



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

(Date: December 2022)

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 November 2021 and updated it in August 2022. For the period from November 2021 to 26 June 2022, the following declaration refers to the recommendations of the German Corporate Governance Code ("Code") as amended on 16 December 2019 and published in the Federal Gazette on 20 March 2020 (2019 version). For the period from 27 June 2022, the following declaration refers to the recommendations of the Code in its version of 28 April 2022, which was published in the Federal Gazette on 27 June 2022 (2022 version).

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 November 2021, 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 exper-

tise 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. This recommendation was not complied with until the close of the Company's Annual General Meeting on 24 June 2022, as the shareholder representatives did not consider two of the shareholder representatives to be independent. On 24 June 2022, the Annual General Meeting of the Company elected Dr Harald Marquardt, another shareholder representative independent of the Company and the Management Board, as a member of the Supervisory Board. Since then, the shareholder representatives have estimated that three – and thus more than half of the shareholder representatives – are independent of the Company and the Management Board. Recommendation C.7 of the Code has therefore been complied with since the end of the Company's Annual General Meeting on 24 June 2022.
- C.10:** According to recommendation C.10 sentence 1 of the Code, the Chairman of the Supervisory Board, the Chairman of the Audit Committee and the chairman of the committee dealing with Management Board remuneration should be independent of the company and the Management Board. This recommendation was not complied with until 24 June 2022. Since the Supervisory Board elected Dr Stefan Krauss as Chairman of the Supervisory Board and Chairman of the Audit Committee dealing with Management Board remuneration on 24 June 2022, recommendation C.10 sentence 1 of the Code has been complied with since then.
- C.12:** According to recommendation C.12 of the Code, members of the Supervisory Board shall not perform any executive function or advisory duties with significant competitors of the Company and shall not have a personal relationship with a significant competitor. This recommendation has no longer been fully complied with since July 2022. Since then, Schweizer has been a qualified supplier of new PCB applications produced in-house to a significant extent. Due to the fact that one member of the Supervisory Board has an executive function at another PCB-producing company, which could be regarded as a significant competitor of Schweizer, recommendation C.12 of the Code is no longer fully complied with.
- 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: With the earlier establishment of the Personnel and Finance Committee and since 26 November 2021 of the Audit Committee, the Supervisory Board has 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.

Since Mr Christoph Schweizer was Chairman of the Audit Committee and simultaneously Chairman of the Supervisory Board until 24 June 2022 and is also a close family member of a member of the Executive Board, recommendation D.4 sentence 1 at the end and sentence 2 of the Code (2019 version) was deviated from until 24 June 2022.

Since Dr Stefan Krauss has been Chairman of the Supervisory Board and simultaneously Chairman of the Audit Committee since 24 June 2022, only recommendation D.4 sentence 2 of the Code (2019 version) and D.3 sentence 5 of the Code (2022 version) have been deviated from since.

Furthermore, there is still no nomination committee of the Supervisory Board recommended by D.5 of the Code (2019 version) or D.4 of the Code (2022 version). 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.

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 fully complied with and is not fully complying with this recommendation. 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 Executive Board provides for any severance payment to be offset against compensation payments for observing non-compete obligations. Since 1 Ju-

ly 2022, the service contracts of the members of the Executive Board have included a corresponding offsetting provision in some cases. The recommendation will be fully complied with from 1 April 2023.

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, December 2022

Schweizer Electronic AG

Management Board

Supervisory Board

Nicolas-Fabian Schweizer
Chairman of the Management Board

Dr Stefan Krauss
Chairman of the Supervisory Board