

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 highly-qualified employees. They drive the SFS value engineering process and enable it to create new solutions for our customers day after day.

SFS has set itself the goal of holding a distinguished position in the manufacturing and distribution of precision components and assemblies, mechanical fastening systems, quality tools and logistics solutions – based on its reputation for quality, reliability, innovation, design and process expertise. We embrace a systematic customer focus in everything we do. We strive to create added value for our customers by providing products and services across the entire value chain – from the initial design concept to timely delivery.

Focus on megatrends

To meet our customers' needs, we operate within clearly defined end markets and regions and focus on selected groups of customers and application areas → that have strong underlying growth drivers due to global megatrends. The megatrends relevant to SFS are:

- Digital revolution
- Innovation acceleration
- Economic globalization
- Evolving consumption
- Resources constraints
- Demographic asymmetries
- Growing global risks

These megatrends guide our resource allocation decisions and enable us to continuously enhance our expertise and develop both our customer's and internal processes.

Taking advantage of the opportunities presented by the “digital revolution” and “innovation acceleration” megatrends – examples from the period under review:

1 Digital transformation in in-house production

SFS has commissioned a digital assistance system to enhance its own manufacturing processes by leveraging the potential offered by digitalization. Goal is to furnish the employees working on the machines with digital tools to assist them with their challenging work and to use machine data to make targeted improvements to the processes. Digitalization helped boost the productivity of equipment connected to the system by around 2% in the year under review.

Digitalization is also a prerequisite for industrialization and manufacturing the precision components assembled in the new generations of electric brake systems. A “Big Data and Analytics” system is used to collect large volumes of data regarding the components manufactured during the various steps of the production process. This tracking makes it possible to use the information for quality assurance purposes. The data collected also lay the basis for detailed, targeted analyses. Stakeholder-oriented analyses and data visualizations are used to identify and make ongoing, targeted improvements to both processes and products.

2 Process simulations in research and development

Expanding the simulation environment has enabled new possibilities in the area of virtual process and product development. Not only did we implement new simulation methods, but substantially boosted the system's computing power as well. Fluid mechanics simulations have helped us improve the energy efficiency of our processes in drying and heat treatment installations, for instance. The introduction of material flow analyses marked a milestone in efforts to ensure streamlined and lean process flows from the factory level all the way to machine level. Distortion and stress analyses per-

formed on components of cold forming tools delivered the data needed for forming simulations that shortened both development and manufacturing loops. Expanding this forming simulation to rolling processes, as well as the start of heat treatment simulations has put us one step closer to our goal making cross-process know-how available for product optimizations.

3 SFS Value Engineering Award – innovations recognized

The motto of SFS’s in-house Value Engineering Award is: “We create value – for customers and us”. Teams that have successfully undertaken an innovation or improvement project are invited every year to submit their project. Awards are presented to projects in these three categories:

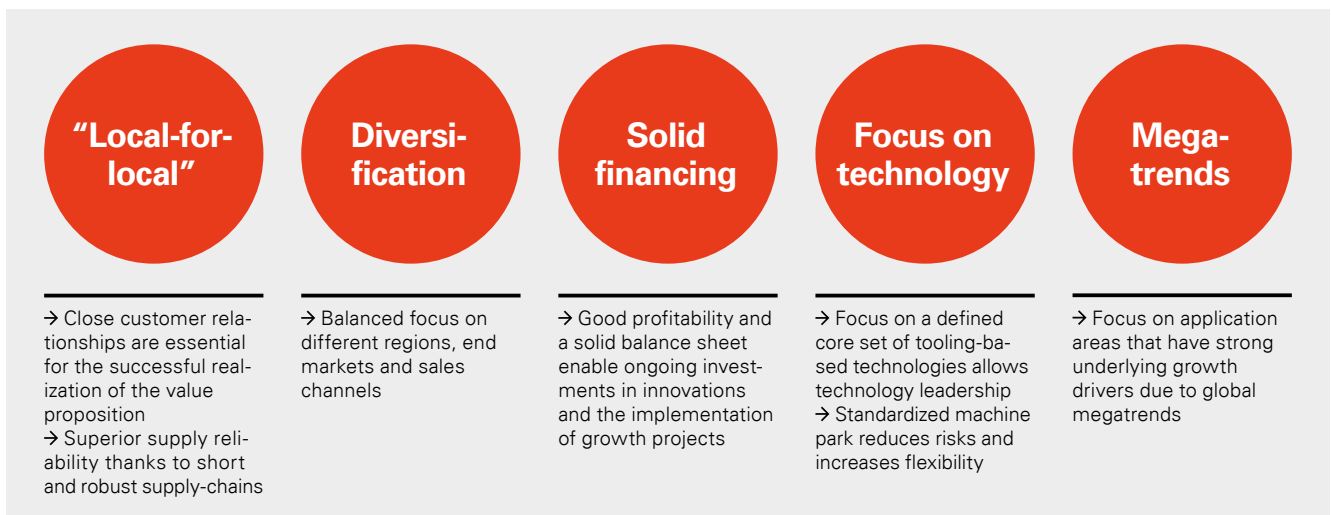
- Best innovation realized
- Best digital innovation
- Best production innovation

A diverse ten-member jury chooses the best projects based on a variety of criteria including “Added value for the customer and SFS”, “Multiplication potential” and “Use of digitalization”, to name a few. In 2022, for example, the jury selected the “HECO-TOPIX-plus” project from HECO in the category of “Best innovation realized”. The “HECO-TOPIX-plus” is an innovative, newly developed product that successfully combined the advantages of several products into a single new fastener for wooden constructions.

4 Rollout of S/4HANA

Two years of extremely demanding preparations culminated in the successful rollout of the new SAP platform – S/4HANA – at the start of September 2022. This first step of the migration was largely disruption-free and affected the Finance departments worldwide as well as the business processes of the Distribution & Logistics Switzerland division. The switch to the new platform had become necessary due to the fact that a large number of process variations had been developed over the 20 or so years of using SAP that made the system highly complex and were quite costly in terms of support and maintenance. Also, the SFS Group has become larger, more international, and more diversified over these many years, which has added even further complexity to the system. The Group has now switched to the new SAP platform – S/4HANA – to preserve its ample competitive edge. Additional business areas will also be migrated to S/4HANA in different stages over the course of the next few years. Read this success story to find out more about S/4HANA’s go-live →

Strategic priorities



Local-for-local principle addresses megatrends

The local-for-local principle that SFS has already successfully employed for many years addresses the megatrends “economic globalization”, “evolving consumption”, “resources constraints”, “demographic asymmetries” and “growing global risks” now more than ever.

The 2020 decision to set up a global manufacturing platform for medical device applications that integrates mostly existing sites in North America, Europe and Asia is the latest example of systematic efforts to follow that path. 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, we have proven time and again that we create substantial value added for our international customers. Efforts to build the global manufacturing platform, entailing a substantial amount of growth-related investments, were systematically expedited in the past financial year as well.

Sustainability as an integral part of our corporate strategy

Sustainability is important to us – it’s in our DNA! Embracing a sustainable mindset and practices drives innovation and gives us a chance to re-examine our products and processes on a daily basis and improve them continuously for the good of all stakeholders. As a value engineering specialist, working with our customers to develop sustainable products and solutions gives us a multitude of opportunities to utilize our expertise and offer our customers added value – in keeping with our corporate principle of “Inventing success together”. We strive to collaborate closely with customers and suppliers to make ongoing improvements to cost transparency and also incorporate other aspects of sustainability into the calculations. Detailed information on the topic of sustainability at SFS can be found at sustainability.sfs.com →.

1 Dialog with stakeholders

SFS adjusted its sustainability reporting in line with the new requirements of the Global Reporting Initiative (GRI 2021) during the year under review. In this context, the existing material topics were reviewed again and a stakeholder workshop was held to discuss and evaluate both the company’s impact on the environment, society and economy with respect to these topics (inside-out) as well as how these topics impact SFS (outside-in). In the course of this, the following main topics were identified:

- Energy & emissions
- Sustainable solutions
- Employee promotion & engagement
- Procurement
- Occupational health and safety

Going forward, SFS will focus on these groups of topics, which are very similar to the previous focal points. We plan to use long-term targets and corresponding initiatives to continuously develop those topics over the long term. For this,

the individual topics are examined as a whole and their positive or negative impact, their contribution to the Sustainable Development Goals (SDGs) as well as the ESG dimension of each (environment, social, governance) is taken into consideration. In that context, the existing environmental roadmap will also be defined in greater detail and planned measures adjusted where necessary. Details regarding the contents of the topics as well as new or additional targets will be published in the 2022 sustainability report at the end of May 2023.

2 Scope of the non-financial KPI’s expanded

SFS succeeded in making further improvements to the data collection process in 2022, which also resulted in further improvements to non-financial KPI’s. This held particularly true in the D&L International division. The improved data basis will help us both with this year’s participation in the CDP (Carbon Disclosure Project) as well as with the future validation of set emission targets.

3 Improve transparency in the value chain, identify ESG risks and opportunities

In the interests of improving the transparency of social and environmental factors – including that of Scope 3 emissions – throughout the entire value chain, SFS decided last year to have a risk management platform evaluate its suppliers. This will enable the Group to identify opportunities and risks from the ESG realm at an early stage and assess them in terms of future cooperation with the business partner in question. The suppliers from the various segments will be invited individually over the course of 2023 to register on the platform mentioned so that the first representative assessment of risks and opportunities can be carried out at the end of 2023.