendation. The Supervisory Board does not consider a general specification of an age limit for members of the Supervisory Board to be reasonable. Competence, technical expertise and experience are far more relevant criteria, which should be evaluated regardless of age.
- C.7:** According to recommendation C.7, para.1 of the Code, more than half of the shareholder representatives shall be independent from the company and the Management Board. The company has not complied with and is not complying with this recommendation. When assessing the independence of its members from the company and the Management Board, shareholders shall take into consideration certain indi-

cators that speak against the independence of shareholder representatives (C.7, para. 2 of the Code). If one or more of the indicators set out in C.7 are met, the Supervisory Board member concerned may still be considered independent. Against this background, the shareholder representatives currently do not consider two of the shareholder representatives to be independent. One shareholder representative is a close family member of a Management Board member; another shareholder representative is maintaining a material business relationship with the company in a leading position of a non-group entity.

C.10: Since Mr Christoph Schweizer, as Chairman of the Supervisory Board and of the Audit Committee that addresses Management Board remuneration, is not independent from the Management Board and the company for the reasons stated above, a deviation from C.10 sentence 1 of the Code is also declared.

C.13: C.13 of the Code recommends that in its election proposals to the General Meeting, the Supervisory Board shall disclose the personal and business relationships of every candidate with the enterprise, the governing bodies of the company, and any shareholders with a material interest in the company. The company has not complied with and is not complying with this recommendation, because the Supervisory Board believes the requirements of the Code regarding the duty of disclosure are vague and unclear in their delimitation. In this context, such a report is not considered useful.

D.2, D.3, D.4, D.5: The Supervisory Board of Schweizer Electronic AG has established an Audit Committee by resolution of 26 November 2021, renaming the existing Personnel and Finance Committee as Audit Committee and entrusting to it the tasks incumbent on the Audit Committee under the law by amending the rules of procedure for the Supervisory Board. As a result, since 26 November 2021, the recommendation in D.3 sentence 1 of the Code has been complied with. Since the Chairman of the Audit Committee is the Chairman of the Supervisory Board, who is also a close family member of a Management Board member, the recommendation in D.4 sentence 1 at the end and sentence 2 of the Code has been deviated from at the same time since 26 November 2021.

Furthermore, there is still no nomination committee of the Supervisory Board recommended by D.5 of the Code. The Supervisory Board does not believe it is either reasonable or necessary to set up such a committee for a company the size of Schweizer Electronic AG with only six members sitting on the Supervisory Board. The tasks intended for the Nomination Committee as well as the other tasks of the Supervisory Board can easily be dealt with in plenary meetings, provided they are not entrusted to the existing Audit Committee of the Supervisory Board.

Given the size of the company and the size of the Supervisory Board of Schweizer Electronic AG, the Supervisory Board maintains it is neither reasonable nor necessary to set up additional committees.

With the earlier establishment of the Personnel and Finance Committee and since 26 November 2021 of the Audit Committee, the Supervisory Board has therefore complied with the recommendation in D.2, sentence 1 of the Code (formation of committees of members with relevant specialist expertise depending on the specific circumstances of the company and the number of its members). However, as a highly precautionary measure, a deviation from this Code recommendation is declared.

F.2: In F.2, 1st half-sentence of the Code, it is recommended that the consolidated financial statements and the group management report shall be made publicly accessible within 90 days from the end of the financial year.

The company has not complied with and is not complying with this recommendation. 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.

G.4: The Code recommends in G.4 that to ascertain whether remuneration is in line with usual levels within the enterprise itself, the Supervisory Board shall take into account the relationship between Management Board remuneration and the remuneration of senior managers and the workforce as a whole, and how remuneration has developed over time.

The Supervisory Board has not fully complied with this recommendation. When concluding employment contracts, the Supervisory Board did take steps, in accordance with the provisions of the German Stock Corporation Act (AktG), to ensure that the total remuneration awarded to Management Board members does not exceed the customary remuneration without specific reason. However, insofar as the Code specifies this review of vertical appropriateness of Management Board remuneration, which is already required under the German Stock Corporation Act, and defines in more detail the relevant comparison groups as well as the time scale for the comparison, a deviation is declared in this respect.

The Supervisory Board considers the requirements of the recommendation to still be too vague. In particular, the Supervisory Board does not have sufficiently specific information on how the senior management staff should be distinguished from junior management and which sections of the workforce are relevant and which irrelevant

in this respect. It is also unclear what time frame and perspective should be considered in terms of "development over time". The Supervisory Board is therefore of the view that the measures already implemented for determining the remuneration of the Management Board are sufficient to ensure appropriate remuneration for members of the Management Board.


G.13: In G.13 sentence 2 of the Code, it is recommended that if post-contractual non-compete clauses apply, the severance payments shall be taken into account in the calculation of any compensation payments. The company has not complied with and is not complying with this recommendation. The Management Board employment contracts do not take these into account so far. However, the remuneration system adopted by the Supervisory Board on 12 April 2021 and approved by the Annual General Meeting on 25 June 2021 for the members of the Schweizer Electronic AG Management Board provides for any severance payment to be offset against compensation payments for observing non-compete obligations, so that in the future, when new Management Board employment contracts are concluded or when existing Management Board employment contracts are extended, recommendation G.13 sentence 2 of the Code will be complied with.

G.18: According to Code Recommendation G.18, sentence 2, performance-related remuneration promised to members of the Supervisory Board is intended to be geared towards sustainable or long-term corporate development. The company has not complied with and is not complying with this recommendation, because the performance-related compensation promised to Supervisory Board members is linked to the dividend distributed for the respective financial year. The Management Board and the Supervisory Board believe that linking performance-related remuneration to the dividend adequately reflects the responsibility of the Supervisory Board for sustainable business development and that the existing compensation arrangement provides the members of the Supervisory Board with sufficient incentive to orient the exercise of their duties towards the long-term, successful development of the company.

Schramberg, November 2021


Schweizer Electronic AG

Management Board



Nicolas-Fabian Schweizer
Chairman of the Management Board

Supervisory Board



Christoph Schweizer
Chairman of the Supervisory Board