

zehnder

always the
best climate

Annual Report

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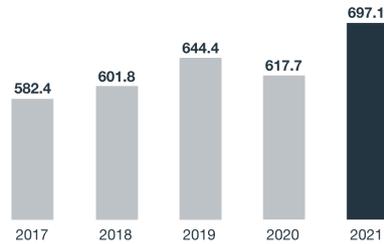
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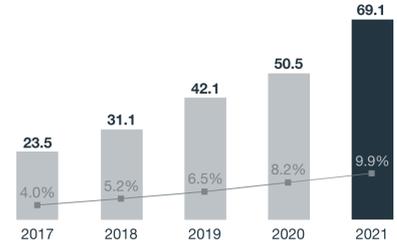
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Key figures

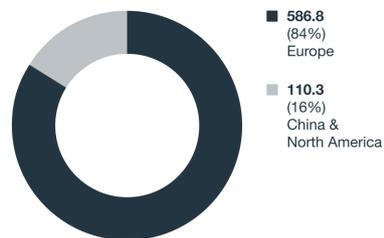
Sales
EUR million



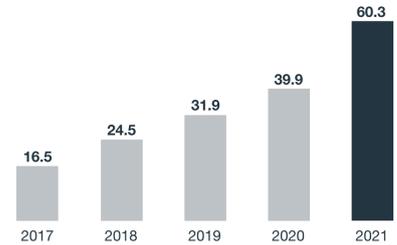
EBIT
EUR million, % of sales



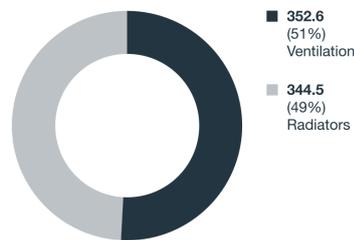
Sales by segment
2021, EUR million



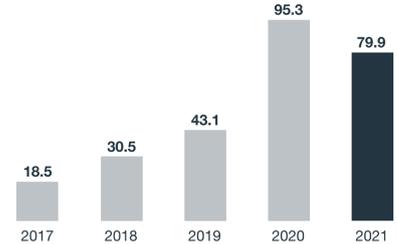
Net profit
EUR million



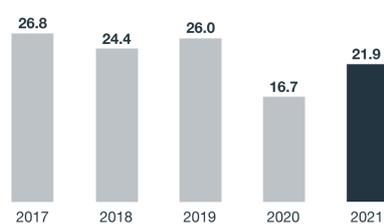
Sales by business area
2021, EUR million



Cash flow from operating activities
EUR million



Investments in property, plant and equipment & intangible assets
EUR million



Share price development
1 January to 31 December 2021, %



		2021	2020	%
Sales	EUR million	697.1	617.7	12.9
EBITDA ¹	EUR million	92.1	74.8	23.1
	% of sales	13.2	12.1	
EBIT	EUR million	69.1	50.5	36.8
	% of sales	9.9	8.2	
Net profit ²	EUR million	60.3	39.9	51.2
	% of sales	8.6	6.5	
Cash flow from operating activities	EUR million	79.9	95.3	-16.2
	% of sales	11.5	15.4	
Investments in property, plant and equipment & intangible assets	EUR million	21.9	16.7	30.9
Depreciation & amortisation	EUR million	-22.9	-24.3	-5.4
Total assets	EUR million	552.6	498.6	10.8
Non-current assets	EUR million	207.9	198.9	4.5
Net liquidity/(net debt) ¹	EUR million	123.2	96.4	27.8
Shareholders' equity ²	EUR million	362.4	326.9	10.9
	% of total assets	65.6	65.6	
ROCE ¹	%	22.6	17.0	
Number of employees	Ø full-time equivalents	3,554	3,340	6.4
Market closing price registered share A	CHF	93.10	59.10	57.5
Net profit per registered share A ³	EUR	5.13	3.34	53.8
Shareholders' equity per registered share A ³	EUR	29.58	26.77	10.5
Dividend per registered share A ⁴	CHF	1.80	1.25	44.0
Payout ratio	%	33	35	

¹ See [Alternative performance measures](#) in the consolidated financial statements in the Financial Report.

² Including minority interests

³ Excluding minority interests

⁴ For 2021 as proposed by the Board of Directors

Company profile

The Zehnder Group improves quality of life with comprehensive indoor climate solutions. The globally active company develops and manufactures its products in 18 plants, including 3 in China and 3 in North America. Its sales activities, spanning more than 70 countries, take place through local sales companies and representative offices.

Zehnder Group products and systems for heating and cooling, comfortable indoor ventilation and air cleaning are characterised by outstanding design and high energy efficiency. The Group is among the market and technology leaders in its business areas with brands such as Zehnder, Acova and Core.

The Zehnder Group has had its headquarters in Gränichen (CH) since 1895. It employs around 3,500 people worldwide and achieved sales of EUR 697 million in 2021. The company is listed on the SIX Swiss Exchange (symbol ZEHN/number 27 653 461). The unlisted registered shares B are held by the Zehnder family and persons closely associated with them.

Locations



Zehnder Group increases sales to EUR 697 million and EBIT to EUR 69 million

In the 2021 financial year, the Zehnder Group increased its sales by 13% to EUR 697.1 million and its operating result (EBIT) by 37% to EUR 69.1 million. As a result, the EBIT margin increased by a further 1.7 percentage points to 9.9%. Net profit increased by 51% to EUR 60.3 million.



Dear shareholders,

Looking back on an eventful but once again largely successful year, the Zehnder Group demonstrated flexibility and resilience throughout 2021. We enjoyed a strong first half of the year with large order volumes as we dealt with pent-up demand. As the year progressed, we faced ever greater challenges presented by sharply rising raw material and component prices and a gradual decline in the availability of electronic components. Developments like these slowed our growth considerably. Nevertheless, we are pleased to be able to present a solid result for the year as a whole.

Strong radiator business, slowdown in ventilation growth

The Zehnder Group increased its sales by 13% to EUR 697.1 million in the reporting year (12% organic¹). On the one hand, it benefited from catching up on the pandemic-related backlog – especially in the radiator business. On the other hand, the gradual decline in the availability of electronic components led to supply difficulties, which had a significant adverse impact on the ventilation business in particular. By the end of the year, sales in the ventilation business area increased by 9% to EUR 352.6 million (6% organic). Sales in the radiator business area grew by 17% to EUR 344.5 million (18% organic). This means that the share of total sales accounted for by ventilation and radiators was 51% and 49% respectively (52% and 48% in the previous year).

The Europe segment achieved sales of EUR 586.8 million in 2021. This represents an unchanged 84% of total sales, and a 13% increase in sales (13% organic). EUR 290.0 million of revenue in Europe was generated in the ventilation business area. All three product lines – residential ventilation, heat exchangers and clean air solutions – contributed to an 8% growth (7% organic). In the radiator business area, revenues increased by 20% to EUR 296.8 million (20% organic). Sales in the radiator product line as well as in the climate ceiling product line both experienced positive development.

“Our high-quality, energy-efficient radiator systems were in high demand in 2021. The positive trend experienced in France, the Zehnder Group's largest market for radiators, is particularly noteworthy.”

- The Zehnder Group recorded its highest growth rates in France, the UK and Italy, primarily as a result of the considerable recovery in these markets following the pandemic-related drop in sales experienced in the previous year. But sales also increased compared to 2019. In France, the Zehnder Group's largest radiator market, public incentives under the European Green Deal promoted the installation of high-quality, energy-efficient radiator systems, which the Zehnder Group offers through its wide range of electric and hot water radiators. In Italy, tax incentives for renovations aimed at improving energy efficiency in buildings were also a driver of growth, particularly in the ventilation business. In the UK, sales in both business areas developed favourably, and the strong recovery of radiator sales via DIY stores is certainly worth noting.
- Sales also increased in Germany, the Zehnder Group's largest market in terms of sales, as well as in Switzerland and Poland; however, the strained situation in raw material markets, as well as shortages in the logistics chain, led to delivery difficulties – as seen in other markets. This affected both ventilation and radiators. In this environment, close coordination with the customers was essential. In Germany, the AUFWIND partner programme introduced in 2019 has proven its worth. Around 700 installers already make use of services such as prioritised processing of enquiries, involvement in the further development of products and services, and individualised advertising measures for more effective customer acquisition.
- In the Netherlands and Belgium, where the Zehnder Group is mainly active in the ventilation business, sales suffered due to shortages in the supply chain. In Belgium, the growing radiator business almost made up for the decline in ventilation business. The Netherlands saw a significant drop in sales; however, the order intake was solid. In addition, the Zehnder Group contributed to significant projects, such as the first European 3D-printed house in the Eindhoven district of Bosrijk (NL). It meets all the strict Dutch building regulations and is very energy efficient. It also uses a Zehnder ComfoAir Q ventilation system to maintain a healthy and pleasant indoor climate.

The China & North America segment achieved sales of EUR 110.3 million in the reporting year, corresponding to an unchanged 16% of total sales. Compared to the previous year, revenues grew by 10% (3% organic).

- In China, sales increased by 15% to EUR 55.6 million (–3% organic). In the ventilation business, the Zehnder Group expanded its position in the Passive House business. In addition, the fast-growing heat exchanger company Fortuneway, acquired in April 2021, made a positive contribution to sales. In the radiator business area, various projects were carried out and sales increased compared to 2020; however, growing payment difficulties experienced by various construction groups in the second half of the year had a massive impact on the real estate sector. In the ventilation business in particular, project orders collapsed over the course of the second half of the year.

- In North America, sales amounted to EUR 54.7 million, 5% more than in the previous year (9% organic). Shortages with regard to materials and personnel had a negative impact on radiator sales. The ventilation business, on the other hand, experienced favourable development. The product range was further adapted to local needs, and assembly in Buffalo NY (USA) was expanded. Driven by the trend towards energy-efficient construction, ventilation sales increased by 30% (31% organic). They now account for 34% of sales in North America (28% in the previous year).

“Driven by the trend towards energy-efficient construction, our ventilation sales in North America increased by 30%. They now account for 34% of our sales in North America (28% in the previous year).”

¹ See **Alternative performance measures** in the consolidated financial statements in the Financial Report.

Increase in EBIT margin from 8.2% to 9.9%

The operating result (EBIT) in the reporting year rose to EUR 69.1 million (previous year: EUR 50.5 million). As a result, the EBIT margin increased by a further 1.7 percentage points to 9.9%.

The EBIT figure achieved in the Europe segment was EUR 63.6 million (previous year: EUR 41.6 million). The Group continued to pursue a systematic strategy of optimising costs and improving efficiency. In addition, costs for business travel and events remained at a lower level as activities were reduced or conducted online. On the other hand, rising purchase prices, especially for steel and electronics, had a negative impact on profitability, as they could not be fully compensated by sales price increases. As well as this, supply bottlenecks affecting certain suppliers increasingly led to delivery problems and disruptions in the production and supply chain. In addition, logistics costs became more expensive. With a view to strengthening its competitiveness, the Zehnder Group also increased its spending on research into and development of innovative new products.

The EBIT figure achieved in the China & North America segment was EUR 5.5 million (previous year: EUR 8.9 million). The main reason for the lower profitability is the reduced credit rating of various construction groups in China, which made it necessary to make value adjustments on receivables.

The use of loss carry-forwards and the positive effects of the tax reform measures introduced in Switzerland reduced the income tax burden. Accordingly, a net profit of EUR 60.3 million (previous year: EUR 39.9 million) was achieved.

“With sales of EUR 697 million, EBIT of EUR 69 million and a net profit of EUR 60 million, we achieved a solid result in 2021.”

Product development with a focus on ventilation growth

In the reporting year, expenditure on research and development amounted to EUR 21.4 million (previous year: EUR 18.2 million), with two-thirds focusing on the ventilation business as a key growth area. The Smart Home is a central topic, and the Zehnder Group is working on integrating its appliances into intelligently networked buildings. A development team for controls and climate solutions has also been established in Italy. At the International Sanitation and Heating Fair (ISH), held online in March, the Zehnder Group presented the Zehnder ComfoClima System as an innovative room climate solution for heating, ventilation, cooling and hot water production. It is specially tailored for use in buildings affected by the lowest energy standards and modern prefabricated houses. The fair also provided an opportunity to showcase the new school ventilation system based on the Zehnder ComfoAir Q600 ST enthalpy ventilation unit. This not only reduces the aerosol concentration in the room through continuous air exchange, but also keeps the CO₂ concentration at a low level to ensure a safe and healthy learning atmosphere. Another innovation is the compact Zehnder ComfoAir Flex ventilation unit, which is particularly suitable for multi-family houses where the available space is limited. Zehnder's Climate Switch technology guarantees the best automatically adjusted room climate in every season.

“At the digital ISH, we presented the Zehnder ComfoClima System as an innovative room climate solution for heating, ventilation, cooling and hot water production. It is specially tailored for use in buildings with the lowest energy standard and modern prefabricated houses.”

Another product worth highlighting in the area of decorative radiators is the Artémia radiator, sold under the French brand Acova. Equipped with an innovative wall bracket with hinge, it makes the installation process much easier for professionals. The Artémia was awarded the Trophée du Négoce 2021 prize in the Design category. The new Zehnder Studio Collection premium design line has now been launched in Poland and Italy, with other European countries set to follow as of January 2022. The products previously marketed under the premium brand Runtal will be integrated into the Zehnder Studio Collection. This strengthens the Zehnder brand and continues the legacy of Runtal, which was acquired in 1988, in Zehnder's premium design line.

Investments in infrastructure

In 2021, the Zehnder Group invested EUR 21.9 million in property, plant and equipment and intangible assets (previous year: EUR 16.7 million). In the Europe segment, the amount invested was EUR 20.2 million (previous year: EUR 13.3 million). In the China & North America segment, investments worth EUR 1.7 million (previous year: EUR 3.4 million) were made.

In April, construction started on the new training and office building at the Lahr (DE) site: the “Center of Climate” is envisaged as a future communication hub for customers and employees alike, and a centre for healthy indoor climate for Zehnder in Germany. Over the course of 2023, training rooms and practical workshops, a showroom, meeting and conference rooms, office space and a new Zehnder restaurant as a meeting place for customers and employees will be available comprising a total area of almost 5,000 m². In Switzerland, the Zehnder Group has invested in its existing training infrastructure. The newly installed 2.5-room model apartment allows the simulation of three different apartment types featuring five different ventilation concepts. These combined efforts contribute to the Zehnder Academy's growing aspirations to assert itself as the leading competence centre for indoor climate solutions in Switzerland.

“The ‘Center of Climate’ we are building over at the Lahr site is envisaged as a future communication hub for customers and employees alike, and a centre for healthy indoor climate for Zehnder in Germany.”

Capacity for heat exchanger production was expanded in both Waalwijk (NL) and Reinsdorf (DE). In Vaux-Andigny (FR), further investments were made in modernising the radiator production. At the Dutch site in Zwolle, the new rooftop solar system was completed and put into operation in the spring. The 3,564 solar cells generate around 1,400 kWp (kilowatt peak) annually, which is equivalent to the consumption of 400 households.

Acquisitions in China and France

The acquisition of a 51% share in the Chinese company Zhongshan Fortuneway Environmental Technology Co., Ltd. by the Zehnder Group was successfully completed at the end of April 2021. The company specialises in the development, production and sale of enthalpy exchangers for moisture and heat recovery, and has been one of the Zehnder Group's suppliers since 2019. With this acquisition, the Group has complemented its technology and product portfolio and is focusing on the growth potential in China, where the share of enthalpy exchangers in ventilation equipment is high. Today, the majority of these are made out of paper, although there is a trend towards the use of polymer membranes, as these are more efficient, durable and hygienic. The workforce – including management – and site will be retained.

“With the acquisition of Fortuneway in China and Caladair in France, we are complementing our technology and product portfolio and increasing our geographical presence.”

In October, the Zehnder Group acquired 75% of the shares in the French company Caladair International SAS. Founded in 1979 and headquartered in Mâcon, Burgundy, the company develops, produces and sells energy-efficient ventilation and thermodynamic systems, primarily for commercial buildings. A third of its turnover is achieved outside France. With this acquisition, the Zehnder Group has expanded its ventilation product portfolio to include compact air handling units for commercial buildings and multi-family houses – a strategically important sector that will close a gap in its product range. Caladair will continue to operate at its current location under the management of the current managing director, who holds a minority share of 25%. The existing customer base is being retained and is set to be expanded. In addition, Caladair products are to be sold in various markets via the Zehnder Group's established sales channels in order to exploit further synergies.

High cash flow from operating activities and solid balance sheet

Cash flow from operating activities amounted to EUR 79.9 million in the reporting period (previous year: EUR 95.3 million), while net liquidity¹ grew from EUR 96.4 million to EUR 123.2 million. Shareholders' equity was EUR 362.4 million (previous year: EUR 326.9 million). This equates to an unchanged high equity ratio of 66%.

On 24 March 2021, the Zehnder Group launched a share buyback programme for the purpose of capital reduction. Over a maximum period of three years, the Group will buy back up to 5% of the listed registered shares A via a second trading line on the SIX Swiss Exchange. This corresponds to 487,800 registered shares A. By the end of the year, 79,300 registered shares A had been repurchased at a total price of EUR 5.6 million.

“As part of the share buyback programme launched in 2021 for the purpose of capital reduction, we purchased 79,300 registered shares A for a total price of EUR 5.6 million.”

¹ See **Alternative performance measures** in the consolidated financial statements in the Financial Report.

High level of employee satisfaction

At the end of 2021, the number of full-time equivalent employees increased from 3,361 in the previous year to 3,634 – an increase that can primarily be attributed to acquisitions. In the reporting year, the Zehnder Group welcomed around 200 new employees from Fortuneway in China and Caladair in France. This brought the average number of employees up to 3,554 (previous year: 3,340). Of these, 411 were employed temporarily (previous year: 287) and 58 were apprentices (previous year: 63). 2,693 employees (previous year: 2,607) were working in Europe and 861 (previous year: 733) in China & North America.

Leadership forms a major contributing factor to a committed workforce. With this in mind, the Zehnder Group introduced its Leadership Development Programme in 2021. Its goals include bolstering common strategic foundations, developing leadership skills and social competences further, increasing customer and market orientation, and promoting a culture of appreciation, trust, empowerment and inclusion. Around 30 managers have taken part to date. The implementation of additional modules and the training of more managers are planned for the coming years.

“A major contributing factor to a committed team is leadership. We are investing in the ongoing development of our managers through the Leadership Development Programme launched in 2021.”

The continuous efforts to promote an attractive working environment are bearing fruit. 84% of employees took the opportunity to participate in the Group-wide employee satisfaction survey in autumn 2021 and provide their feedback on leadership, strategy and market approach, commitment to the Zehnder Group, and outlook after the pandemic. The answers were evaluated anonymously by an external partner, and the results were impressive: employee satisfaction had increased significantly compared to the 2018 survey. 83% (2018: 69%) of employees stated that they would recommend the Zehnder Group as an employer of choice.

Increased strategic focus on sustainability

Sustainable management is essential for differentiation in the market, corporate reputation and corporate success. In 2021, a project team consisting of the Chairman of the Board of Directors, the Group Executive Committee and various Group functions worked intensively on revising the Zehnder Group's sustainability ambitions with the aim of achieving an ecological, social and economic balance for the Group's ongoing development. In 2022, the objectives, measures and responsibilities will be firmed up, further data will be collected, coordinated improvement initiatives will be launched and non-financial reporting will be prepared.

“The COP26 House was presented at the climate conference in Glasgow. This has been specifically designed for zero carbon emissions and is equipped with a Zehnder ComfoAir Q350 heat recovery ventilation unit.”

The Zehnder Group is involved in initiatives in various countries to help the construction industry address its carbon-free challenges. At the 26th Climate Change Conference in Glasgow (UK) in November 2021, there were not one but two projects on show to which the Zehnder Group had contributed. One of them, the COP26 House, is the first house of its kind to be designed specifically for zero carbon emissions and equipped with a Zehnder ComfoAir Q350 balanced ventilation unit with Passive House certification. The system delivers fresh, filtered air into the building, while recovering much of the energy already used to heat the building. In Poland, the Zehnder Group was a partner of the Polish-Swiss Innovation Day held on 14 October 2021, during which sustainable construction and sustainable buildings were among the topics discussed. The Innovation Day was an integral part of “Circular Week Poland 2021”. Circular Week is an international campaign consisting of a series of events and initiatives on circular economy and sustainable development taking place across Europe.

In addition, the Zehnder sites worked on reducing their own ecological footprint. In Zwolle (NL), the new solar plant was commissioned in the spring, which generates around 35% more energy than the site consumes. In the UK and Italy, a start has been made on converting the vehicle fleet to electric or hybrid vehicles. Various locations successfully implemented projects to reduce plastic packaging for product shipments. The Zehnder Group also made progress in the area of occupational safety and health management. The production plants in Poland and the UK successfully applied for ISO 45001 certification for the first time, while this was renewed at the Swiss plant. By the end of 2023, all radiator plants in Europe are to be ISO 45001 certified.

Continuous dividend policy

Based on the results of the 2021 reporting year, the Board of Directors is proposing to the Annual General Meeting on 7 April 2022 a dividend of CHF 1.80 per registered share A (previous year: CHF 1.25). The payout ratio of 33% is in line with the Zehnder Group’s continuous dividend policy. This envisages paying out 30–50% of consolidated net profits.

“Our continuous dividend policy is based on earnings and envisages distributing 30–50% of consolidated net profits.”

The current share buyback programme will also be continued.

Growth for ventilation, harvest for radiators strategy implemented further

The Zehnder Group consistently pursued its strategy in 2021, further reinforcing its strong competitive position in the growth business of ventilation by making investments in both market and product development. With the acquisition of Caladair in France, it added strategically important large units for commercial buildings and multi-family houses to its product portfolio. The expansion of the local production of ventilation units for North America in Buffalo NY (USA) and the establishment of a development team for control and climate solutions in Italy were further milestones.

“Our strategy focuses on growth for ventilation, harvest for radiators and promotion of our three potential stars – heat exchangers, clean air solutions and climate ceilings.”

In the radiator business, capacity utilisation increased owing to high demand, which also resulted into improved profitability. The production facilities were further modernised and productivity increased. The Zehnder Group also expanded its development competencies in the field of electronics, strengthened its overall quality management and placed even more focus on design.

Heat exchangers, clean air solutions and climate ceilings represent three other potential stars in the Group's portfolio, all of which developed favourably in the reporting year. The acquisition of the enthalpy exchanger manufacturer Fortuneway in China and the launch of the new generation of air cleaning units scheduled for 2022 provide scope for future growth. In the area of climate ceilings, the new, completely independent European organisation for climate ceilings has set itself the goal of turning around this still unprofitable product line.

Higher sales growth targeted for 2022 due to acquisitions

The demand for system solutions for energy-efficient, healthy, comfortable and sustainable buildings is likely to increase further in the future. The Zehnder Group offers the perfect products to meet this demand, although the ongoing pandemic and global political tensions continue to create many uncertainties. That said, the Zehnder Group expects market conditions as well as the situation in the manufacturing and transport chains to increasingly normalise over the course of 2022; however, visibility and the ability to plan are still limited at present.

The Zehnder Group is resolutely pursuing its adopted strategy of growth for ventilation, harvest for radiators. It continues to invest in market cultivation, product development, digital transformation and production capacity, and its commitment to sustainability is being strengthened. The Group also continues to evaluate complementary acquisitions to round out its technology and product portfolio, strengthen its market position and expand its geographical presence.

On 18 February 2022, the Zehnder Group signed the contract to acquire the Canadian ventilation company Airia Brands Inc. This move sees it targeting sales growth above the 5% average annual target for the 2022 financial year, with the EBIT margin expected to be 8–10%. The tax rate, which was significantly lower in 2021 and 2020 than in previous years due to the use of loss carry-forwards and the tax reform measures introduced in Switzerland, will normalise in 2022 and have a corresponding impact on net profit.

In the medium term, the Zehnder Group continues to target average annual sales growth of 5%, raising the range for the targeted EBIT margin to 9–11%.

“The Zehnder Group maintains its medium-term target of average annual sales growth of 5%, raising the range for the targeted EBIT margin to 9–11%.”

Many thanks

We would like to express our deepest thanks to all the employees of our company. They have made the Zehnder Group even stronger this year, which was again marked by the pandemic.

We would also like to thank our customers, suppliers and business partners for their loyalty and the excellent working relationships that the company has established with them.

As well as this, we want to take this opportunity to extend our thanks to you, our valued shareholders, for the trust and sense of loyalty that you have shown to the Zehnder Group.

Yours sincerely,



Dr Hans-Peter Zehnder
Chairman of the Board of Directors



Matthias Huenerwadel
Chairman of the Group Executive
Committee, CEO

The expectations presented in the Management Report are based on assumptions. If they do not prove true, this will affect the associated results.

Corporate Governance

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Introduction

Corporate Governance refers to the universe of principles and rules which are geared to shareholder interests and which strive towards transparency and a balanced relationship between management and control while also maintaining decision-making capacity and efficiency at the highest corporate level.

The Corporate Governance Report contains the disclosures required by the Corporate Governance Directive issued by SIX Exchange Regulation AG effective as at 31 December 2021 and is structured in line with the directive. The **Compensation Report** is set out in a separate section of the Annual Report.

The Zehnder Group publishes on its website the Articles of Association and Organisational Regulations to which this report refers, as well as the Code of Conduct. These may be viewed at www.zehndergroup.com/en/investor-relations/corporate-governance.

1. Group structure and shareholders

1.1 Group structure

The Zehnder Group is organised by region – Europe, China and North America. All regions are active in both business areas – ventilation and radiators.

Zehnder Group AG, the holding company of the Zehnder Group, is the only listed company included in the consolidation scope. It is headquartered in Gränichen (CH). The registered shares A are listed on the SIX Swiss Exchange (Valor number: 27 653 461, ISIN: CH0276534614). The unlisted registered shares B are held directly or indirectly by the Zehnder family and persons closely associated with them. At 31 December 2021, the market capitalisation (registered shares A) was CHF 908.3 million and the total capitalisation was CHF 1,092.6 million.

All companies included in the consolidation scope of Zehnder Group AG are shown in the [Overview of companies](#) in the consolidated financial statements within the Financial Report.

1.2 Significant shareholders

According to the information available to the Board of Directors, the following shareholder held more than 3% of the share capital of Zehnder Group AG as at the balance sheet date, i.e. 31 December 2021:

- Graneco AG, Gränichen (CH): 15,720 registered shares A and 9,775,600 registered shares B, corresponding to 49.8% of the votes (previous year: 49.8%); together with the other registered shares of the company held by the shareholders of Graneco AG, this group holds 51.7% of the voting rights.

There is a shareholders' agreement between the shareholders of Graneco AG (the Zehnder family and persons closely associated with the Zehnder family), which, among other aspects, includes a voting commitment for all directly and indirectly held registered shares B of Zehnder Group AG. It is the intention of this group of persons to secure significant influence over the long term. For important decisions they vote together, putting the successful development of the Zehnder Group before their own interests. The contract was concluded on 4 July 2013 and runs until 31 December 2023.

As of 31 December 2021, Zehnder Group AG held 126,276 of its own registered shares A. These were mainly acquired as part of the employee shareholding plan as well as the share buyback programme launched on 24 March 2021.

For notification of disclosure of significant shareholdings, please refer to the website of SIX Swiss Exchange: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=ZEHNDER.

The Articles of Association of Zehnder Group AG provide for an opting-out clause, which is explained in item [7.1 Duty to make an offer](#) of this Corporate Governance Report.

1.3 Cross-shareholdings

There are no cross-shareholdings.

2. Capital structure

2.1 Capital

	Registered shares A units 2020	Registered shares B units 2020	Value CHF 2020	Registered shares A units 2019	Registered shares B units 2019	Value CHF 2019
Total registered shares A as of 1.1.	9,756,000		487,800	9,756,000		487,800
Total registered shares B as of 1.1.		9,900,000	99,000		9,900,000	99,000
Total at 31.12.	9,756,000	9,900,000	586,800	9,756,000	9,900,000	586,800

As in the previous year, the total share capital of Zehnder Group AG amounted to CHF 586,800. It is made up of 9,756,000 registered shares A with a par value of CHF 0.05 each and 9,900,000 registered shares B with a par value of CHF 0.01 each.

The unlisted registered shares B (CHF 0.01 nominal value) are all directly or indirectly held by members of the Zehnder family or by persons closely associated with them. The vast majority of the registered shares B are owned by Graneco AG (CH). On the balance sheet date, Graneco AG and its shareholders held 51.7% of the company's registered shares and voting rights.

2.2 Authorised and conditional capital in particular

There is no authorised and no conditional capital in particular.

2.3 Changes in capital

There were no changes in capital in the last three reporting years, i.e. in the period between 1 January 2019 and 31 December 2021.

All changes in capital since going public in 1986 are set out on our website www.zehndergroup.com/en/investor-relations/shares.

2.4 Shares and participation certificates

The share capital of Zehnder Group AG consists of 9,756,000 registered shares A listed on SIX Swiss Exchange with a nominal value of CHF 0.05 each (a total of CHF 487,800) and 9,900,000 registered shares B with a nominal value of CHF 0.01 each (a total of CHF 99,000). Total share capital amounts to CHF 586,800 and the total number of shares outstanding is 19,656,000. Each share carries one vote, irrespective of its nominal value. The registered shares A have a 49.6% share of the votes and account for 83.1% of the share capital, the registered shares B a 50.4% share of the votes and 16.9% of the share capital. The dividend per registered share B is one fifth of the dividend per registered share A.

For additional information on shares, please refer to our website www.zehndergroup.com/en/investor-relations/shares.

No participation certificates of the Zehnder Group are outstanding.

2.5 Dividend-right certificates

No dividend-right certificates of the Zehnder Group are outstanding.

2.6 Limitations on transferability and nominee registrations

Limitations on registration of registered shares A

Under Article 6 (Restrictions on registering registered shares A) of the Articles of Association, purchasers of registered shares A in Zehnder Group AG will, upon application, be entered into the share register as a shareholder with voting rights without limitation, provided they explicitly declare that they have purchased these registered shares in their own name and for their own account and provided they are compliant with the statutory reporting obligations.

Persons who do not explicitly declare in their application for registration or on request of the company that they are holding the shares for their own account (nominees) will automatically be registered in the share register with voting rights up to a maximum of 3% of the outstanding share capital.

Beyond this limit, registered shares A of nominees are only registered with voting rights if the relevant nominee, when requesting registration or subsequently upon request of the company, discloses the names, addresses and shareholdings of the persons on whose account he or she holds 0.3% or more of the outstanding share capital, and if the statutory reporting obligations are complied with.

The Board of Directors is authorised to conclude agreements with nominees with respect to their reporting obligations.

Transferability of registered shares B

Under Article 6 (Transferability of registered shares B) of the Articles of Association, registered shares B can be transferred into ownership or into a restricted right in rem only with the agreement of the Board of Directors.

The Board of Directors may refuse a request to approve share transfer but must give an important reason for doing so. Important reasons are:

- If the purchaser is in competition with the company or one of its affiliated companies;
- If and insofar as the approval of the purchase of registered shares B by the applicant might prevent the company from producing evidence of the composition of the circle of shareholders required by law, in particular in conjunction with the Swiss Federal Law on the Acquisition of Real Estate by Persons Abroad and the associated ordinance.

Furthermore, the Board of Directors may refuse applications for approval if it makes an offer to the seller of the registered shares B to purchase these on behalf of the company, on behalf of other shareholders or on behalf of third parties at their real value at the time of the application.

Further limitations on registration of registered shares A and B

Under Article 8 (Further limitations on registration of registered shares A and B) of the Articles of Association, legal persons and partnerships with legal personality that are interrelated or affiliated through equity or voting interests, through common cooperation or similar means, as well as natural or legal persons or partnerships who

act in concert for the purpose of circumventing the restriction on registration, are treated as one purchaser in transfer regulation contexts.

The limitations placed on registration also apply to shares acquired by exercising pre-emptive, option or conversion rights.

The Board of Directors may, after consultation with the party concerned, delete entries from the share register which have been made due to incorrect information from the purchaser. The purchaser must be immediately informed of the deletion of the entry.

Cancellation or easing of the restrictions on the transferability of registered shares B and the registration restrictions on registered shares A require a resolution of the Annual General Meeting, passed by at least two-thirds of the voting shares represented and an absolute majority of the nominal share value represented.

In the reporting year, the Board of Directors did not grant any exceptions in relation to the limitations on transferability and registration.

2.7 Convertible bonds and options

There are no convertible bonds or options outstanding.

3. Board of Directors

We refer to the Articles of Association and Organisational Regulations of Zehnder Group AG set out on our website www.zehndergroup.com/en/investor-relations/corporate-governance.

Skills and expertise of the Board of Directors

In accordance with the Swiss Code of Best Practice for Corporate Governance for a balanced composition of the Board of Directors, the members of the Board of Directors have a broad range of educational backgrounds, professional experience and technical expertise from various branches.

Alongside the diversity of ages, genders and geographic origins, the Board of Directors evaluates its own level of diversity using a competence matrix drawn up by the Nomination and Compensation Committee. This matrix contains the following professional skills and expertise:

- International business management (including China and North America);
- Corporate governance/compliance/law;
- Finance/audit/risk management;
- Heating, ventilation, air conditioning (HVAC)/related industries;
- Strategy/transformation/M&A;
- Information technology/digitalisation, including new business models (driven by digitalisation);
- Personnel management and compensation;
- Sustainability – environmental, social and governance (ESG).

Evaluation of the Board of Directors' competence is based on the three most important skills of each member of the Board of Directors. The Nomination and Compensation Committee verifies the composition and balance of the Board of Directors annually by way of self-evaluation on the basis of the features listed above and the strategy of the Zehnder Group, in order to obtain confirmation of whether the Board of Directors remains in possession of the necessary skills and expertise to exercise its duties. The results and any resulting recommendations are discussed within the Board of Directors.

All the skills required are present within the Board of Directors, with the main emphasis being on strategy/transformation/M&A, international business management (including China and North America) and corporate governance/compliance/law and with additional reinforcement required in the area of digitalisation. The Board of Directors therefore proposes to the Annual General Meeting on 7 April 2022 to bring in Sandra Emme as a new, independent member of the Board of Directors. Sandra Emme has wide digitalisation expertise in a global, technological and stock market-quoted environment.

Details of the professional background and education of the individual members of the Board of Directors as of 31 December 2021 are set out as biographical data under the following item [3.1 Members of the Board of Directors](#).

3.1 Members of the Board of Directors



Dr Hans-Peter Zehnder
Chairman of the Board of Directors
Swiss citizen, born 1954
First elected 1988
Non-executive member since 2019

Professional background and education

- 1993–31.10.2014 and 5.2.–31.12.2018 Chairman of the Group Executive Committee, CEO of the Zehnder Group, Gränichen (CH)
- 1988–1992 Vice Chairman of the Group Executive Committee, head of the radiator division of the Zehnder Group, Gränichen (CH)
- 1985–1988 Member of the Group Executive Committee, head of the instrument division (1986–1988) of the Zehnder Group, Gränichen (CH)
- 1981–1984 Head of Finance, Gebr. Bühler AG, Uzwil (CH)
- 1974–1980 Dr. oec. HSG, University of St. Gallen (CH)
- Until the end of 2018 he was part of Zehnder Group AG management.
- He retains individual directorships of subsidiaries that are being transferred to the CEO Matthias Huenerwadel. Beyond this, he has no significant business relations with Zehnder Group AG or its subsidiaries.

Other activities and vested interests

- Chairman of the Board of Directors of R. Nussbaum AG (CH), member of the Board of Directors of AZ Medien AG (CH), CH Media AG (CH) and Lagerhäuser der Centralschweiz AG (CH)
- Chairman of the Board of Directors of Graneco AG (CH), which together with its shareholders holds 51.7% of Zehnder Group AG voting rights



Jörg Walther
Vice Chairman of the Board of Directors

Swiss citizen, born 1961

First elected 2016

Non-executive member

Chairman of the Audit Committee

Professional background and education

- Since 2010 Business lawyer and partner, Schärer Attorneys at Law, Aarau (CH)
- 2010–2012 General Counsel and Head Corporate Services, member of the Executive Committee, Resun AG, Aarau (CH)
- 2001–2009 Senior Corporate Counsel, Global Head Legal M&A and Antitrust, member of the Group Legal Executive Committee, Novartis International AG, Basel (CH)
- 1999–2001 Group Vice President M&A, ABB Asea Brown Boveri AG, Zurich (CH)
- 1995–1998 Senior Corporate Counsel, ABB Schweiz AG, Baden (CH)
- 1991–1995 Legal Counsel/General Counsel and Head Legal Services, Danzas Management AG, Basel (CH)
- 1999 MBA University of Chicago (USA), Booth School of Business
- 1997 Advanced Management Programme, University of Oxford (UK)
- 1993 Post-graduate certificate in European Economic Law, University of St. Gallen (CH)
- 1990 Admitted to the bar
- 1989 Lic. iur., University of Zurich (CH)
- At no time was he a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- Until end of 2020, he provided Zehnder Group AG and its subsidiaries with legal advice on commercial matters. Since then, he has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other activities and vested interests

- Chairman of the Board of Directors of Proderma AG (CH), Vice Chairman and member of the Audit and Finance Committee of AEW Energie AG (CH), member of the Board of Directors and member of the Audit Committee of HUBER+SUHNER AG (CH) and SFS Group AG (CH), member of the Board of Directors of Immobilien AEW AG (CH) and Kraftwerk Augst AG (CH)
- Member of the Board of the swissVR association (CH)



Dr Urs Buchmann
Member of the Board of Directors

Swiss citizen, born 1957

First elected 2010

Non-executive member

Member of the Nomination and
Compensation Committee

Member of the Audit Committee

Professional background and education

- Since 1985 Long-term career at Credit Suisse in corporate and investment banking in Asia and in servicing institutional customers in the Asia-Pacific region, currently Vice Chairman of Credit Suisse (Hong Kong) Ltd.
- 1977–1984 Studied law (doctorate) at the University of Bern (CH)
- At no time was he a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- He has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other activities and vested interests

- Member of the Board of Directors of Swiss Re Asia Pte. Ltd. (SG)



Riet Cadonau
Member of the Board of Directors

Swiss citizen, born 1961

First elected 2013

Non-executive member

Chairman of the Nomination and

Compensation Committee

Professional background and education

- 2015 until March 2021 CEO, dormakaba Group, Rümlang (CH)
- 2011–2015 CEO, Kaba Group, Rümlang (CH)
- 2007–2011 CEO, Ascom Group, Dübendorf (CH)
- 2005–2007 Managing Director, ACS Europe + Transport Revenue (later a Xerox company), Glattbrugg (CH)
- 2001–2005 Member of the Executive Board, Ascom Group, Bern (CH), from 2002 Deputy CEO and General Manager of the Transport Revenue Division, which was acquired by ACS in 2005
- 1990–2001 Various management positions at IBM Switzerland, Zurich (CH), most recently as a member of the Management Board and Director of IBM Global Services
- 2007 Advanced Management Programme at INSEAD (FR)
- 1985–1988 Master of Arts in economics and business administration (lic. oec. publ.), University of Zurich (CH)
- At no time was he a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- He has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other activities and vested interests

- Chairman of the Board of Directors of dormakaba Group (CH), member of the Board of Directors of Georg Fischer AG (CH) and Logitech International S.A. (CH)



Ivo Wechsler
Member of the Board of Directors
Swiss citizen, born 1969
First elected 2019
Non-executive member
Member of the Audit Committee

Professional background and education

- Since 2010 Chief Financial Officer and member of the Executive Group Management, HUBER+SUHNER Group, Herisau (CH)
- 2008–2010 Head Corporate Controlling, HUBER+SUHNER Group, Herisau (CH)
- 2001–2007 Head Corporate Controlling and from 2005 in addition Head Corporate Treasury, Ascom Group, Bern (CH)
- 1998–2000 Controller, from 1999 Head of Controlling & Treasury at Sunrise Communications, Rümlang (CH)
- 1995–1997 In Corporate Finance at Schweizerische Bankgesellschaft (UBS), Zurich (CH)/London (UK)
- 1989–1994 Lic. oec. HSG, University of St. Gallen (CH)
- At no time was he a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- He has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other activities and vested interests

- No other activities and vested interests



Milva Zehnder
Member of the Board of Directors
 Swiss citizen, born 1985
 First elected 2016
 Non-executive member
 Member of the Nomination and
 Compensation Committee

Professional background and education

- Since 2013 Attorney-at-law and notary, Schweiger Attorneys at Law and Notaries, Zug (CH)
- 2010–2011 Legal intern, Schweiger Attorneys at Law and Notaries, Zug (CH)
- 2008–2009 Legal assistant, Geissmann Attorneys at Law, Baden (CH)
- 2012 Admitted to the bar, attorney-at-law and notary in the canton of Zug (CH)
- 2005–2010 Law studies at University of Lucerne (CH) with a Master of Law degree
- 2009 Exchange semester at Fordham University, School of Law, New York (USA)
- At no time was she a member of the Group Executive Committee of Zehnder Group AG or of any of its subsidiaries.
- She has no significant business relations with Zehnder Group AG or with any of its subsidiaries.

Other activities and vested interests

- Representative of the Zehnder family shareholders

3.2 Other activities and vested interests

Other activities and vested interests are outlined in the short profiles of the members of the Board of Directors under the previous item **3.1 Members of the Board of Directors**. Beyond these activities, the members of the Board of Directors do not have any dealings with important institutions, hold ongoing executive or advisory roles for interest groups, or hold any official function or political office.

3.3 Rules in the Articles of Association on the number of permitted activities

Under Article 30 (Other permitted activities) of the Articles of Association, the members of the Board of Directors are permitted to undertake the following additional activities in the supreme management or administrative bodies of legal entities obligated to be listed in the commercial register in Switzerland or an equivalent register in another country and which are not controlled by the company, do not control the company or are not occupational pension schemes subscribed to by employees of the Zehnder Group:

- Maximum of 5 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies which are public corporations according to Article 727 Para. 1 Item 1 of the Swiss Code of Obligations; as well as
- Maximum of 10 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies as defined in Article 727 Para. 1 Item 2 of the Swiss Code of Obligations; as well as

- Maximum of 15 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of legal entities which do not meet the criteria outlined above.

Mandates with companies which are controlled by the same entity, or which are subject to the same commercial authorisation, are counted as a single mandate.

3.4 Elections and terms of office

Article 20 (Employees and term of office) of the Articles of Association lays down that the Board of Directors is made up of at least three members elected by the Annual General Meeting for a period of one year. Re-election is permissible.

At the Annual General Meeting, there is a separate vote on the election or re-election of each candidate.

For details of the initial election of the individual members of the Board of Directors we refer to the short profiles of the Directors under [3.1 Members of the Board of Directors](#).

3.5 Internal organisational structure

The Chairman (Dr Hans-Peter Zehnder) or his deputy (Jörg Walther) convenes and chairs the meeting. The Board's duties are carried out by the entire Board. Managerial and monitoring tasks are delegated to ad hoc Board committees at regular intervals. For each meeting, all Board members receive relevant documentation one to two weeks in advance. In 2021, the Board held seven meetings or conference calls: in February (two), March, June, July, September and December. The meetings lasted between one day and two and a half days, the conference calls between 15 minutes and six hours. The attendance rate averaged 95%.

The members of the Group Executive Committee attended the Board meetings and participated in the conference calls as required. Representatives of the auditors or external consultants are called in to advise on individual items on the agenda. To allow the Board to acquire local information directly, a regular rhythm has been established of holding one of the Board meetings on the premises of an operating company of the Group. Due to the COVID-19 pandemic, no visits were made to any subsidiaries during 2021.

The Board of Directors is supported by a Nomination and Compensation Committee and an Audit Committee.

Nomination and Compensation Committee

The Nomination and Compensation Committee is made up of at least two and not more than four members of the Board of Directors who are each elected annually by the Annual General Meeting. Members are eligible for re-election.

The Nomination and Compensation Committee comprised the following members as of 31 December 2021:

- Riet Cadonau, Chairman;
- Dr Urs Buchmann, member;
- Milva Zehnder, member.

The Nomination and Compensation Committee meets as often as the business requires, generally before the meetings of the full Board of Directors. In 2021, the Committee held four meetings: in February, March, September and December. The meetings lasted two hours each on average. The attendance rate was 100%.

The Nomination and Compensation Committee has its own regulations, which are approved by the Board.

The Nomination and Compensation Committee has the following specific duties pursuant to 4.3 (The Nomination and Compensation Committee) of the Organisational Regulations:

- Submission of motions to the full Board of Directors relating to the Group's remuneration system;
- Submission of motions to the full Board of Directors relating to targets set for the Group Executive Committee, the achievement of which has an impact on remuneration paid;
- Provision of information to the Board of Directors about all events relevant to the Nomination and Compensation Committee that are not directly within the competence of the Board of Directors;
- Submission of motions to the full Board of Directors relating to the specific remuneration paid to the Chairman of the Board of Directors and each of the other members of the Board of Directors;
- Submission of motions to the full Board of Directors relating to the specific remuneration paid to the CEO as well as the specific remuneration paid to each of the other members of the Group Executive Committee;
- Submission of motions to the full Board of Directors relating to changes to the Articles of Association affecting the remuneration system compensating the members of the Group Executive Committee;
- Submission of proposals to the Board of Directors relating to the appropriate size and balanced composition of the Board of Directors and determining the criteria for independence;
- Development and presentation of criteria for election or re-election to the Board of Directors or for appointment as a member of the Group Executive Committee;
- Evaluating potential members of the Board of Directors on the basis of the defined criteria and making a statement to the Board of Directors regarding their nomination for the attention of the General Meeting;
- Assessment of proposals from the CEO to the Board of Directors regarding the appointment or dismissal of members of the Group Executive Committee and, if necessary, submission of a statement to the Board of Directors;
- Approval of employment contracts with the CEO and the other members of the Group Executive Committee;
- Review of succession and contingency planning at Group Executive Committee level;
- Submission of proposals to the entire Board regarding the approval of mandates and other additional occupations of members of the Group Executive Committee.

Further details can be found at item [1.2 Nomination and Compensation Committee](#) of the Compensation Report.

Audit Committee

The Audit Committee consists of at least two members of the Board of Directors. The Board of Directors appoints the members of the Committee each year and designates the Chairperson.

The Audit Committee comprised the following members as of 31 December 2021:

- Jörg Walther, Chairman;
- Dr Urs Buchmann, member;
- Ivo Wechsler, member.

The Audit Committee convenes at the invitation of the Chairman as often as is required by business activities. Audit Committee meetings are attended as guests by the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the Director Group Controlling, the Head of Internal Audit & Compliance and representatives of the external auditor. Where necessary, the Audit Committee addresses certain items on the agenda solely with representatives of the external auditor and/or internal auditing staff. In 2021, the Audit Committee convened four times: in February, July, September and December. The meetings lasted an average of two hours. The attendance rate was 100%.

Pursuant to 4.2 (The Audit Committee) of the Organisational Regulations, the Audit Committee has the following specific tasks and responsibilities:

- Evaluation of external auditors and recommendations for the attention of the Board of Directors regarding selection of an auditor by the Annual General Meeting;
- Performance assessment of the incumbent auditor and approval of the remuneration budget for auditing submitted by the external auditor;
- Organisation of internal auditing and appointment of the internal auditor; commissioning of work and assessment of performance;
- Review and approval of auditing plans from internal auditing and the external auditor;
- Approval of any services rendered by the external auditor that are not related to auditing;
- Consultation with the Group Executive Committee and the external and internal auditors regarding significant risks, contingencies and other obligations of the Group, as well as evaluation of the measures taken by the Group to deal with them;
- Review and discussion of the annual and interim financial statements of the company and of the Group – including significant items not recognised in the balance sheet – with the relevant members of the Group Executive Committee;
- Discussion of the results of the annual review with the external auditor and discussion of internal audit reports, as well as issuing of any recommendations or proposals to the Board of Directors;
- Evaluation of and ensuring cooperation between the external and internal auditors.

Chairman

The Chairman of the Board of Directors chairs the meetings of the Board of Directors and the Annual General Meeting.

Alongside membership of the Board of Directors, the Chairman's specific remit includes, in particular:

- Monitoring the planning and organisation of the Annual General Meeting;
- Monitoring the enactment of the resolutions made at the Annual General Meeting and meetings of the Board of Directors;
- Monitoring the running of the business together with the Chairman of the Group Executive Committee;
- Representing the Company towards shareholders and third parties;
- Preparing the meetings of the Board of Directors;
- Monitoring the organisation and decision-taking procedures of the Board of Directors.

In extraordinary situations where it is not possible to inform the Board of Directors in advance, further to consultation with the Vice Chairman or, in his or her absence, with another member of the Board of Directors, the Chairman has the authority to make all necessary decisions provided that such decisions are within the framework of existing business policy. The full Board of Directors must be informed of such decisions without delay.

Vice Chairman

The Board of Directors appoints the Vice Chairman. The Vice Chairman supports and advises the Chairman of the Board of Directors in relation to his responsibilities and powers. Together with the Chairman, he promotes balanced management and monitoring within the Group, Board of Directors and Committees. The duties of the Vice Chairman include chairing meetings of the Board of Directors during temporary absence or incapacity of the Chairman. He has the role of Lead Independent Director. Together with the Nomination and Compensation Committee, he is responsible for regular monitoring and an annual assessment of the Chairman of the Board of Directors.

Alongside membership of the Board of Directors, the Chairman's specific remit includes, in particular:

- Ensuring readiness at all times to act as deputy to the Chairman of the Board of Directors;
- Overseeing the management and development of key strategic projects;
- Acting as contact person (alternatively to the Chairman of the Board of Directors) for important shareholders, investors and proxy advisers;
- Conducting the annual performance evaluation of the Chairman of the Board of Directors as well as the self-assessment of the entire Board of Directors;
- Chairing ad hoc committees of the Board of Directors in matters that do not fall within the remit of the Chairman of the Board of Directors;
- Supporting the Chairman of the Board of Directors in the management of the company, in particular during special situations and in crisis situations;
- Approving the appointment of contact persons for external consultants who report directly to the Board of Directors;

- Conducting a preliminary review, together with or as an alternative to the Chairman of the Board of Directors, of the documents made available to the full Board of Directors;
- Attending meetings of Board committees as chair, member or guest.

As an alternative to the Chairman of the Board of Directors, particularly in case of his absence or incapacity, the Vice Chairman is the point of contact for corporate governance and risk management, and also represents the Company in respect of shareholders and other external groups of stakeholders.

3.6 Definition of areas of responsibility

The allocation of the areas of responsibility between the Board of Directors and the Group Executive Committee is based on the law (Swiss Code of Obligations), on the company's Articles of Association and on its Organisational Regulations.

Insofar as provision to the contrary has not been made in law, in the Articles of Association or in its Organisational Regulations, the Board of Directors delegates management of the business completely to the Group Executive Committee.

The Board of Directors is responsible for the overall management of the company, supervision and control of the Group Executive Committee. It issues guidelines for business policy and is kept regularly informed of the course of business.

The Board of Directors is the supreme authority in the context of the management structure of the Group. Insofar as is permitted by law, the Board of Directors has the right of initiative, power of oversight and ultimate decision-making authority over the Group companies.

3.7 Information and control instruments vis-à-vis the Group Executive Committee

The Board of Directors is regularly informed of the activities of the Group Executive Committee and business units via various channels.

Management information system (MIS)

As part of regular reporting practice, the Board of Directors receives monthly reports (income statement, key figures, commentary) and quarterly reports (expanded to include balance sheet, cash flow statement, investments, etc.). In addition, the Board members receive a quantified medium-term plan and a detailed budget analysis. The Group Executive Committee members attend the meetings of the Board of Directors and also the conference calls depending on requirements, reporting to the Board of Directors.

Risk management process

Operating under the guidance of the CFO, the Zehnder Group has a structured risk management process which has been approved by the Board of Directors and systematically monitors risks to the business. In this process, strategic and operational risks are identified every year, including all the sites and function areas, and analysed in terms of both probability of occurrence and severity, and key risks are defined. Appropriate measures for minimising and monitoring these risks are then set out. The Board of Directors reviews and approves the risk report once a year. Each member of the Group Executive Committee is responsible for implementation of the measures in his or her area of responsibility. The Audit Committee supports the Board of Directors in the monitoring of business risks and the assessment of measures introduced by the Group Executive Committee. The Board of Directors is informed periodically of

significant changes to the risk assessment as well as being kept abreast of risk management activities that have been undertaken.

The financial risks are monitored by the Treasury department of the Zehnder Group under the guidance of the CFO. Risk management focuses on identifying, analysing and mitigating currency, interest, liquidity and counterparty risks, in order to limit the extent to which they can impair cash flow and net profit.

Internal audit

Internal auditing is an independent and objective auditing and advisory activity which is aimed at evaluating and improving the efficiency of the corporate management, risk management and internal controlling. It is undertaken by the Head of Internal Audit & Compliance, who reports to the Chairman of the Board of Directors and with regard to this role reports directly to the Audit Committee.

Based on the audit plan approved by the Audit Committee, the Group companies are audited at regular intervals for general and specific issues on the basis of ongoing risk assessment. During the year under review 12 internal audits were carried out. The audit reports agreed with the managements of the audited companies or the responsible functions are distributed to the Chairman of the Board of Directors, the Audit Committee, the Group Executive Committee and the external auditors. The Head of Internal Audit & Compliance ensures that the points brought up are dealt with and sustainable adjustments made under the responsibility of the line organisation. He attends the meetings of the Audit Committee. Any material findings resulting from internal audits are presented and discussed.

4. Group Executive Committee

4.1 Members of the Group Executive Committee



Matthias Huenerwadel
Chairman of the Group Executive Committee,
Chief Executive Officer (CEO)
Swiss, born 1968
Appointed in 2018

Professional background and education

- Since January 2019 Chairman of the Group Executive Committee, Chief Executive Officer (CEO) of the Zehnder Group, Gränichen (CH)
- 12.11.–31.12.2018 Member of the Group Executive Committee, designated Chief Executive Officer (CEO) of the Zehnder Group, Gränichen (CH)
- 2005–2017 Member of the Executive Board and Head of Movement Systems (2005–2012) and Flooring Systems (2013–2017), Forbo International SA, Baar (CH)
- 1995–2005 Various management positions in the areas of logistics, IT, customer services, sales and marketing at the Franke Group, Aarburg (CH), Ruston (USA) and Bad Säckingen (DE)
- 1991–1994 Master of Science in Industrial Engineering, Swiss Federal Institute of Technology (ETH) Zurich (CH)
- 1987–1990 Bachelor of Science in Mechanical Engineering, Swiss Federal Institute of Technology (ETH) Zurich (CH)

Other activities and vested interests

- Member of the Board of Directors of Daedalus Holding AG (CH)



René Grieder
Chief Financial Officer (CFO)
Swiss, born 1979
Appointed in 2015

Professional background and education

- Since August 2015 Member of the Group Executive Committee, Chief Financial Officer (CFO) of the Zehnder Group, Gränichen (CH)
- 2011–2015 Head of Group Controlling of the Zehnder Group, Gränichen (CH)
- 2009–2010 Head of/Manager Group Reporting of the Zehnder Group, Gränichen (CH)
- 2007–2009 Group Controller, Emhart Glass SA, Cham (CH)
- 2003–2007 Controller, Pilatus Aircraft Ltd, Stans (CH)
- 1998–2000 Product Manager, Intercycle SA, Sursee (CH)
- 2010–2011 Master of Advanced Studies in Corporate Finance, Institute of Financial Services Zug (CH)
- 2001–2003 Bachelor of Science in Business Economics, University of Applied Sciences and Arts Lucerne (CH)

Other activities and vested interests

- Member of the Board of Directors of imiam AG (CH)



Johannes Bollmann
Chief Operating Officer (COO)
Ventilation EMEA

Swiss-Italian dual citizen, born 1982
Appointed in 2019

Professional background and education

- Since April 2019 Member of the Group Executive Committee, Chief Operating Officer (COO) Ventilation EMEA of the Zehnder Group, Gränichen (CH)
- 2013–2019 Various roles and management tasks at the Zehnder Group in Switzerland in the areas of business development, sales, product and project management, most recently as Managing Director of Zehnder Group Schweiz AG
- 2007–2013 Various roles at ABB in Zurich and Baden (CH) in the areas of marketing, sales and internal audit
- 2006–2008 Master of Science in Management, Technology and Economics, Swiss Federal Institute of Technology (ETH) Zurich (CH)
- 2003–2006 Bachelor of Science in Mechanical Engineering, Swiss Federal Institute of Technology (ETH) Zurich (CH)

Other activities and vested interests

- No other activities and vested interests



Jörg Metzger
Chief Operating Officer (COO)
Radiators EMEA
 German, born 1967
 Appointed in 2020

Professional background and education

- Since May 2020 Member of the Group Executive Committee, Chief Operating Officer (COO) Radiators EMEA of the Zehnder Group, Gränichen (CH)
- 2009–2020 Various leading positions in the areas of business management and transformation with the Elster Group and Honeywell Inc., Lorsch (DE) and Atlanta, GA (USA)
- 1995–2009 Management roles in various international companies
- 1990–1995 Studies with a degree in civil engineering (Dipl.-Ing.), University of Applied Sciences Kaiserslautern (DE)

Other activities and vested interests

- Member of the Advisory Board of Engelmann Sensor GmbH (DE)



Cyril Peysson
Chief Commercial Officer (CCO)
EMEA
 French, born 1965
 Appointed in 2006

Professional background and education

- Since 2006 Member of the Group Executive Committee, Chief Commercial Officer (CCO) EMEA (2008–2013 Sales and Marketing Western Europe, 2006–2008 Sales and Marketing Radiators) of the Zehnder Group, Gränichen (CH)
- 2000–2005 Managing Director, Zehnder SAS, Paris (FR)
- 1990–2000 Various activities in exports and sales of French industrial entities, most recently as Sales Director at De Dietrich Heiztechnik, Kehl (DE)
- 1985–1988 Diploma of École Supérieure de Commerce et d'Administration, Montpellier (FR)

Other activities and vested interests

- No other activities and vested interests

4.2 Other activities and vested interests

Other activities and vested interests are outlined in the short profiles of the members of the Group Executive Committee under the previous item **4.1 Members of the Group Executive Committee**. Beyond these activities, the members of the Group Executive Committee do not have any dealings with important institutions, hold ongoing executive or advisory roles for interest groups, or hold any official function or political office.

4.3 Rules in the Articles of Association on the number of permitted activities

Under Article 30 (Other permitted activities) of the Articles of Association (www.zehndergroup.com/en/investor-relations/corporate-governance), subject to the approval of the Board of Directors, the members of the Group Executive Committee are permitted to undertake the following additional activities in the supreme management or administrative bodies of legal entities obligated to be listed in the commercial register in Switzerland or an equivalent register in another country and which are not controlled by the company, do not control the company or are not occupational pension schemes subscribed to by employees of the Zehnder Group:

- Maximum of 2 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies which are public corporations according to Article 727 Para. 1 Item 1 of the Swiss Code of Obligations; as well as
- Maximum of 3 mandates as member of the Board of Directors or member of other supreme management or administrative bodies of companies as defined in Article 727 Para. 1 Item 2 of the Swiss Code of Obligations; as well as
- Maximum of 5 mandates in other legal entities which do not meet the criteria outlined above.

Mandates with companies which are controlled by the same entity, or which are subject to the same commercial authorisation, are counted as a single mandate.

4.4 Management contracts

There are no management contracts which transfer management responsibility to companies or individuals outside the Zehnder Group.

5. Compensation, shareholdings and loans

For information about compensation, shareholdings and loans we refer you to the [Compensation Report](#), item 10. [Disclosure of ownership structure](#) in the notes to the financial statements of Zehnder Group AG in the Financial Report and to the Articles of Association of Zehnder Group AG on our website www.zehndergroup.com/en/investor-relations/corporate-governance.

6. Shareholders' participation rights

Please refer to Swiss company law and also to Zehnder Group AG's Articles of Association on our website www.zehndergroup.com/en/investor-relations/corporate-governance.

6.1 Voting rights restrictions and representation

Rules on shareholder voting rights are provided in Article 14 of the Articles of Association. Regardless of its nominal value, every share carries a voting right. The statements made under item **2.6 Limitations on transferability and nominee registration** in this Corporate Governance Report shall apply.

In its invitation to the Annual General Meeting, the Board of Directors will announce the deadline for entry into the share register which is required for the right to vote and participate.

Only another registered shareholder B can act as a proxy for a registered shareholder A at the Annual General Meeting. A registered shareholder A can be represented by the independent proxy or a third person. Regulations governing proxies and instructions are set by the Board of Directors. Written proxy is not required for legal representatives.

The independent proxy has to be elected each year at the Annual General Meeting. Re-election is permissible. The duties of the independent proxy are governed by the applicable legal provisions.

The Board of Directors did not grant any exceptions or exclude any nominees in the reporting year.

6.2 Quorums required by the Articles of Association

Insofar as provision to the contrary has not been made in law or the Articles of Association, the Annual General Meeting passes its resolutions and holds its elections based on a simple majority of the valid share votes cast. Abstentions, blank votes and invalid votes are not included when the majority is counted. If a vote is tied, the Chairman has the casting vote on resolutions and in elections. Resolutions and elections are open unless provision to the contrary is made by the Chairman.

Under Article 17 (Important decisions) of the Articles of Association, a resolution by the Annual General Meeting passed by at least a two-thirds majority of the votes represented and an absolute majority of the nominal value of the shares represented, supplementary to Article 704 (1) of the Swiss Code of Obligations, is required for:

- a) The conversion of registered shares into bearer shares and vice versa;
- b) Amendments to Article 6, Article 7 and Article 17 of the Articles of Association.

6.3 Convocation of the Annual General Meeting

As prescribed by law, the Annual General Meeting is convened by the Board of Directors or, if necessary, by the auditor. It is convened at least 20 days before the date on which it is to be held, and the invitation to attend is published in the Swiss Official Gazette of Commerce. If the postal or e-mail addresses of the shareholders are known, the invitation may also be issued via post or e-mail.

6.4 Inclusion of items on the agenda

The Board of Directors is responsible for listing matters to be discussed on the agenda. Shareholders registered with voting rights who individually or collectively represent at least 5% of the share capital of the company may request that an item be included on the agenda of the Board of Directors. The request for an item to be included on the agenda must be submitted in writing to the Chairman of the Board of Directors at least 45 days prior to the Annual General Meeting, stating the agenda item and the motions.

6.5 Entries in the share register

In its invitation to the Annual General Meeting, the Board of Directors will announce the deadline for entry into the share register which is required for the right to vote and participate.

7. Changes of control and defence measures

7.1 Duty to make an offer

An opting-out clause is laid down in Article 10 of the Articles of Association (www.zehndergroup.com/en/investor-relations/corporate-governance). Under Article 125 (3) and (4) of the Swiss Financial Market Infrastructure Act (FinMIA), anyone who purchases shares of the Company is not obligated to make a public offer to buy pursuant to Articles 135 and 163 of this same law.

7.2 Clauses on changes of control

There are no change-of-control clauses for members of the Board of Directors or for members of the Group Executive Committee.

8. Auditors

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

PricewaterhouseCoopers Ltd (PwC), Lucerne (CH), have been external auditors for Zehnder Group AG since 2019. They also audit the consolidated financial statements of the Zehnder Group. The auditor is elected at the Annual General Meeting for a term of one year. Thomas Ebinger took over as lead auditor on 1 October 2020. The rotation rhythm for the lead auditor corresponds to a maximum term of seven years in accordance with the legal requirement.

8.2 Auditing fees

The financial statements of Zehnder subsidiaries are audited by various auditing firms, including PwC. In the 2021 reporting year, various auditing firms invoiced a total of EUR 803,000 (incl. expenses) for auditing individual accounts and the consolidated financial statements. Of this, EUR 508,000 were paid to PwC. No audit-related services were invoiced.

8.3 Additional fees

The additional fees for services provided by PwC throughout the Group during fiscal year 2021 are in the amount of EUR 113,000. Additional services rendered by PwC outside the audit mandate are compatible with the audit assignment.

8.4 Information instruments pertaining to the external audit

The auditor attends the meetings of the Audit Committee. At these meetings, it presents significant information on the financial statements of the companies audited. The auditor is evaluated and monitored by the Audit Committee, which makes recommendations to the Board of Directors. In particular, the Audit Committee evaluates the auditing plans from the auditor, as well as the auditor's remuneration and performance. In 2021, PwC attended all four meetings of the Audit Committee.

9. Information policy

The Zehnder Group communicates regularly and transparently with its shareholders, the capital market and the public. It reports every half year on business, the financial results, strategy and prospects for the future. It also provides timely price-relevant and additional information of interest. At least once a year the Zehnder Group organises a media and analyst conference.

Reports and notices are published in digital form in both German and English. The German version is binding. The annual and six-month reports as well as presentations are available from the website www.zehndergroup.com/en/investor-relations/reports-and-presentations. Notifications can be requested and subscribed to at www.zehndergroup.com/en/news.

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The company calendar can be found at [Further information for investors](#) in this Annual Report and on our website www.zehndergroup.com/en/investor-relations/events.

10. Blackout periods

To prevent insider dealing or suspicion of insider dealing and ensure equal chances for investors, the following persons are prohibited from dealing in Zehnder Group securities from 1 December onwards until 24 hours after the publication of the annual financial statements and from 1 June onwards until 24 hours after publication of the semi-annual financial statements:

- Members and, if specified, the secretary of the Board of Directors of Zehnder Group AG and Zehnder Group International Ltd;
- Members of the Executive Boards of Zehnder Group AG and Zehnder Group International Ltd;
- Internal and external employees of Zehnder Group AG and Zehnder Group International Ltd who assist in the production of the semi-annual and annual financial statements.

These general blackout periods also apply to the Zehnder Group itself. The sale and purchase of proprietary shares (e.g. as part of the employee shareholding plan) must take place outside blackout periods.

Pre-trading plans (i.e. sales and purchase programmes for which transactions, fixed dates or periods have been agreed beforehand with the bank or a securities trader prior to the start of the blackout periods) that were initialised prior to the blackout periods are permitted to run on without change.

Compensation Report

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Introduction

The Compensation Report describes the compensation policy and programmes of Zehnder Group AG as well as the methods determining compensation. Further, it provides details about the compensation awarded to the members of the Board of Directors and the Group Executive Committee in the fiscal year 2021.

The Compensation Report was prepared in accordance with the Ordinance against Excessive Compensation in Listed Companies (ERCO) and is in line with the principles of the Corporate Governance Directive issued by SIX Exchange Regulation AG and the Swiss Code of Best Practice from *economiesuisse*. This Compensation Report shows how the business results are reflected in the variable compensation awarded to members of the Group Executive Committee in 2021.

1. Governance and methods determining compensation

1.1 Shareholders' involvement

The Annual General Meeting approves the maximum compensation amounts paid to the Board of Directors and to the Group Executive Committee, each in a binding vote. The provisions of the Articles of Association of Zehnder Group AG (www.zehndergroup.com/en/investor-relations/corporate-governance; Article 16) foresee that the Annual General Meeting votes annually and prospectively on each of the aggregate compensation amounts as follows:

- The maximum total compensation of the Board of Directors for the period up to the next Annual General Meeting;
- The maximum total compensation of the Group Executive Committee for the current fiscal year.

The Articles of Association of the Zehnder Group AG (www.zehndergroup.com/en/investor-relations/corporate-governance; Article 32 ff.) include the following provisions on compensation:

- Principles of compensation and the allocation of listed shares to the Board of Directors (Articles 32 and 34);
- Principles of compensation and the allocation of listed shares to the members of the Group Executive Committee (Articles 33, 34 and 36);
- Additional amount for payments to members of the Group Executive Committee appointed after the vote on compensation at the Annual General Meeting (Article 37);
- Loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Group Executive Committee (Article 35).

1.2 Nomination and Compensation Committee

According to the Articles of Association, the Annual General Meeting elects annually and individually at least two and a maximum of four members of the Board of Directors to the Nomination and Compensation Committee, for a term of office of one year until the conclusion of the next Annual General Meeting. Members are eligible for re-election. At the 2021 General Meeting, shareholders elected the following members of the Nomination and Compensation Committee:

	Executive/independent/non-independent member of the BoD	Chairman/member
Riet Cadonau	Independent member of the BoD	Chairman
Dr Urs Buchmann	Independent member of the BoD	Member
Milva Zehnder	Non-independent member of the BoD ¹	Member

BoD: Board of Directors

¹ Related to the representative of the controlling majority shareholder; holds directly and indirectly less than 0.05% of the share capital of the Zehnder Group AG.

The responsibilities of the Committee have been expanded for the term of office starting from the Annual General Meeting 2021. The Nomination and Compensation Committee is now also responsible for dealing with nomination matters. Its responsibilities are set out in the Articles of Association (www.zehndergroup.com/en/investor-relations/corporate-governance; Article 27) and Organisational Regulations (www.zehndergroup.com/en/investor-relations/corporate-governance; Article 4.3.) and include the following:

- Submission of proposals to the entire Board of Directors regarding the compensation system for the Board of Directors and the Group Executive Committee;
- Submission of proposals to the entire Board of Directors regarding the determination of compensation-related performance objectives for the Group Executive Committee;
- Submission of proposals to the entire Board of Directors regarding the individual compensation of the Chairman and other members of the Board of Directors;
- Submission of proposals to the entire Board of Directors regarding the individual compensation and the employment terms and conditions of the CEO and other members of the Group Executive Committee;
- Submission of proposals to the entire Board of Directors regarding amendments to the Articles of Association affecting the remuneration system compensating the members of the Group Executive Committee;
- Submission of proposals to the Board of Directors relating to the appropriate size and balanced composition of the Board of Directors, the majority of whose members should be independent, and determining the criteria for independence;
- Development and presentation of criteria for election or re-election to the Board of Directors or the appointment as a member of the Group Executive Committee;
- Evaluation of potential members of the Board of Directors on the basis of the defined criteria and making a statement to the Board of Directors regarding their nomination to the attention of the General Meeting;
- Assessment of proposals from the CEO to the Board of Directors regarding the appointment or dismissal of members of the Group Executive Committee and, if necessary, submission of a statement to the Board of Directors;
- Review of succession and contingency planning at the Group Executive Committee level;
- Provision of information to the Board of Directors on all events relating to the Nomination and Compensation Committee that are not directly within the responsibility of the Board of Directors;
- Submission of proposals to the entire Board of Directors regarding the total amount of compensation of the Board of Directors and of the Group Executive Committee to be submitted to vote at the Annual General Meeting;
- Submission of proposals to the entire Board of Directors regarding the Compensation Report;
- Submission of proposals to the entire Board of Directors regarding the approval of external mandates for members of the Group Executive Committee.

The levels of authority between the Nomination and Compensation Committee, the Board of Directors and the Annual General Meeting are summarised by the following table.

Responsibility levels

	CEO	NCC	BoD	AGM
Compensation policy and principles		Proposes	Approves	
Total compensation amounts of BoD and GEC		Proposes	Reviews	Approves (binding vote)
Individual compensation of members of the BoD		Proposes	Approves	
Compensation of CEO		Proposes	Approves	
Individual compensation of other members of the GEC	Proposes	Reviews	Approves	
Compensation Report		Proposes	Approves	Advisory vote

BoD: Board of Directors, CEO: Chief Executive Officer, GEC: Group Executive Committee, NCC: Nomination and Compensation Committee, AGM: Annual General Meeting

The Nomination and Compensation Committee meets as often as business matters require, generally before the meetings of the entire Board of Directors, which take place at least four times a year. In 2021, the Nomination and Compensation Committee held four meetings of two hours each on average, which were attended by all members.

During the year in review, the Nomination and Compensation Committee carried out an analysis of the company pension scheme arrangements for members of the Group Executive Committee, evaluated an adjustment of the compensation model for the Board of Directors and put forward a motion for approval by the Board of Directors. In other respects, the Nomination and Compensation Committee conducted its regular activities, including its annual review of the compensation policies, taking into consideration the feedback by shareholders on the compensation programmes and their disclosure in the Compensation Report, as well as the setting of the compensation of the individual members of the Board of Directors and Group Executive Committee and the preparation of the Compensation Report and remuneration proposals for the Annual General Meeting.

As part of the expanded range of tasks carried out since the Annual General Meeting 2021, the Nomination and Compensation Committee assesses the performance of the CEO and the members of the Group Executive Committee each year and prepares the succession planning for the Board of Directors and Group Executive Committee based on a defined set of criteria.

For specific agenda items, the Chairman of the Board of Directors, the Vice Chairman and/or the CEO attend the meetings in an advisory capacity. The Chairman of the Nomination and Compensation Committee may invite other executives as appropriate. However, the Chairman of the Board of Directors and the executives do not participate in the meetings or parts thereof in case of their own compensation and/or performance being discussed. After each meeting, the Chairman of the Nomination and Compensation Committee reports on the activities of the Committee to the Board of Directors. The minutes of the meetings are available to the full Board of Directors.

The Nomination and Compensation Committee is entitled to bring in external consultants regarding specific compensation issues. During the year 2021, the Nomination and Compensation Committee appointed Klingler Consultants to review the company pension scheme for the members of the Group Executive Committee. The company does not hold any other mandates from Zehnder Group. The Nomination

and Compensation Committee is also supported by internal experts, such as the Director Group Human Resources.

1.3 Method determining compensation

In order to ensure competitive compensation levels allowing key talent to be attracted and motivated on a long-term basis, the compensation of executives is regularly benchmarked against that of executives from comparable international industrial companies featuring similar market capitalisation, revenue, profitability, headcount and geographical reach as the Zehnder Group. The following companies were used for comparison purposes as regards the CEO and other members of the Group Executive Committee: Arbonia, Belimo, Bobst, Bossard, Burckhardt Compression, Burkhalter, Bystronic (formerly Conzzeta), Daetwyler, Feintool, Forbo, Gurit, Huber+Suhner, Interroll, Komax, Landis+Gyr, Metall Zug, Meier Tobler, Phoenix Mecano, Rieter, Schweiter and Starrag. The universe of companies remains unchanged when compared to the reference companies of the previous year. Executives attaining the defined performance objectives are generally awarded target compensation at a median level of the relevant benchmark data.

In 2020, Willis Towers Watson performed a benchmarking survey for the compensation of the Board of Directors. The report was designed to provide the Nomination and Compensation Committee with a basis for analysing and setting the compensation of the Board of Directors for the 2021/2022 period of office.

Willis Towers Watson also performed a benchmarking review for the compensation of the Group Executive Committee in 2020. For this purpose, the data of industrial benchmark companies (as described above) have been compiled by Willis Towers Watson from their existing database for each function of the Group Executive Committee in the country of employment of the respective member and by using the job grading methodology of Willis Towers Watson. The grading system forms the basis in setting compensation with regard to aspects such as benchmarking and the definition of the compensation structure and levels. In addition, the grading system is also being used for talent management (succession planning and people development).

The benchmarking data constitutes just one factor taken into consideration by the Nomination and Compensation Committee to determine the compensation of members of the Group Executive Committee. Other factors are considered as well, such as the internal compensation structure (equity), the profile of the Group Executive Committee member (skill set, experience, seniority) and the responsibilities actually borne by that member. The performance of the company in any given year has a direct impact on the variable compensation actually paid to the members of the Group Executive Committee over the short and long term through the profit-sharing plan.

2. Compensation policy and principles

The Zehnder Group's executives and employees constitute the company's most valuable assets. There would be no entrepreneurial success without their commitment, passion and professionalism. Consequently, the clear objectives of the compensation policy are to recruit and retain qualified employees, to drive best-in-class performance, to ensure market-based pay and to encourage behaviour that is in line with the company's values and high standards of integrity. The compensation programmes are designed to fulfil these fundamental objectives based on the defined compensation principles.

Compensation policy and principles

Alignment to business strategy	Compensation programmes are designed to support the business strategy.
Reward for sustainable performance	Variable compensation is based on the profitability of the company and its businesses, hence the performance management process is a central management tool to drive sustainable performance.
Participation in the company's long-term success	Executives enjoy the opportunity to participate in the company's long-term success through the variable long-term compensation plan and the Zehnder Group Management Share Plan.
Market competitiveness	Compensation is regularly benchmarked against best market practice. The objective is to target median compensation of the relevant benchmark considering years of experience in the role.
Transparency and fairness	Compensation decisions are transparent and fair. The global grading system ensures comparability across the organisation.

3. Architecture of compensation of the Board of Directors

In order to guarantee their independence in their supervisory function of the Group Executive Committee, the members of the Board of Directors receive a fixed compensation only, consisting of a fixed annual retainer, fixed compensation for membership of committees of the Board of Directors and a lump sum expense allowance.

In order to strengthen the alignment to long-term shareholders' interests, payment of the fixed annual retainer for the Board of Directors is made half in cash and half in the form of registered shares A of Zehnder Group AG. From the 2021/2022 term of office, the number of shares awarded is to be determined based on the average, volume-weighted share price during the period between 1 and 31 December of that year. The shares are subject to a restriction period of three years during which they cannot be sold, transferred or pledged. The restriction period also applies in case of termination of employment, except in case of death, where the restriction immediately lapses.

The cash compensation is paid out on a monthly basis and the registered shares A are allocated in January for the current compensation period corresponding to the term of office from the Annual General Meeting of the previous year to the Annual General Meeting of the reporting year.

Additional compensation to Board members for advisory services to the company or for activities in companies that are controlled directly or indirectly by the company is permitted. This compensation is included in the total amount of compensation paid to the Board of Directors, which must be approved by the Annual General Meeting.

The compensation of the Board of Directors is reviewed regularly. The benchmark analysis performed by Willis Towers Watson in 2020 was used to determine the adjustments to the compensation model in the context of the expanded responsibilities within the Board of Directors (see [3.5 Internal organisational structure](#) in the Corporate Governance Report). The following changes, among others, were made for the 2021/2022 term of office:

- The shares are allocated at market value based on conventional market practice with a view to achieving improved comparability with other companies. Specifically, the discount of 30% on the share price applicable until the Annual General Meeting 2021 was removed. In addition, the reference period for calculating the relevant share price was shortened from three months (October to December of any given year) to one month (December);
- The gross retainer for the Board of Directors was raised for all functions in order to take account of the elimination of the share price discount on the one hand, and to align the level of compensation with market practice on the other;
- The retainer for the Vice Chairman of the Board of Directors was adjusted in line with the increased responsibilities. In addition, the Vice Chairman serves as the responsible contact (alternatively to the Chairman of the Board of Directors) for matters relating to corporate governance and risk management. He also represents the company vis-à-vis shareholders (including the majority shareholders) as well as other external stakeholder groups. The Vice Chairman of the Board of Directors also serves the role of Lead Independent Director;

- The level of fees for committee chairmen was also raised in order to reflect the substantial additional effort involved in their roles;
- According to current market practice, the fees due to committee members are paid out entirely in cash.

The compensation structure of the Board of Directors for the term of office until the Annual General Meeting 2021 and for the period from the Annual General Meeting 2021 onwards is summarised in the following table.

Architecture of compensation of the Board of Directors

CHF	Term of office 2020/2021		Term of office 2021/2022	
	In cash	In shares ¹	In cash	In shares ²
Retainer (gross p.a.)				
Chairman of the Board of Directors	175,000	175,000	210,000	210,000
Vice Chairman of the Board of Directors	50,000	50,000	90,000	90,000
Members of the Board of Directors	40,000	40,000	50,000	50,000
Committee fees (gross p.a.)				
Chairman of the Nomination and Compensation Committee or Audit Committee	15,000	15,000	50,000	
Member of the Nomination and Compensation Committee or Audit Committee	10,000	10,000	25,000	
Expense lump sum (gross) ³	2,000		2,000	

1 Converted into shares on the basis of the average volume-weighted share price during the period between 1 October and 31 December, discounted by 30%.

2 Converted into shares on the basis of the average volume-weighted share price during the period between 1 December and 31 December, without discount.

3 The Chairman and Vice Chairman of the Board of Directors are paid a lump sum expense allowance in line with the company's rules on executives' expenses depending on the work commitment (currently 50% for the Chairman of the Board of Directors and 25% for the Vice Chairman). No lump sum expense allowance is paid for members of the Board of Directors based outside Switzerland or if the actual business expenses exceed CHF 2,000, and the business expenses are reimbursed on an actual cost basis.

4. Architecture of compensation of the Group Executive Committee

The compensation for the Group Executive Committee includes a fixed annual base salary, a variable short-term element, a variable long-term element, participation in a management share plan and occupational benefits and perquisites.

Architecture of compensation of the Group Executive Committee

	Purpose	Drivers	Performance measures	Vehicle
Annual base salary (ABS)	Attract & retain	Position, experience and qualifications		Monthly cash payments
Variable short-term compensation element (short-term incentive, STI)	Pay for performance	Role and area of responsibility	Group net profit	Annual cash payment
Variable long-term compensation element (long-term incentive, LTI)	Reward long-term, sustained performance; align with shareholders' interests; retain	Role and area of responsibility	Relative total shareholder return (rTSR); increase in earnings per share (EPS)	Conditional rights to restricted shares A (Performance Share Units)
Zehnder Group Management Share Plan (ZGMSP)	Align with shareholders' interests, retain	Level of position	Share price evolution	Discounted registered shares A
Benefits	Protect against risks, attract & retain	Market practice and position		Retirement plan, insurances, perquisites

4.1 Annual base salary (ABS)

The annual base salary is determined individually on the basis of the scope and responsibilities associated with the position and the experience and qualifications of the individual. The annual base salary is reviewed annually, and adjustments reflect individual performance, current salary, competitive positioning, market salary trends and the affordability to the company.

4.2 Variable short-term compensation element (short-term incentive, STI)

The STI enables the Group Executive Committee to participate in the Group's current success. It is disbursed in the form of a cash payment in line with the profit-sharing plan. For each position, a profit-sharing amount is determined, taking into account the impact on the operating result, company strategy and responsibilities. The STI amount paid out for the fiscal year corresponds to the profit-sharing amount multiplied by the Group net profit (in EUR million). As of the reporting year, the STI can only be paid if a Group net profit of at least 60% of the budget value is achieved (lower limit, adjusted for non-budgeted one-off effects such as company acquisitions). This aligns with the STI principles of the other executives of the Zehnder Group. Considering the profit-sharing characteristic of the formula, there is no formal target level for this STI. However, there is a contractually agreed upper limit for the STI amount. It is set at 100% of the annual base salary for the CEO and 75% for all other members of the Group Executive Committee.

Calculation of the STI amount:

	Individual profit-sharing amount (EUR)	Group net profit × (EUR million)	STI amount = (EUR)
Example	2,000	40	80,000

The STI amount for any given fiscal year is paid in the spring of the following year.

The decision to exclusively and directly link the STI to the company's financial result (Group net profit) is based on the conviction that performance management should not be directly linked to compensation. As regard to the STI, the main focus is on the collective performance as a whole. For the CEO and the other members of the Group Executive Committee, within the framework of the global performance management process, the performance objectives are derived directly from the business strategy by the Board of Directors at the start of each year and reviewed at regular intervals. Such reviews take place at the request of the Nomination and Compensation Committee. These performance objectives include financial, strategic and more qualitative objectives, for example, in the area of leadership and project management.

In case of termination of employment during the first half of the fiscal year, the STI is calculated pro-rata temporis, based on the pay-out level of the previous year. In case of termination of employment during the second half of the year, the published half-year figures for the pro rata temporis calculation are used. In case of termination of employment at the end of the year, the published annual results apply.

The STI is subject to clawback and malus provisions in the event that the company is required to prepare a relevant accounting/financial restatement or in the event of legal provisions or internal regulations having been violated.

4.3 Variable long-term compensation element (long-term incentive, LTI)

As part of a long-term share plan, the LTI is granted in the form of Performance Share Units (PSUs). The LTI rewards the long-term performance and the sustainable success of the Zehnder Group and is aligned to the interests of the shareholders.

A PSU represents a conditional right to receive shares of the company. The prerequisite for this is the fulfilment of certain conditions during the three-year performance period (vesting period). The vesting conditions include both the attainment of the predefined performance objectives (performance conditions) and continuous and ongoing employment at the end of the vesting period (service condition).

The features of the LTI can be summarised as follows: at grant date, a target amount in relation to the LTI is determined for each member of the Group Executive Committee, taking the relevant benchmark for the individual total compensation into account.

In 2021, the allocation of the target amount consisted of 50% of the annual base salary for the CEO and no more than 50% of the annual base salary for the other members of the Group Executive Committee.

On the grant date, the individual target amount is converted into the relevant number of PSUs based on the average volume-weighted share price of Zehnder Group AG on the SIX Swiss Exchange during the period from 1 October to 31 December of the year before the grant date.

50% of the performance condition is based on the relative total shareholder return (rTSR) and the remaining 50% is based on the increase in earnings per share (EPS growth). The rTSR is the achieved increase in value for the investor (that is, the share price performance plus dividend) in comparison with a peer group.

Peer group

The peer group for the relative TSR measure comprises a universe of comparable companies that have already been taken into account for compensation benchmarking purposes and have remained unchanged from the previous year. The Board of Directors confirmed that the following companies were comparable:

Arbonia	Belimo	Bobst
Bossard	Burckhardt Compression	Burkhalter
Bystronic (formerly Conzzeta)	Daetwyler	Feintool
Forbo	Gurit	Huber+Suhner
Interroll	Komax	Landis+Gyr
Metall Zug	Meier Tobler	Phoenix Mecano
Rieter	Schweiter	Starrag

Rewarding long-term performance

The total number of shares that are transferred to the participants after the vesting period is calculated as shown below. The performance factor can range between 0 and 150%, with no conversion into shares carried out below the threshold. The conversion into shares is limited to a maximum of 1.5 shares per PSU.

For both key figures, the Nomination and Compensation Committee defines a lower limit for the performance level (with no vesting taking place below this limit), a target value (100% vesting) and an upper limit for the performance level (150% vesting). Between these levels, vesting is calculated on a linear basis.

	Lower limit 25% (EPS) 50% (TSR) vesting	Target value 100% vesting	Cap 150% vesting
rTSR (50%)	25% percentile rank	Median of the peer group	≥75% percentile rank
EPS growth (50%)	-2 PP of the target value	EPS growth target value	+4 PP of target value

EPS: earnings per share, rTSR: relative total shareholder return

The achievement of the relative performance measure and the combined performance factor are calculated by an external independent consultancy company. If the Zehnder Group reports a loss from ongoing business activities during the last year of the three-year vesting period or in other exceptional cases, the Board of Directors reserves the right to specify whether and to what extent the PSUs will lapse for this period, regardless of the combined performance factor achieved.

In case of termination of employment, the blocked PSUs usually lapse, except in the event of retirement, disability, death or a change of control at the company. These provisions are outlined individually in the table below.

Reason for release	Plan rules for blocked PSUs
Termination by employee	Lapse
Termination of employment by employer for good cause	Lapse
Termination of employment by employer (other causes)	Discretion of the Board of Directors
Retirement	Discretion of the Board of Directors
Invalidity	Pro rata vesting, based on effective performance at regular vesting point in time
Death	Accelerated pro rata vesting based on target performance (100% payment factor)
Change of control	Accelerated, full vesting based on effective performance at the point of change of control (except if the plan is continued or replaced with an equivalent)

PSUs or shares granted as part of the long-term share plan are subject to the same clawback and sunset clauses as the STI.

In the event of a participant failing to adhere to reporting regulations and/or committing fraud and/or breaching legal provisions or relevant internal regulations, the applicable clauses enable the Board of Directors to declare that any variable cash compensation elements that have not been paid out or long-term incentives that have not yet been transferred are forfeited, either in part or in full (penalty clause), and/or to reclaim in part or in full any variable cash compensation elements that have been paid out or long-term incentives that have been transferred.

Shareholding guidelines

To align the interests of the Group Executive Committee more closely with those of the shareholders, shareholding guidelines were introduced from the 2019 fiscal year onwards. Within five years of the introduction of the share ownership provision or after their appointment to the Group Executive Committee, the members of the Group Executive Committee must hold at least a multiple of their annual basic compensation in Zehnder Group AG shares, as shown in the table below.

	% of annual base salary
CEO	200%
Other members of the Group Executive Committee	150%

CEO: Chief Executive Officer

4.4 Long-term benefits: Zehnder Group Management Share Plan (ZGMSP)

The Zehnder Group Management Share Plan (ZGMSP) is a long-term benefit programme with the objective of encouraging members of the Group Executive Committee and all employees at management level to directly participate in the long-term success of the company. The Group Executive Committee members may elect to draw up to 30% of their annual base salary in the form of Zehnder Group AG registered shares A. These shares are offered at a discount of 30% on the relevant share price determined as the average volume-weighted share price of the share during the period between 1 October and 31 December. The shares are subject to a restriction period of three years during which they cannot be sold, transferred or pledged. The restriction period also applies in case of termination of employment, except in case of death, where the restriction immediately lapses.

The ZGMSP strengthens the link between compensation and company long-term performance, as the compensation invested in the programme is exposed to the change in share value over the restriction period of three years.

4.5 Benefits

As the Group Executive Committee is international by nature, the members participate in the benefit plans available in the country of their employment contract. Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependants in respect of retirement and as concerns the risks of disability, death or illness/accident.

The members of the Group Executive Committee holding a Swiss employment contract participate in the pension plan offered to all employees in Switzerland, in which earnings up to an amount of CHF 700,000 per annum are insured. The Zehnder Group's pension benefits exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and are comparable to the conditions offered by other international industrial companies.

Members of the Group Executive Committee under foreign employment contracts are insured in line with market conditions and with their position. Each plan varies depending on the local competitive and legal environment and are structured in accordance with local practice and in line with the local legal requirements.

In addition, the members of the Group Executive Committee are also eligible for standard perquisites such as a company car, child allowances, access to subsidised staff restaurants and other benefits in kind, according to competitive market practice in their country of contract. The monetary value of these other elements of compensation is evaluated at fair value and is included in the compensation tables.

Expenses that are not covered by the lump sum remuneration for expense allowance in accordance with the company's expenses regulations are compensated upon presentation of documentary evidence. The reimbursement of business expenses is not considered compensation and does not need to be approved by the Annual General Meeting.

4.6 Contracts of members of the Group Executive Committee

The employment contracts of the members of the Group Executive Committee are unlimited. They incorporate a notice period of a minimum of six to a maximum of twelve months and feature a non-competition clause, which is limited to two years after termination of the employment relationship while providing an entitlement to a maximum of the annual base salary. There are no agreements with regard to severance compensation in connection with leaving the company or a 'change of control' except for the accelerated vesting of the PSUs or early unblocking of shares, as described above.

5. Additional information on compensation, guarantees, loans and credits for the business year 2021

5.1 Compensation to the Board of Directors in the business year 2021

In 2021, the members of the Board of Directors received total compensation of CHF 1.4 million (previous year: CHF 1.6 million) in the form of fixed compensation of CHF 0.7 million (previous year: CHF 0.7 million), share-based compensation of CHF 0.6 million (previous year: CHF 0.8 million) and national insurance contributions of CHF 0.1 million (previous year: CHF 0.1 million).

In 2021, the total compensation paid to the Board of Directors was 10.9% lower than during the previous year as a result of the following factors:

- New compensation structure introduced from the 2021/2022 term of office (see [3. Architecture of compensation of the Board of Directors](#));
- Reduction in the Board of Directors by two members.

Compensation for the members of the Board of Directors

✓ PwC Switzerland

	Units 2021	Units 2020	CHF ¹ 2021	CHF ¹ 2020
Dr Hans-Peter Zehnder				
Chairman of the Board of Directors				
Fixed cash compensation for Board activity			201,250	166,250
Lump sum expense allowances			12,000	12,000
Allocated shares for Board activity ²	2,958	5,071	241,818	307,092
Employer national insurance contributions			24,726	27,806
Other payments			13,629	12,935
Total compensation			493,423	526,083
Thomas Benz				
Vice Chairman of the Board of Directors and member of the Compensation Committee up to 2 April 2020				
Fixed cash compensation for Board activity			-	12,500
Fixed cash compensation for Compensation Committee activity			-	2,500
Allocated shares for Board and Compensation Committee activity ²	-	493	-	21,670
Employer national insurance contributions			-	2,533
Total compensation			-	39,203

	Units 2021	Units 2020	CHF ¹ 2021	CHF ¹ 2020
Jörg Walther				
Vice Chairman of the Board of Directors since 2 April 2020 and Chairman of the Audit Committee				
Fixed cash compensation for Board activity ³			107,500	45,000
Fixed cash compensation for Audit Committee activity			41,250	14,250
Lump sum expense allowances			5,000	2,000
Allocated shares for Board and Audit Committee activity ²	1,198	1,801	98,965	110,390
Cash compensation as per invoiced hours for additional services ⁴			–	164,003
Employer national insurance contributions			19,593	11,468
Total compensation			272,308	347,111

	Units 2021	Units 2020	CHF 2021	CHF 2020
Dr Urs Buchmann				
Member of the Board of Directors, the Nomination and Compensation Committee and the Audit Committee				
Fixed cash compensation for Board activity			47,500	38,000
Fixed cash compensation for Nomination and Compensation Committee activity			21,250	9,500
Fixed cash compensation for Audit Committee activity			21,250	9,500
Allocated shares for Board, Nomination and Compensation and Audit Committee activity ²	830	1,737	66,014	105,148
Employer national insurance contributions			12,952	11,238
Total compensation			168,966	173,386

	Units 2021	Units 2020	CHF 2021	CHF 2020
Riet Cadonau				
Member of the Board of Directors and Chairman of the Nomination and Compensation Committee				
Fixed cash compensation for Board activity			47,500	38,000
Fixed cash compensation for Nomination and Compensation Committee activity			41,250	14,250
Lump sum expense allowances			2,000	2,000
Allocated shares for Board, Nomination and Compensation activity ²	796	1,593	63,716	96,450
Employer national insurance contributions			12,565	10,303
Total compensation			167,031	161,003

	Units 2021	Units 2020	CHF 2021	CHF 2020
Daniel Frutig				
Member of the Board of Directors up to 2 April 2020				
Fixed cash compensation for Board activity			–	10,000
Allocated shares for Board activity ²	–	328	–	14,443
Total compensation			–	24,443

	Units 2021	Units 2020	CHF 2021	CHF 2020
Ivo Wechsler				
Member of the Board of Directors and the Audit Committee				
Fixed cash compensation for Board activity			47,500	38,000
Fixed cash compensation for Audit Committee activity			21,250	9,500
Lump sum expense allowances			2,000	2,000
Allocated shares for Board and Audit Committee activity ²	761	1,448	61,384	87,650
Employer national insurance contributions			9,997	8,892
Total compensation			142,131	146,042

	Units 2021	Units 2020	CHF 2021	CHF 2020
Milva Zehnder				
Member of the Board of Directors and member of the Nomination and Compensation Committee since 2 April 2020				
Fixed cash compensation for Board activity			47,500	38,000
Fixed cash compensation for Nomination and Compensation Committee activity			21,250	7,000
Lump sum expense allowances			2,000	2,000
Allocated shares for Board, Nomination and Compensation activity ²	761	1,366	61,384	84,042
Employer national insurance contributions			9,901	7,493
Total compensation			142,035	138,535

	Units 2021	Units 2020	CHF 2021	CHF 2020
Total compensation paid to the members of the Board of Directors in the year of review				
Fixed cash compensation for Board activity			498,750	385,750
Fixed cash compensation for Nomination and Compensation Committee activity			83,750	33,250
Fixed cash compensation for Audit Committee activity			83,750	33,250
Lump sum expense allowances			23,000	20,000
Allocated shares for Board, Nomination and Compensation Committee and Audit Committee activity ²	7,304	13,837	593,281	826,885
Cash compensation as per invoiced hours for additional services			–	164,003
Employer national insurance contributions			89,734	79,733
Other payments			13,629	12,935
Total compensation			1,385,894	1,555,806

1 The amounts are gross amounts including national insurance contributions of the members of the Board of Directors, with the exception of one member whose national insurance contributions are settled by the employer due to the employment contract in question.

2 The shares are disclosed at the closing share price of the share on the respective grant dates.

3 The higher compensation in 2021 can be traced back to the expanded tasks for the role of the Vice Chairman of the Board of Directors from January 2021.

4 Additional services relate to legal services for specific projects (commercial and contract law, compliance, etc.) and to extraordinary expenses incurred within the BoD's ad hoc committees (corporate governance, M&A) for the year 2020. Compensation for additional services will be removed from the year 2021 onwards.

The 2021 Annual General Meeting approved a maximum budget of CHF 1.6 million for the Board of Directors during the period of office from the 2021 Annual General Meeting to the 2022 Annual General Meeting. The compensation effectively paid during the period under consideration in this Compensation Report (1 January to 31 December 2021) is within this budget approved by the shareholders. The final reporting for the entire period from the 2021 Annual General Meeting to the 2022 Annual General Meeting is included in the 2022 Compensation Report.

At the Annual General Meeting on 2 April 2020, the shareholders approved a maximum total compensation figure of CHF 1.8 million for the Board of Directors during the period of office from the 2020 Annual General Meeting to the 2021 Annual General Meeting. The compensation effectively paid to the members of the Board of Directors over this period was CHF 1.4 million and therefore fell within this approved budget.

5.2 Compensation of the Group Executive Committee in the business year 2021

For 2021, the members of the Group Executive Committee received total compensation of CHF 5.1 million (previous year: CHF 3.9 million) in the form of fixed compensation of CHF 1.9 million (previous year: CHF 1.7 million), variable compensation of CHF 2.1 million (previous year: CHF 1.4 million), other benefits including the value of the discount on the shares of CHF 0.4 million (previous year: CHF 0.3 million) in addition to national insurance and pension contributions of CHF 0.8 million (previous year: CHF 0.5 million).

In 2021, the total compensation paid to the Group Executive Committee increased by 32.2% compared to the previous year as a result of the following factors:

- Regular basic salaries in 2021, compared with voluntary waiving of 10% of the fixed basic salary by all members of the Group Executive Committee from April until September 2020;
- Individual increase in the annual base salaries in order to adjust to the market median. The total increase equates to 3.5% of the total fixed cash compensation for the members of the Group Executive Committee;
- Individual increase in the individual profit-sharing amounts in order to adjust to the responsibilities forming part of the position. The total increase equates to 2.4% of the profit-sharing amounts of all members of the Group Executive Committee;
- Higher STI amounts for 2021 compared with the previous year, due to a higher Group net profit in 2021;
- Extension of grant of long-term share-based incentive plan (LTI) to all members of the Group Executive Committee in 2021.

In 2021, the Group achieved a net profit of EUR 60.3 million. Consequently, in 2021, the variable cash compensation amounted to 2.2% of the net profit for the members of the Group Executive Committee (previous year: 2.1%).

The variable cash for the CEO amounted to 82.5% of the fixed compensation and, for the other members of the Group Executive Committee, a maximum of 75.0% of their fixed compensation.

The PSU allocations made in 2019 as part of the LTI plan (LTI 2019–2021) can be transferred during the 1st quarter of 2022. 50% of the performance condition is based on the relative total shareholder return (rTSR) and the remaining 50% is based on the increase in earnings per share (EPS growth). For payment, the two performance conditions were achieved (rTSR of 150% and EPS growth of 150%), resulting in a combined performance factor of 150%. Accordingly, 16,931 PSUs were converted into 16,931 Zehnder shares.

The highest compensation for a member of the Group Executive Committee was paid to CEO Matthias Huenerwadel in the reporting year and in the previous year.

In 2021, the Annual General Meeting authorised a maximum budget for compensation of the Group Executive Committee of CHF 5.6 million for the fiscal year 2021. The total compensation amount of CHF 5.1 million paid to the Group Executive Committee for the fiscal year 2021 as disclosed in the following table is below this upper limit.

Compensation for the members of the Group Executive Committee

✓ PwC Switzerland

	Units 2021	Units 2020	CHF ¹ 2021	CHF ¹ 2020
Highest-paid member of the Group Executive Committee: Matthias Huenerwadel				
Fixed cash compensation for GEC activity			515,000	475,000
Variable cash compensation			425,113	277,235
Long-term variable compensation (LTI)	5,305	5,750	260,000	262,200
Lump sum expense allowances			24,000	24,000
Employer social security and pension contributions			163,095	142,751
Shares acquired ²	4,373	4,926	88,028	65,023
Other payments			34,535	33,591
Total compensation			1,509,771	1,279,800
	Units 2021	Units 2020	CHF ¹ 2021	CHF ¹ 2020
Total compensation paid to the Group Executive Committee including Matthias Huenerwadel				
Fixed cash compensation			1,793,990	1,607,171
Variable cash compensation			1,342,845	856,839
Long-term variable compensation (LTI)	14,611	11,144	716,000	508,166
Lump sum expense allowances			96,000	87,355
Employer social security and pension contributions			765,081	538,118
Shares acquired ²	13,960	12,961	281,015	171,085
Other payments			116,738	91,687
Total compensation			5,111,669	3,860,421

¹ The amounts are gross amounts including employee national insurance contributions.

² The members of the Group Executive Committee are eligible to purchase shares under the Zehnder Group Management Share Plan. The value disclosed includes the value of the discount on the shares purchased, determined at the closing share price of the share at the grant dates, 10 January 2020 and 8 January 2021, less the purchase price. This value is included in the amount approved by the Annual General Meeting.

5.3 Guarantees, loans, credits, etc.

No Zehnder Group company has provided any guarantees, waivers of claims outstanding, credits or loans to present or former members of the Board of Directors, to present or former members of the Group Executive Committee, or to persons closely associated with these individuals. No loans to current or former members of the Board of Directors or Group Executive Committee or related parties existed at the end of the reporting year.

5.4 Compensation to former members of the Board of Directors and of the Group Executive Committee, and to persons closely associated with them, in the business year 2021

No compensation was paid to former members of the Board of Directors or of the Group Executive Committee in the reporting year.

No compensation was paid to persons closely associated with members of the Board of Directors or the Group Executive Committee.

Report of the statutory auditor

Report of the statutory auditor

to the General Meeting of Zehnder Group AG

Gränichen

We have audited the remuneration report of Zehnder Group AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labelled «✓PwC Switzerland» on pages 61 to 63 and on page 65 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Zehnder Group AG for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Thomas Ebinger
Audit expert
Auditor in charge

Korbinian Petzi
Audit expert

Luzern, 18 February 2022

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Five-year overview

		2021	2020	2019	2018	2017
Sales	EUR million	697.1	617.7	644.4	601.8	582.4
Change from prior year	%	12.9	-4.1	7.1	3.3	8.1
EBITDA¹	EUR million	92.1	74.8	64.9	53.2	45.7
Change from prior year	%	23.1	15.2	22.1	16.5	-35.0
	% of sales	13.2	12.1	10.1	8.8	7.8
EBIT	EUR million	69.1	50.5	42.1	31.1	23.5
Change from prior year	%	36.8	20.1	35.4	32.1	-45.7
	% of sales	9.9	8.2	6.5	5.2	4.0
Net profit²	EUR million	60.3	39.9	31.9	24.5	16.5
Change from prior year	%	51.2	24.9	30.6	48.3	-41.3
	% of sales	8.6	6.5	5.0	4.1	2.8
Cash flow from operating activities	EUR million	79.9	95.3	43.1	30.5	18.5
Change from prior year	%	-16.2	121.0	41.2	65.5	5.3
	% of sales	11.5	15.4	6.7	5.1	3.2
Investments in property, plant and equipment & intangible assets	EUR million	21.9	16.7	26.0	24.4	26.8
Depreciation & amortisation	EUR million	-22.9	-24.3	-22.8	-22.1	-22.1
Total assets	EUR million	552.6	498.6	470.5	440.9	419.8
Non-current assets	EUR million	207.9	198.9	211.8	207.8	206.5
Net liquidity/(net debt)¹	EUR million	123.2	96.4	25.5	21.3	27.5
Shareholders' equity²	EUR million	362.4	326.9	303.0	283.1	271.2
	% of total assets	65.6	65.6	64.4	64.2	64.6
Employees	Ø full-time equivalents	3,554	3,340	3,413	3,412	3,383
Market closing price registered share A	CHF	93.10	59.10	45.60	33.35	39.95
Dividends³	CHF million	21.1	14.7	8.2	9.4	5.9
Payout ratio	%	33	35	24	35	34
Market capitalisation⁴	CHF million	908.3	576.6	444.9	325.4	389.8
Total market capitalisation⁵	CHF million	1,092.6	693.6	535.2	391.4	468.9

¹ See [Alternative performance measures](#) in the consolidated financial statements in the Financial Report.

² Including minority interests

³ For 2021 as proposed by the Board of Directors

⁴ Market value of all listed registered shares A at year end; excluding value of unlisted registered shares B

⁵ Registered shares A and B; registered shares B recognised at one fifth of the price of the registered share A at year end

Data per share

			2021	2020	2019	2018	2017
Shares outstanding							
Registered shares A	in thousands	units	9,756	9,756	9,756	9,756	9,756
	each with a par value of	CHF	0.05	0.05	0.05	0.05	0.05
Registered shares B (not listed)	in thousands	units	9,900	9,900	9,900	9,900	9,900
	each with a par value of	CHF	0.01	0.01	0.01	0.01	0.01
Number of voting rights or shares	in thousands	units	19,656	19,656	19,656	19,656	19,656
Notional number of shares	in thousands	units	11,736	11,736	11,736	11,736	11,736
	each with a par value of	CHF	0.05	0.05	0.05	0.05	0.05
Market prices (January–December)							
Registered share A	high	CHF	106.40	59.20	45.90	46.00	40.95
Registered share A	low	CHF	60.90	30.85	31.20	29.15	31.30
Registered share A	at year end	CHF	93.10	59.10	45.60	33.35	39.95
Consolidated net profit¹							
Per registered share A		EUR	5.13	3.34	2.64	1.98	1.34
Consolidated equity^{1,2}							
Per registered share A		EUR	29.58	26.77	24.81	23.21	22.42
Dividend (gross)							
Dividend per registered share A ³		CHF	1.80	1.25	0.70	0.80	0.50
Payout ratio	% of net profit per share		33	35	24	35	34

¹ All data excluding minority interests; all data on the basis of total shares outstanding at year end less the average of the shares held by Zehnder Group AG as own shares

² Before appropriation of earnings

³ For 2021 as proposed by the Board of Directors

Consolidated balance sheet



EUR million	Notes	31 December 2021	31 December 2020	Change from prior year %
Assets				
Liquid assets	1	136.4	106.3	
Trade accounts receivable	2	109.3	111.0	
Other receivables	2	18.9	17.1	
Inventories	3	75.4	60.6	
Prepayments		1.2	1.3	
Accrued income		3.5	3.4	
Current assets		344.7	299.7	15.0
Property, plant and equipment	4	187.7	182.9	
Financial assets	4	17.2	13.0	
Intangible assets	4	3.0	3.0	
Non-current assets		207.9	198.9	4.5
Total assets		552.6	498.6	10.8
Liabilities & shareholders' equity				
Short-term financial liabilities	5	3.4	3.1	
Trade accounts payable		41.5	35.1	
Other short-term liabilities		29.0	29.6	
Short-term provisions	6	12.0	10.9	
Accruals and deferred income		66.0	57.9	
Current liabilities		151.9	136.7	11.1
Long-term financial liabilities	5	9.8	6.8	
Other long-term liabilities		0.7	1.2	
Long-term provisions	6	27.8	27.0	
Non-current liabilities		38.3	35.0	9.6
Total liabilities		190.2	171.7	10.8
Share capital		0.4	0.4	
Capital reserves		33.6	33.6	
Own shares		-7.5	-4.1	
Retained earnings		321.8	293.6	
Accumulated FX differences		-4.4	-11.2	
Minority interests		18.4	14.7	
Equity	7	362.4	326.9	10.9
Total liabilities & shareholders' equity		552.6	498.6	10.8

Consolidated income statement



EUR million	Notes	2021	2020	Change from prior year %
Sales	16	697.1	617.7	12.9
Changes in inventories		2.5	3.5	
Own work capitalised		1.7	0.9	
Other operating income	17	6.2	3.0	
Cost of materials		-261.4	-229.5	
Personnel costs		-213.5	-197.8	
Depreciation of property, plant and equipment	4	-22.4	-23.7	
Amortisation of intangible assets	4	-0.5	-0.5	
Other operating expenses	18	-140.4	-123.0	
Operating result (EBIT)		69.1	50.5	36.8
Result from associated companies		0.1	-	
Financial result	19	-0.8	-3.3	
Earnings before taxes		68.4	47.2	45.0
Income taxes	20	-8.2	-7.3	
Net profit		60.3	39.9	51.2
Minority interests		0.6	1.0	
Net profit excluding minority interests		59.7	38.9	
Non-diluted net profit excluding minority interests per registered share A (EUR)	21	5.13	3.34	53.8
Diluted net profit excluding minority interests per registered share A (EUR)	21	5.12	3.34	53.5
Non-diluted net profit excluding minority interests per registered share B (EUR)	21	1.03	0.67	53.8
Diluted net profit excluding minority interests per registered share B (EUR)	21	1.02	0.67	53.5

Consolidated cash flow statement



EUR million	Notes	2021	2020
Net profit		60.3	39.9
Depreciation and amortisation of property, plant and equipment	4	22.4	23.7
Depreciation and amortisation of intangible assets	4	0.5	0.5
Other non-cash changes		11.9	4.0
(Gain)/loss on disposals of non-current assets		-	-0.2
(Increase)/decrease in trade accounts receivable		-2.3	9.7
(Increase)/decrease in other receivables, prepayments and accrued income		-0.1	1.7
(Increase)/decrease in inventories		-12.2	-2.6
Increase/(decrease) in trade accounts payable		1.0	5.3
Increase/(decrease) in other short-term liabilities, accruals and deferred income		3.3	7.6
Increase/(decrease) in provisions	6	-2.4	7.4
(Increase)/decrease in deferred tax assets	4	-2.7	-1.9
Cash flow from operating activities		79.9	95.3
Investments in property, plant and equipment	4	-21.9	-16.4
Investments in intangible assets		0.1	-0.3
Investments in subsidiaries	23	-15.6	-
Divestment of property, plant and equipment		0.5	0.7
Divestment of financial assets		0.1	-
Cash flow from investing activities		-36.8	-16.0
Dividends paid to shareholders		-13.3	-7.7
Dividends paid to minority shareholders		-	-0.7
Purchase of own shares		-5.6	-2.1
Sale of own shares		3.1	1.8
Increase/(decrease) in short-term financial liabilities	5	-1.5	-12.3
Increase/(decrease) in long-term financial liabilities	5	-2.0	0.9
Increase/(decrease) in other liabilities		-0.3	-
Cash flow from financing activities		-19.5	-20.2
Currency effects		6.4	-1.7
Increase/(decrease) in liquid assets		30.1	57.4
Liquid assets at 1.1.		106.3	48.9
Liquid assets at 31.12.		136.4	106.3
Increase/(decrease)		30.1	57.4

Consolidated statement of changes in equity



EUR million	Share capital	Capital reserves	Own shares	Goodwill offset	Retained earnings	Accumulated FX differences	Total excluding minority interests	Minority interests	Total including minority interests
Equity at 1.1.2021	0.4	33.6	-4.1	-131.1	424.7	-11.2	312.2	14.7	326.9
Purchase of own shares	-	-	-5.6	-	-	-	-5.6	-	-5.6
Sale of own shares	-	-	2.2	-	1.4	-	3.6	-	3.6
Share-based compensation									
– Granted	-	-	-	-	0.9	-	0.9	-	0.9
Net profit	-	-	-	-	59.7	-	59.7	0.6	60.3
Netted goodwill	-	-	-	-20.3	-	-	-20.3	-	-20.3
Change in minority interests	-	-	-	-	-	-	-	1.4	1.4
Dividends	-	-	-	-	-13.3	-	-13.3	-	-13.3
Currency effects	-	-	-	-	-	6.8	6.8	1.7	8.6
Equity at 31.12.2021	0.4	33.6	-7.5	-151.5	473.3	-4.4	344.0	18.4	362.4
Equity at 1.1.2020	0.4	33.6	-4.2	-131.2	393.0	-3.2	288.2	14.8	303.0
Purchase of own shares	-	-	-2.0	-	-	-	-2.0	-	-2.0
Sale of own shares	-	-	2.2	-	0.1	-	2.3	-	2.3
Share-based compensation									
– Granted	-	-	-	-	0.3	-	0.3	-	0.3
Net profit	-	-	-	-	38.9	-	38.9	1.0	39.9
Netted goodwill	-	-	-	0.1	-	-	0.1	-	0.1
Change in minority interests	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-7.7	-	-7.7	-0.7	-8.4
Currency effects	-	-	-	-	-	-8.0	-8.0	-0.4	-8.3
Equity at 31.12.2020	0.4	33.6	-4.1	-131.1	424.7	-11.2	312.2	14.7	326.9

Consolidation scope and principles



Consolidation scope

The consolidated financial statements are presented in euros and include all domestic and foreign companies which Zehnder Group AG controls directly or indirectly by either holding more than 50% of the voting rights or by otherwise having the power to control their operating and financial policies. Assets and liabilities as well as revenues and expenses are included at 100% in accordance with the full consolidation method. Minority interests in equity and in net profit of fully consolidated companies are recognised separately.

Holdings with a voting interest of between 20 and 49% (associated companies) are included in accordance with the equity method. Consolidated equity and the financial result for the period are accounted for proportionately.

The following changes were made in the consolidation scope compared to the previous year:

- Founding of Zehnder Hungary Kft. on 26 February 2021 in Hungary;
- Founding of Zehnder Climate Ceiling Solutions GmbH on 8 March 2021 in Germany;
- Completion of the acquisition of the 51% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd. on 28 April 2021 in China;
- Sale by Zehnder (China) Indoor Climate Co., Ltd. of the 49% stake in Eric & Bason Building Environment Technologies Co., Ltd. on 28 April 2021 in China;
- Founding of Zehnder Clean Air Solutions NA, LLC on 11 June 2021 in the USA;
- Merger of Zehnder Group İç Mekan İklimlendirme Sanayi Ticaret Ltd Şti with Sanpan Isıtma Sistemleri Sanayi ve Ticaret AŞ on 2 August 2021 in Turkey;
- Liquidation of Recair GmbH on 16 August 2021 in Germany;
- Purchase of a majority share of 75% in Caladair International SAS and of 100% of Calihce SCI on 28 October 2021 in France.

Consolidation principles

General

Zehnder Group prepares its financial statements in accordance with the existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations).

The consolidated balance sheet and income statement are based on the financial statements of the companies as defined in the consolidation scope for the year ended 31 December.

The data presented in the consolidated financial statements are based on uniform accounting and valuation principles which apply to all Group companies.

Intergroup receivables and payables as well as revenues and expenses are eliminated in the consolidated statements. Intermediate profits in inventories are eliminated as well.

Foreign currency translation

For the year under review, the financial statements of subsidiaries which report in currencies other than the euro were translated into euros (EUR) as follows:

- Balance sheet figures at year-end exchange rates;
- Income statement figures at average exchange rates for the year;
- Cash flow statement figures at average exchange rates for the year.

Differences arising from applying these disparate exchange rates as well as foreign exchange differences on long-term loans of an equity nature to Group companies were booked to the cumulative translation differences of the consolidated equity capital. Foreign currency differences arising from repayments of long-term loans of an equity nature are also booked to consolidated equity capital and are not transferred to the income statement until such time as a disposal takes place.

The principal rates of exchange used for consolidation are shown in the table below.

	CHF 1	CNY 100	GBP 1	PLN 100	SEK 100	TRY 100	USD 1
Year-end exchange rates							
2021	0.9659	13.87	1.1914	21.80	9.75	6.68	0.8817
2020	0.9240	12.49	1.1131	21.90	9.95	11.01	0.8154
Average exchange rates for the year							
2021	0.9220	13.04	1.1620	21.95	9.87	10.09	0.8421
2020	0.9355	12.73	1.1276	22.55	9.52	12.85	0.8827

Capital consolidation

Capital is consolidated to show equity capital as if the Group were one single company. To do this, it is necessary to offset the net worth of consolidated companies against the capital allotted to them.

Capital consolidation is based on the purchase method, whereby the acquisition cost of a Group company is eliminated at the time of acquisition against the fair value of net assets acquired, with the remainder recorded as goodwill that is subsequently offset against equity of the Group.

In a gradual acquisition, where the investment in shares in an associated company is increased so that takeover of control occurs, the values of participations held to date are initially posted as an outflow, taking any goodwill into account. The fair value of this outflow is determined by the terms of acquisition at the time of takeover of control. Any resulting profit or loss is reflected in the result from associated companies. A revaluation of the entire shareholding in accordance with the terms of acquisition at the time of takeover of control is subsequently carried out as if it were a new acquisition.

Accounting and valuation principles



The balance sheets of all subsidiaries of Zehnder Group AG have been valued according to uniform valuation principles in accordance with the Swiss accounting and reporting recommendations (Swiss GAAP FER). The financial reporting gives a true and fair view of the financial position, the results of operations, and the cash flows. The consolidated financial statements have been prepared in accordance with the historical cost method with the exception of marketable securities and participations under 20%, which are measured at fair value. The consolidation principles as well as the accounting and valuation principles applied remained unchanged year on year.

1. Liquid assets

Liquid assets include cash and cash equivalents, postal checking account, and bank balances and are shown at nominal values.

2. Trade accounts receivable

Accounts receivable are stated at nominal value. Value adjustments for doubtful accounts are established based on maturity structure and identifiable solvency risks. Besides individual value adjustments with respect to specific known risks, other value adjustments are recognised based on experience.

3. Inventories

Inventories are valued on the lower of cost or market principle. Purchased products are valued at acquisition cost and manufactured goods at production cost. Production costs comprise variable manufacturing costs and overheads. Valuation adjustments are undertaken for risks arising from time in storage or reduced marketability. Unrealised profits in inventories from intergroup deliveries are eliminated. Any supplier discounts are netted with the cost of materials.

4. Property, plant and equipment

Property, plant and equipment are shown in the consolidated balance sheet at acquisition or manufacturing cost (for self-constructed assets) less depreciation and valuation adjustments. In 2021, the useful lifetimes were reviewed and adjusted for the following asset classes: buildings, installations and furniture. The new useful lives apply to assets acquired on or after 1 January 2021.

The following useful lives are applicable for the main items contained in property, plant and equipment:

	Assets capitalised up to 31.12.2020	Assets capitalised as of 1.1.2021
Buildings	35 to 50 years	20 to 40 years
Installations	10 to 20 years	5 to 15 years
Machines and equipment	5 to 15 years	5 to 15 years
Furniture	5 to 10 years	3 to 5 years
Computer hardware	3 to 5 years	3 to 5 years
Vehicles	3 to 5 years	3 to 5 years

The straight-line method of depreciation is applied for all property, plant and equipment. In general, depreciation commences from the time the asset is put into operation. Plant under construction is not depreciated.

Assets valued at less than EUR 3,000 are considered to be minor and are charged directly as an expense to the income statement. Investments financed through long-term leases are included in the balance sheet. Expenses for operating leasing are charged directly to the income statement in the period that they were incurred.

Investment properties that have been assessed as finance leases and financed via long-term leasing contracts are reported in the balance sheet at the lower of the present value of the minimum lease payments or the market value. The corresponding finance lease obligations are shown on the liabilities side. With regard to finance leases, please refer to item **5. Financial liabilities**.

Costs for maintenance, repairs and minor renovations are charged as expenses to the income statement when they occur. Major renovations and investments are capitalised if they result in appreciation of value and depreciated over the remaining useful life of the corresponding asset.

5. Financial assets

Holdings with a voting interest of less than 20% and loans are valued at nominal or acquisition cost less the necessary valuation adjustments. For the accounting principles of the employer contribution reserves and the active deferred taxes, please refer to the following items "10. Pension funds" and "14. Income taxes" of these accounting and valuation principles.

6. Intangible assets

Acquired intangible assets are initially recognised at acquisition cost. Computer software is written down on a straight-line basis over three to five years, land use rights on the basis of the contract term or over 50 years as a maximum, and other intangible assets over three to ten years. Internally generated intangible assets are fully charged to the income statement in the year in which they are incurred.

7. Impairment of assets

The book values of assets are reviewed for impairment at each balance sheet date or if there are indications that an asset may be impaired. If an indication of potential impairment exists, the recoverable amount of the respective asset is determined. If the book values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. Impairment losses are recognised in the income statement. The recoverable amount is the higher of the estimated asset's net selling price and its value in use. The net selling price is the amount recoverable from the sale

of an asset in an arm's-length transaction between independent parties less the cost of disposal. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

8. Trade accounts payable and other liabilities

Trade accounts payable and other liabilities are shown at nominal value. They include short-term tax liabilities, shown in the balance sheet on the basis of the results for the reporting year. This item also includes taxes on the proposed distribution of profits by subsidiaries.

9. Provisions

Provisions are recognised for actual and legal obligations arising from past events and for potential risks and losses from existing agreements when an outflow of funds is likely and can be measured in a reliable way.

The provisions are for the purpose of personnel pensions and to cover identifiable risks, including guarantee, procedural and country risks, as well as restructuring measures implemented. Provisions for deferred tax liabilities and for set-off risks in respect of tax audits are also included.

Provisions are broken down according to their maturity, i.e. a distinction is made between short-term provisions with an expected cash outflow within the next twelve months and long-term provisions with an expected cash outflow of funds after a period greater than one year.

The provisions are recalculated annually and adjusted accordingly. It is assumed that there is a high probability of these provisions being utilised.

10. Pension funds

Employees of the Swiss Group companies are registered with a legally independent collective foundation that provides benefits in addition to state pensions. The collective foundation is funded through investment income and premiums paid by both employers and employees. The contributions payable are set out in the regulations.

The economic effects of pension plans on the company are presented as follows: although the capitalisation of economic benefit would be admissible, it is not undertaken because the company does not intend to use this to lower employer contributions. Any benefit resulting from freely disposable employer contribution reserves is recognised as an asset. An economic liability is recognised if the conditions for forming a provision are met. The employer contributions to the pension fund for the reporting period are recognised in the income statement.

In most countries abroad, pension and retirement plans are state-organised. They are generally financed through employer and employee contributions. Two of our German companies have a pension plan in addition to the state scheme. The corresponding obligations are specified in part under provisions. In addition, one obligation amounting to EUR 5.0 million was transferred to a pension trust (Contractual Trust Arrangement) and is no longer specified on the balance sheet. Any financial income from the outsourced obligation is posted in personnel expenses.

11. Derivative financial instruments

Derivative financial instruments are sometimes used to hedge against currency, interest rate and commodity risks. Valuation is undertaken at current value or according to the same valuation principles as for the hedged underlying transaction (current values or according to lower of cost or market principle). The changes in value since the previous valuation are reported in the financial result for the period.

Instruments used to hedge future cash flows are not recognised in the balance sheet, but are reported in the notes until the future cash flow is realised.

12. Sales

Sales comprises the sale of products and services after deducting value-added taxes, rebates and other price discounts. Sales are posted if the relevant risks and opportunities that are associated with the services rendered or the ownership of the sold products have been transferred to the customer, the income and costs can be reliably determined and the recoverability of the resulting receivables is adequately assured.

13. Long-term contracts

If the applicable criteria are met, the revenue from sales of long-term projects is recognised according to the percentage of completion on the balance sheet date. Long-term contracts are defined as individual projects with a contract volume of more than EUR 1 million and a term of more than nine months.

The percentage of completion is determined for each individual contract on the basis of the units of delivery method. It is calculated using the number of installed units as a percentage of the total delivery quantity that is contractually agreed. There are justified cases in which acceptance by the customer is delayed purely due to administrative or organisational issues, and all significant performance obligations have otherwise been fulfilled. In these cases, the company management evaluates the financial situation and recognises the revenue before customer acceptance if necessary. A unit is normally invoiced in full when it is accepted (to be offset against any advance payments that have been received or as trade accounts receivable for the amount exceeding the advance payments).

Contract costs are made up of the costs of materials and external services, material overheads (procurement and logistics) and production costs. For loss-free valuation purposes, a single valuation of contracts in progress is made. As soon as a loss becomes apparent, an adjustment is made to account for the full loss amount that is expected. If the adjustment exceeds the value of the asset for the contract, a provision for the excess amount is recognised.

Contracts in progress are projects in which the cumulative performance exceeds the advance payments that have already been received. If the advance payments received are higher than the cumulative performance, this is recognised under liabilities from contracts in progress.

Advance payments received are recognised directly in equity. They are offset against the contracts or compensation claims for which the advance payments have been made.

14. Income taxes

Income taxes are comprised of current and deferred income taxes.

Current income taxes are calculated by applying the current tax rates to the profit calculated in accordance with commercial law/anticipated profit for tax purposes, in accordance with the respective taxable profit calculation regulations. The current income tax liabilities are recognised under accruals and deferred income.

Deferred taxes are comprised of deviations between the Group-wide and tax valuation in the company financial statements. These deviations can lead to timing differences in the taxation of the profits. Deferred taxes are based on the income tax rates per country. Whether an actual tax expense or an actual tax reduction will also arise in the foreseeable future has not been taken into account. Deferred tax assets are recognised in the balance sheet within financial assets, and deferred tax liabilities within provisions. Deferred tax assets and deferred tax liabilities are offset provided that they apply to the same taxable entity and are levied by the same tax authority. Deferred tax assets with respect to timing differences will only then be capitalised once it becomes likely that they can be offset by future taxable profits.

Several companies have tax loss carry-forwards. Deferred tax assets have not been capitalised from tax loss carry-forwards.

15. Transactions with related parties

Associated companies, boards of directors, executive board members, employee benefits plans and companies controlled by major shareholders are considered to be related parties.

Notes to the consolidated financial statements



1. Liquid assets

Liquid assets amounted to EUR 136.4 million (previous year: EUR 106.3 million), whereas interest-bearing financial liabilities reached EUR 13.2 million (previous year: EUR 9.9 million). At year end, net liquidity¹ amounted to EUR 123.2 million (previous year: EUR 96.4 million).

¹ See [Alternative performance measures](#) in the consolidated financial statements in this Financial Report.

2. Trade accounts receivable and other receivables

EUR million	31.12.2021	31.12.2020
Trade accounts receivable gross *	126.2	118.0
Value adjustments on trade accounts receivable	-16.9	-7.0
Trade accounts receivable net	109.3	111.0
Other receivables gross	18.9	17.1
Other receivables net	18.9	17.1
Total trade accounts receivable and other receivables	128.2	128.1
* Of which more than 12 months overdue gross	3.5	3.3

Due to the housing crisis in China and the resulting decline in the credit ratings of various Chinese construction groups, the value adjustments on trade receivables were increased to EUR 14.5 million (previous year: EUR 4.9 million).

As well as bad debt operating allowances for receivable risks that are specifically identifiable, additional general allowances are made for the following overdue periods:

1-30 days	0%
31-60 days	10%
61-90 days	10%
91-180 days	25%
181-360 days	50%
More than 360 days	100%

3. Inventories

EUR million	31.12.2021	31.12.2020
Raw materials	42.8	35.0
Semi-finished products and goods in process	14.6	8.7
Finished products	33.5	30.7
Valuation adjustments	-15.4	-13.7
Total inventories	75.4	60.6

4. Development of non-current assets

Property, plant and equipment

EUR million	Land/ buildings/ installations in buildings ¹	Machinery/ plant	Other fixed assets	Plant under con- struction	Total
Net book value at 1.1.2021	123.1	42.2	9.0	8.5	182.9
Acquisition cost					
Status 1.1.2021	217.1	245.0	30.0	8.5	500.5
Investments	1.7	8.7	2.8	9.0	22.2
Disposals	-0.4	-8.8	-2.5	-	-11.7
Changes in consolidation scope	2.3	2.8	0.4	-	5.6
Reclassifications	1.4	4.0	0.1	-5.5	-
Currency effects	4.5	3.9	0.6	0.1	9.0
Status 31.12.2021	226.5	255.7	31.4	12.1	525.6
Accumulated valuation adjustments					
Status 1.1.2021	-93.9	-202.7	-21.0	-	-317.7
Ordinary depreciation	-6.8	-11.3	-3.9	-	-22.1
Extraordinary depreciation	-	-0.3	-	-	-0.3
Disposals	0.4	8.2	2.2	-	10.8
Changes in consolidation scope	-	-1.3	-0.3	-	-1.6
Reclassifications	-0.1	-	0.1	-	-
Currency effects	-2.6	-4.0	-0.5	-	-7.0
Status 31.12.2021	-103.1	-211.5	-23.4	-	-337.9
Net book value at 31.12.2021	123.4	44.2	8.0	12.1	187.7
Net book value at 1.1.2020	124.2	50.1	9.0	13.9	197.2
Acquisition cost					
Status 1.1.2020	213.4	249.2	30.0	13.9	506.4
Investments	1.7	5.9	3.4	5.5	16.6
Disposals	-0.3	-8.8	-3.2	-	-12.4
Changes in consolidation scope	-	-	-	-	-
Reclassifications	7.2	3.3	0.3	-10.8	-
Currency effects	-4.9	-4.6	-0.4	-0.1	-10.0
Status 31.12.2020	217.1	245.0	30.0	8.5	500.5
Accumulated valuation adjustments					
Status 1.1.2020	-89.1	-199.1	-21.0	-	-309.2
Ordinary depreciation	-6.0	-13.0	-3.2	-	-22.2
Extraordinary depreciation	-	-1.5	-	-	-1.5
Disposals	0.3	8.1	2.9	-	11.2
Changes in consolidation scope	-	-	-	-	-
Reclassifications	-0.3	0.2	-	-	-
Currency effects	1.1	2.5	0.3	-	3.9
Status 31.12.2020	-93.9	-202.7	-21.0	-	-317.7
Net book value at 31.12.2020	123.1	42.2	9.0	8.5	182.9

¹ Includes EUR 2.0 million (previous year: EUR 0 million) capitalised from finance leases.

Financial assets

EUR million	Financial assets	Loans	Reserves for employer contributions	Deferred tax assets	Total
Net book value at 1.1.2021	-	0.2	2.7	10.1	13.0
Acquisition or current book value					
Status 1.1.2021	-	0.4	2.7	10.1	13.2
Increases	-	-	-	2.9	3.0
Decreases	-	-	-	-0.3	-0.3
Changes in consolidation scope	0.1	0.1	-	0.5	0.7
Currency effects	-	-	0.1	0.6	0.7
Status 31.12.2021	0.1	0.5	2.9	13.9	17.4
Accumulated valuation adjustments					
Status 1.1.2021	-	-0.2	-	-	-0.2
Status 31.12.2021	-	-0.2	-	-	-0.2
Net book value at 31.12.2021	0.1	0.3	2.9	13.9	17.2
Net book value at 1.1.2020	-	0.2	2.7	8.3	11.3
Acquisition or current book value					
Status 1.1.2020	-	0.4	2.7	8.3	11.4
Increases	-	-	-	2.0	2.0
Decreases	-	-	-	-0.1	-0.1
Changes in consolidation scope	-	-	-	-	-
Currency effects	-	-	-	-0.1	-0.1
Status 31.12.2020	-	0.4	2.7	10.1	13.2
Accumulated valuation adjustments					
Status 1.1.2020	-	-0.2	-	-	-0.2
Status 31.12.2020	-	-0.2	-	-	-0.2
Net book value at 31.12.2020	-	0.2	2.7	10.1	13.0

For further details on reserves for employer contribution, please refer to item [14. Employer contribution reserves and pension fund liabilities](#) in these notes to the consolidated financial statements.

Intangible assets

EUR million	2021	2020
Net book value at 1.1.	3.0	3.3
Acquisition cost		
Status 1.1.	14.4	14.8
Investments	-0.1	0.3
Disposals	-0.7	-0.6
Changes in consolidation scope	0.7	-
Currency effects	0.6	-
Status 31.12.	14.9	14.4
Accumulated valuation adjustments		
Status 1.1.	-11.4	-11.5
Ordinary amortisation	-0.5	-0.5
Disposals	0.7	0.6
Changes in consolidation scope	-0.3	-
Currency effects	-0.4	-
Status 31.12.	-11.9	-11.4
Net book value at 31.12.	3.0	3.0

Intangible assets include software licences amounting to EUR 1.2 million (previous year: EUR 0.8 million), patents amounting to EUR 0.1 million (previous year: EUR 0.1 million) and land use rights amounting to EUR 1.7 million (previous year: EUR 2.1 million).

5. Financial liabilities

Financial liabilities consists of:

EUR million	2021	2020
Bank loans	6.6	3.0
Other loans	0.5	0.5
Mortgages	4.0	6.4
Financial lease liabilities	2.0	-
Total	13.2	9.9

Financial lease liabilities have the following maturity structure:

EUR million	2021	2020
Less than 12 months	0.5	–
12 months to 60 months	1.6	–
Total	2.0	–

Total financial liabilities have the following maturities and currencies:

EUR million	2021	2020
Split by maturity		
Less than 12 months	3.4	3.1
12 months to 60 months	9.8	6.2
More than 60 months	–	0.6
Total	13.2	9.9
Split by currency		
CAD	2.6	3.5
CNY	5.0	3.9
EUR	5.6	–
USD	–	2.5
Total	13.2	9.9

Short-term loans are at average interest rates of 2.0% (previous year: 2.3%). Long-term loans are at average interest rates of 3.2% (previous year: 3.3%).

6. Provisions

EUR million	Tax provisions	Pension commitments	Restructuring provisions	Other provisions	Total
Book value at 1.1.2021	8.4	6.4	3.2	19.9	38.0
New provisions	1.3	0.5	0.3	9.3	11.4
Use	-0.9	-0.4	-1.9	-3.8	-6.9
Reversals	-0.2	-0.8	-0.9	-1.3	-3.2
Changes in consolidation scope	-	0.1	-	-	0.1
Currency effects	0.2	-	-	0.3	0.6
Book value at 31.12.2021	8.9	5.7	0.7	24.5	39.8
Of which short-term	-	0.4	0.7	10.9	12.0
Book value at 1.1.2020	7.1	6.9	1.3	15.6	30.9
New provisions	1.4	0.3	4.2	7.6	13.5
Use	-	-0.3	-2.0	-2.8	-5.1
Reversals	0.1	-0.6	-0.2	-0.4	-1.1
Changes in consolidation scope	-	-	-	-	-
Currency effects	-0.1	-	-	-0.1	-0.3
Book value at 31.12.2020	8.4	6.4	3.2	19.9	38.0
Of which short-term	-	0.4	3.2	7.3	10.9

Tax provisions include deferred as well as other tax provisions in accordance with item "9. Provisions" of the [Accounting and valuation principles](#) in the consolidated financial statements in this Financial Report.

The discount rate for German pension obligations was 1.3% (previous year: 1.0%).

Other provisions include provisions for warranties, earn-out for acquisitions made, pending legal cases as well as personnel-related provisions.

7. Equity capital

At the balance sheet date, the equity ratio was 66% (previous year: 66%). The factors that contributed to changes in consolidated equity are presented in the consolidated statement of changes in equity.

As in the previous year, the share capital totalled CHF 0.6 million, corresponding to EUR 0.4 million at the exchange rate of 1 January 2003. It is made up of 9,756,000 registered shares A with a par value of CHF 0.05 each and 9,900,000 registered shares B with a par value of CHF 0.01 each.

Statutory and legal reserves and those not available for distribution amounted to EUR 8.0 million (previous year: EUR 4.2 million).

	Registered shares A units 2021	Value per unit EUR 2021	Value thousand EUR 2021	Registered shares A units 2020	Value per unit EUR 2020	Value thousand EUR 2020
Own shares at 1.1.	104,429	39.51	4,126	110,524	38.38	4,242
Transfer at market price	-57,453	62.67	-3,601	-56,095	40.88	-2,293
Gain/(loss) from sale			1,372			131
Purchase at acquisition price	79,300	70.14	5,562	50,000	40.91	2,046
Own shares at 31.12.	126,276	59.07	7,460	104,429	39.51	4,126

The transferred shares were sold at a discount of 30% to management staff participating in a stock ownership plan and issued to members of the Board of Directors as part of their fee (see item 22. **Shares granted** in these notes to the consolidated financial statements).

Of the total shares acquired, 79,300 shares were repurchased via the second trading line on the SIX Swiss Exchange as part of the share buyback programme started on 24 March 2021.

8. Contingent liabilities

At year end, there were guarantee obligations and contingent liabilities vis-à-vis third parties totalling EUR 18.3 million (previous year: EUR 1.9 million).

The following contingent liabilities exist in connection with the acquisitions of Zhongshan Fortuneway Environmental Technology Co., Ltd. and Caladair International SAS:

- The Zehnder Group owns 51% of Zhongshan Fortuneway Environmental Technology Co., Ltd. The Zehnder Group has agreed on the conditions of the potential transfer of the additional 25% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd. with the current owner. On the one hand, the Zehnder Group has received call options on the remaining 49% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd. On the other hand, the Zehnder Group has issued put options on 25% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd.
- The Zehnder Group owns 75% of Caladair International SAS. Zehnder Group has agreed on the conditions of the potential transfer of the remaining 25% stake of Caladair International SAS with the current owner. On the one hand, the Zehnder Group has received call options on the remaining 25% stake of Caladair International SAS. On the other hand, the Zehnder Group has issued put options on 25% stake Caladair International SAS.

Both options rights are currently not exercisable. As the options do not meet the recognition criteria for an asset or a liability, they are not recognised in the balance sheet.

9. Pledged assets

Of the Group's total assets, EUR 8.0 million served as collateral (previous year: EUR 20.3 million). The pledged assets were exclusively land and buildings.

10. Liabilities to pension funds

At 31 December 2021, there were liabilities to pension funds of EUR 0.6 million (previous year: EUR 0.6 million). These are included in other short-term liabilities.

11. Transactions with related parties

In the reporting year, as was the case in the previous year, no products were sold to companies that were not fully consolidated and there were no receivables due from companies that were not fully consolidated.

In the year under review, as per the previous year, the Zehnder Group did not complete any major transactions with shareholders and there were no receivables or obligations.

The Zehnder Group completed no major transactions with minority shareholders of subsidiaries in either the current or prior year and there were no receivables or obligations at the balance sheet date with minority shareholders.

12. Derivative financial instruments

EUR million	Positive fair values 31.12.2021	Negative fair values 31.12.2021	Positive fair values 31.12.2020	Negative fair values 31.12.2020	Purpose
Foreign exchange	0.1	-	-	-	Hedging
Total	0.1	-	-	-	

13. Operating leasing not recognised in the balance sheet

Current operating leasing contracts expire as follows:

EUR million	31.12.2021	31.12.2020
Within 12 months	4.6	3.8
In 13–60 months	8.7	7.0
In more than 60 months	0.1	0.1
Total	13.4	10.9

14. Employer contribution reserves and pension fund liabilities

Employer contribution reserve (ECR)

EUR thousands	Nominal value 31.12.2021	Balance sheet 31.12.2021	Currency gain (+)/ loss (-) on ECR 2021	Balance sheet 31.12.2020	Expense (-)/Income (+) in personnel expenses	
					2021	2020
Pension trust fund	2,854	2,854	124	2,730	-	-
Total	2,854	2,854	124	2,730	-	-

No interest was paid on the employer contribution reserve in either year.

Economic benefits/economic liabilities and pension expenses

EUR thousands	Excess/ (inad- equated) cover 31.12.2021 ¹	Economic share of organisation 31.12.2021	Economic share of organisation 31.12.2020	Capitalised in business year 2021	Contri- butions accrued 2021	Pension expenses in personnel expenses	
						2021	2020
Pension trust fund	1,718	-	-	-	-	-	-
Personnel pension fund collective fund	5,938	-	-	-	2,269	2,269	2,189
Pension plans abroad	-	-	-	-	9,020	9,020	7,806
Total	7,656	-	-	-	11,289	11,289	9,995

¹ The 2021 financial statements of the pension trust fund and the collective fund are not yet available as of the date of publication of this Annual Report. The details regarding the excess coverage in 2021 correspond to the value as at 31 December 2020.

Please refer to item “10. Pension funds” of the [Accounting and valuation principles](#) in the consolidated financial statements and to the pension commitments in item [6. Provisions](#) in these notes to the consolidated financial statements.

15. Segment reporting

In accordance with Swiss GAAP FER 31/8, segment reporting used by the top management level for corporate management is disclosed. The Zehnder Group is an indoor climate system supplier. With the two segments, Europe and China & North America, the Group is classified according to geographical regions. These are managed independently from one another and their business performance is assessed separately. The regions of China and North America are reported together on grounds of materiality. Each of them only accounts for 8% (previous year: 8%) of total sales.

The Europe segment comprises a total of 44 production, sales and management companies in 18 European countries. The largest locations are in Germany, France, the UK, Switzerland and the Netherlands.

The China & North America segment is comprised of a total of 13 production, sales and management companies in China and North America. These sites are located in China, the US and Canada.

		Europe	China & North America	Eliminations	Total
2021					
Sales third	EUR million	586.8	110.3	–	697.1
Sales intercompany	EUR million	3.1	4.3	-7.4	–
Sales	EUR million	589.9	114.6	-7.4	697.1
EBIT	EUR million	63.6	5.5	–	69.1
	% of sales	10.8	4.8		9.9
Investments in property, plant and equipment & intangible assets	EUR million	20.2	1.7	–	21.9
Property, plant and equipment	EUR million	146.6	41.1	–	187.7
Number of employees	Ø full-time equivalents	2,693	861	–	3,554
2020					
Sales third	EUR million	517.2	100.5	–	617.7
Sales intercompany	EUR million	4.1	2.6	-6.7	–
Sales	EUR million	521.3	103.0	-6.7	617.7
EBIT	EUR million	41.6	8.9	–	50.5
	% of sales	8.0	8.6		8.2
Investments in property, plant and equipment & intangible assets	EUR million	13.3	3.4	–	16.7
Property, plant and equipment	EUR million	144.6	38.3	–	182.9
Number of employees	Ø full-time equivalents	2,607	733	–	3,340

16. Sales

Consolidated sales were EUR 697.1 million (previous year: EUR 617.7 million), an increase of 12.9%. Organically¹ sales increased by 11.6%.

Sales include EUR 2.6 million (previous year: EUR 1.4 million) recognised on long-term contracts.

Sales by region and business area are classified as follows:

		2021	%	2020	%
Sales by region and business area					
Ventilation Europe	EUR million	290.0	41.6	269.4	43.6
Change from prior year	%	7.7		4.0	
Ventilation North America	EUR million	18.7	2.7	14.4	2.3
Change from prior year	%	29.5		22.2	
Ventilation China	EUR million	44.0	6.3	40.2	6.5
Change from prior year	%	9.3		-11.0	
Total business area ventilation	EUR million	352.6	50.6	324.0	52.5
Change from prior year	%	8.8		2.5	
Radiators Europe	EUR million	296.8	42.6	247.8	40.1
Change from prior year	%	19.8		-8.9	
Radiators North America	EUR million	36.0	5.2	37.7	6.1
Change from prior year	%	-4.3		-14.4	
Radiators China	EUR million	11.6	1.7	8.1	1.3
Change from prior year	%	42.8		-33.5	
Total business area radiators	EUR million	344.5	49.4	293.6	47.5
Change from prior year	%	17.3		-10.6	
Total Europe	EUR million	586.8	84.2	517.2	83.7
Change from prior year	%	13.5		-2.6	
Total North America	EUR million	54.7	7.9	52.1	8.4
Change from prior year	%	5.0		-6.7	
Total China	EUR million	55.6	8.0	48.3	7.8
Change from prior year	%	14.9		-15.8	
Total	EUR million	697.1	100.0	617.7	100.0
Change from prior year	%	12.9		-4.1	

For sales by segment, please refer to the item [15. Segment reporting](#).

¹ See [Alternative performance measures](#) in the consolidated financial statements in this Financial Report.

17. Other operating income

Other income is classified as follows:

EUR million	2021	2020
Licence income	0.2	0.2
Gain on disposal of fixed assets	–	0.2
Income from hedging activities	1.4	–
Miscellaneous operating income	4.6	2.6
Total	6.2	3.0

The main sources of miscellaneous operating income are income generated by the sale of scrap materials, rental income from third parties and payments from insurance claims.

18. Other operating expense

Other operating expenses are classified as follows:

EUR million	2021	2020
Operating expenses	–47.2	–44.0
Marketing and distribution expenses	–69.0	–55.8
Administration and IT expenses	–24.2	–23.2
Total	–140.4	–123.0

19. Financial result

EUR million	2021	2020
Financial expenses	–1.1	–1.4
Financial earnings	0.2	0.1
Exchange gains/(losses)	0.1	–2.0
Total financial result	–0.8	–3.3

20. Income taxes

The tax ratio (=taxes as a percentage of earnings before taxes) was 12% (previous year: 16%).

EUR million	2021	2020
Current taxes	-10.7	-9.1
Deferred taxes	2.5	1.8
Total taxes	-8.2	-7.3

The Zehnder Group anticipates that losses of EUR 10.9 million (previous year: EUR 34.8 million) can be utilised against future taxable profits. The deferred tax assets on these losses amount to EUR 2.4 million (previous year: EUR 5.7 million).

The differences between the expected income tax expense, based on the expected income tax rate and the effective income tax expense shown in the income statement, is explained by the following factors. The expected income tax rate of the Group is based on the profit/loss before taxes and the applicable tax rate in the tax year for the Group companies.

EUR million	2021	2020
Earnings before taxes	68.4	47.2
Expected tax rate in %	21.8	22.5
Expected tax expense	-14.9	-10.6
Effect of tax incentives	1.6	2.1
Effect of non-deductible expenses	-0.2	-0.1
Effect of non-recognition of tax loss carry-forwards	0.2	-0.2
Effect of use of unrecognised tax loss carry-forwards	5.9	4.3
Other effects	-0.8	-2.7
Effective tax expense	-8.2	-7.3
Effective tax rate in %	12.0	15.5

The effect of tax incentives includes a deferred tax asset that was recorded in the tax balance sheet as a result of the tax reform measures introduced in Switzerland and the resulting step-up.

The other effects can be largely attributed to changes resulting from tax provisions.

21. Net profit per registered share

The undiluted net profit per registered share A is calculated by dividing the net profit excluding minority shares by the total nominal value adjusted shares, less the average number of own shares held by Zehnder Group AG.

The shares eligible for the share-based compensation plan (LTI) are also held as own shares. The shares allocated will be included proportionately, resulting in a dilution of the net profit per registered share A.

		2021	2020
Net profit excluding minority interests	EUR million	59.7	38.9
Notional number of shares	units	11,736,000	11,736,000
Average number of own shares	units	109,204	73,837
Notional number of shares excl. own shares	units	11,626,796	11,662,163
Non-diluted net profit excluding minority interests per registered share A	EUR	5.13	3.34
Notional number of shares excl. own shares	units	11,626,796	11,662,163
Eligible shares for share-based compensation plan (LTI)	units	23,587	11,239
Number of shares for calculating diluted net profit per share	units	11,650,383	11,673,402
Diluted net profit excluding minority interests per registered share A	EUR	5.12	3.34

The undiluted/diluted net profit excluding minority interests per registered share B amounts to one fifth of the undiluted/diluted net profit excluding minority interests per registered share A.

22. Shares granted

The Zehnder Group introduced an employee investment plan in 2001. This plan allows operating unit managers and members of Group management to acquire registered shares A. The shares are issued at a discount to the persons entitled to receive them. The registered shares A issued also include the Board of Directors' shares. Half of the fee that the members of the Board of Directors receive is made up of registered shares A.

In 2019, Zehnder Group introduced a long-term, variable compensation element (long-term incentive or LTI). This is granted as part of a long-term investment plan in which rights to shares are awarded under certain conditions. The general contractual basis and exercise conditions are explained under item [4.3 Variable long-term compensation element \(long-term incentive, LTI\)](#) in the Compensation Report.

The value of shares issued at the time of allocation is equal to the current value. The current value is determined as the closing rate on the day of allocation.

The difference between the current value at the time of allocation and the issue price is recognised in personnel expenses.

Shares granted

		2021	2020
Shares granted for the employee investment plan and the compensation of the Board of Directors	units	57,453	56,095
Current value on the day of allocation	CHF	67.10	44.00
Personnel expenses	CHF	2,106,000	760,000
Shares granted for the variable long-term compensation element for the Group Executive Committee (with 100% achievement of objectives)	units	14,611	11,144
Current value on the day of allocation	CHF	59.10	45.60
Personnel expenses	CHF	956,000	360,000

23. Acquisitions

The following acquisitions were made in the year under review:

- Completion of the acquisition of the 51% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd. on 28 April 2021 in China. The purchase price is dependent on future profitability. At the end of 2021, EUR 2.6 million was paid. The remaining price will be settled by means of an earn-out within the next 12 months. As a result of the purchase, the Zehnder Group has acquired net assets of EUR 1.1 million. The goodwill recognised amounted to EUR 5.2 million. The transaction resulted in an increase in minority interests in equity of EUR 1.0 million. In the reporting period, Zhongshan Fortuneway Environmental Technology Co., Ltd. contributed EUR 7.3 million to the Group's sales.
- As of 28 October 2021, the Zehnder Group acquired a majority share of 75% in French companies Caladair International SAS and 100% of the shares in Calihce SCI for EUR 16.3 million. As a result, the Group acquired net assets amounting to EUR 1.0 million. These included liquid assets of EUR 2.8 million, other current assets of EUR 3.3 million, non-current assets of EUR 4.0 million and liabilities of EUR 8.7 million. Net outflow of liquid assets resulting from the acquisition was EUR 13.2 million in 2021, and another EUR 0.3 million was accrued for the final payment in 2022. The resulting goodwill amounted to EUR 6.3 million and was offset against equity. The transaction resulted in an increase in minority interests in equity of EUR 0.4 million. During the reporting period, Caladair Group contributed EUR 1.5 million to the Group's sales.

No acquisitions were made in the previous year.

24. Goodwill

In accordance with the consolidation principles, the Zehnder Group directly nets acquired goodwill against equity at the time of first consolidation.

If the parts of the acquired goodwill that could be capitalised had been capitalised and written down over a period of five years, the following figures would have resulted:

Impact of theoretical capitalisation of goodwill on balance sheet

		31.12.2021	31.12.2020
Disclosed equity including minority interests	EUR million	362.4	326.9
Equity ratio	%	65.6	65.6
Acquisition value of goodwill			
Status at beginning of business year	EUR million	131.1	131.2
Additions ¹	EUR million	20.5	–
Disposals	EUR million	–0.1	–0.1
Status at end of business year	EUR million	151.5	131.1
Accumulated amortisation			
Status at beginning of business year	EUR million	–123.5	–117.7
Amortisation in current year	EUR million	–4.1	–5.8
Status at end of business year	EUR million	–127.6	–123.5
Theoretical net book value of goodwill	EUR million	24.0	7.7
Theoretical equity including minority interests and net book value of goodwill	EUR million	386.4	334.6
Theoretical equity ratio	%	67.0	66.1

¹ EUR 15.3 million from the acquisition of Caladair, France (2021) and EUR 5.2 million from the acquisition of Zhongshan Fortuneway Environmental Technology Co., Ltd., China (2021)

Impact of theoretical capitalisation of goodwill on results

		31.12.2021	31.12.2020
Disclosed net profit	EUR million	60.3	39.9
Theoretical amortisation of goodwill	EUR million	–4.1	–5.8
Net profit after amortisation of goodwill	EUR million	56.2	34.1

25. Disclosure of compensation paid to the Board of Directors and the Group Executive Committee

The total compensation for the Board of Directors and Group Executive Committee is shown in the table below.

EUR thousands	2021	2020
Fixed cash compensation	2,378	2,027
Variable compensation (short-term and long-term)	2,120	1,138
Employer social security and pension contributions	788	578
Share-based payments	806	934
Compensation for additional services	120	251
Total compensation paid to the members of the Board of Directors and the Group Executive Committee	6,212	4,928

Please also refer to the items [5.1 Compensation to the Board of Directors in the business year 2021](#) and [5.2 Compensation of the Group Executive Committee in the business year 2021](#) in the Compensation Report.

26. Events after the balance sheet date

On 18 February 2022, the Zehnder Group announced the acquisition of the ventilation company Airia Brands Inc. in Canada. The company has approximately 150 employees, and in 2021, it generated revenue of around CAD 55 million (EUR 38 million).

The 2021 financial statements were approved by the Board of Directors on 18 February 2022.

Overview of companies



As at 31 December 2021, the consolidation scope of the Zehnder Group comprised the following companies.

Unless otherwise stated, the capital stock is shown in the relevant local currency.

		Activity	Capital stock	Capital share in %	Consolidated
Austria					
Vienna	Zehnder Österreich GmbH	S	5,000	100	Fully
Belgium					
Mechelen	Zehnder Group Belgium nv/sa	S	800,010	100	Fully
Canada					
Vancouver	Core Energy Recovery Solutions Inc.	S/P	18,766,213	100	Fully
China					
Dachang	Dachang Zehnder Indoor Climate Co., Ltd.	P	200,000,000	73	Fully
Beijing	Zehnder (China) Indoor Climate Co., Ltd.	S	228,250,000	73	Fully
Pinghu	Nather Ventilation System Co., Ltd.	S/P	60,000,000	76	Fully
Pinghu	Zhejiang Nather Water Treatment Technology Co., Ltd.	S	5,000,000	39	Fully
Shanghai	Shanghai Nather Air Technology Co., Ltd.	O	3,200,000	76	Fully
Shanghai	Zehnder Group Enterprise Management (Shanghai) Co., Ltd.	O	2,516,000	100	Fully
Zhongshan	Zhongshan Fortuneway Environmental Technology Co., Ltd.	S/P	11,111,000	51	Fully
Czech Republic					
Prague	Zehnder Group Czech Republic s.r.o.	S	200,000	100	Fully
Estonia					
Tallinn	Zehnder Baltics OÜ	S	2,556	100	Fully
Finland					
Porvoo	Enervent Zehnder OY	S/P	250,000	100	Fully
France					
Évry	Zehnder Group France	S	7,225,230	100	Fully
Évry	Zehnder Group Participations SAS	O	7,744,000	100	Fully
Évry	Zehnder Climate Ceiling Solutions SAS	S	2,000	100	Fully
Mâcon	Caladair International SAS	S/P	1,000,000	75	Fully
Mâcon	Calihce SCI	O	2,000	100	Fully
Saint-Quentin	HET Transport & Logistique SAS	O	687,000	100	Fully
Vaux-Andigny	Zehnder Group Vaux Andigny SAS	P	4,200,000	100	Fully
Germany					
Lahr	Zehnder Climate Ceiling Solutions GmbH	S	100,000	100	Fully
Lahr	Zehnder Group Deutschland GmbH	S	2,000,000	100	Fully
Lahr	Zehnder GmbH	P	25,000,000	100	Fully
Lahr	Zehnder Group Deutschland Holding GmbH	O	2,100,000	100	Fully
Lahr	Zehnder Group Grundstücksverwaltungs-GmbH	O	1,100,000	100	Fully
Lahr	Zehnder Logistik GmbH	O	250,000	100	Fully

Reinsdorf	Paul dPoint Technologies GmbH	S	25,000	100	Fully
Reinsdorf	Paul Wärmerückgewinnung GmbH	P	2,100,000	100	Fully
Hungary					
Budapest	Zehnder Hungary Kft.	S	3,000,000	100	Fully
Italy					
Campogalliano	Zehnder Group Italia S.r.l.	S	80,000	100	Fully
Netherlands					
Zwolle	Zehnder Group Zwolle B.V.	P	908,000	100	Fully
Zwolle	Zehnder Group Nederland B.V.	S	18,000	100	Fully
Waalwijk	Recair B.V.	S/P	114,000	100	Fully
Waalwijk	Metis B.V.	S	18,000	100	Fully
Norway					
Bekkestua	Exvent AS	S	300,000	100	Fully
Poland					
Bolesławiec	Zehnder Group Bolesławiec Sp. z o.o.	P	51,280,000	100	Fully
Wrocław	Zehnder Polska Sp. z o.o.	S	4,000,000	100	Fully
Russia					
Moscow	ООО «Zehnder GmbH», Russia	S	1,866,410	100	Fully
Spain					
Cerdanyola del Vallès	Zehnder Group Iberica Indoor Climate, S.A.	S	300,500	100	Fully
Sweden					
Motala	Zehnder Group Nordic AB	S	6,400,000	100	Fully
Motala	Zehnder Group Motala AB	P	120,000	100	Fully
Täby	Ventener AB	S	50,000	100	Fully
Switzerland					
Gränichen	Zehnder Group AG	O	586,800		Fully
Gränichen	Zehnder Group Produktion Gränichen AG	P	2,900,000	100	Fully
Gränichen	Zehnder Group International Ltd	O	1,000,000	100	Fully
Gränichen	Zehnder Group Schweiz AG	S	500,000	100	Fully
Gränichen	Zehnder Group Swiss Property AG	O	2,000,000	100	Fully
Turkey					
Manisa	Hotpan Isitma Sistemleri Pazarlama ve Ticaret Aş	S	50,004	100	Fully
Manisa	Sanpan Isitma Sistemleri Sanayi ve Ticaret Aş	S/P	74,481,674	100	Fully
UK					
Camberley	Zehnder Group UK Ltd	S/P	3,500,002	100	Fully
Camberley	Zehnder Group UK Holdings Ltd	O	20,000,000	100	Fully
Lenham	Zehnder Group Lenham Ltd	P	1	100	Fully
USA					
Buffalo NY	Hydro-Air Components, Inc. (Zehnder Rittling)	S/P	55,950	100	Fully
Buffalo NY	Zehnder Clean Air Solutions NA, LLC	S	n/a	100	Fully
Hampton NH	Zehnder America, Inc.	S	10	100	Fully
Ward Hill MA	Runtal North America, Inc.	S/P	193,522	100	Fully
Ward Hill MA	Zehnder Group US Holdings, Inc.	O	30	100	Fully

P: production, S: sales, O: other functions

Report of the statutory auditor

Report of the statutory auditor

to the General Meeting of Zehnder Group AG

Gränichen

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Zehnder Group AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes ('consolidation scope and principles' and 'notes to the consolidated financial statements' and 'overview of companies') to the consolidated financial statements, including a summary of significant accounting and valuation principles.

In our opinion, the accompanying consolidated financial statements (pages 71 to 101) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 5'000'000



We concluded full scope audit work at 18 Group companies in 9 countries. These Group companies contributed 70% of the Group's sales.

An audit of specific account balances was performed at one additional Group company, which addressed a further 10% of the Group's sales. A further 4% of audit coverage on the Group's sales was obtained by specified procedures performed centrally by us.

As key audit matter the following area of focus has been identified:

Valuation of trade accounts receivable

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 5'000'000
How we determined it	Sales
Rationale for the materiality benchmark applied	We chose sales as the benchmark because, in our view, it is one of the benchmarks against which the performance of a group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 300'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises two business divisions and it is active in two regions, Europe, and China and North America. The Group financial statements are a consolidation of 57 reporting units, comprising the Group's operating businesses and centralised service and corporate functions.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor as well as by the component auditors in the PwC network and third parties. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor was based on audit instructions and structured reporting. It included telephone conferences with the component auditors, an investigation of the risk analysis and on-site visits to discuss the audit with selected component auditors.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of trade accounts receivable

Key audit matter

As at 31 December 2021, Zehnder Group AG disclosed trade accounts receivable in the amount of EUR 109.3 million (prior year: 111.0 EUR million).

Trade accounts receivable are recognised at their nominal value. Allowances are determined on the basis of the maturity structure and identifiable credit and solvency risks.

In applying this approach, Group management and the Board of Directors make assumptions regarding the underlying valuation and the recoverability of the out-standing receivables. We consider the valuation of trade accounts receivable as a key audit matter because the actual cash inflows from the outstanding receivables are subject to a material estimation uncertainty.

Please refer to page 77 of the annual report for information on the accounting and valuation principles and to page 82 for the notes on the trade accounts receivable.

How our audit addressed the key audit matter

We tested the appropriateness of the Group's financial reporting in relation to the valuation of trade accounts receivable, including the accounting policies for the determination of specific and general allowances for bad and doubtful debts.

Based on audit procedures listed we tested how Group Management and the Board of Directors made the accounting estimate in terms accounts receivable valuation:

- Critical examination of Group management's methods, assumptions and assessments relating to the impairment testing of the trade accounts receivable.
- Examination whether internal and external indicators of credit, solvency and default risks had been appropriately considered (specific allowances).
- Analysis whether the assumptions were consistent and based on acceptable historical experience and whether the calculation was performed in a mathematically correct manner based on the maturity structure (general allowances).

We consider the methods applied to be an appropriate basis for the valuation of trade accounts receivable. The results of our audit support the assumptions and data used and the assessments made by Group management and the Board of Directors.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Ebinger
Audit expert
Auditor in charge

Korbinian Petzi
Audit expert

Luzern, 18 February 2022



Alternative performance measures

In this Annual Report, the Zehnder Group reports financial key figures that are not defined according to Swiss GAAP FER. These alternative performance measures are intended to aid the management team as well as analysts and investors in forming a clearer understanding of the Group's performance.

The following definitions and calculation bases of the Zehnder Group may differ from those employed by other companies.

Alternative performance measure	Definition	Calculation basis/reconciliation EUR million	2021	2020
Organic sales growth	The organic sales growth measures the growth that the Group is able to achieve on its own. Organic sales equate to sales that have been adjusted for acquisition effects and have taken place at constant exchange rates.	Sales	697.1	617.7
		Currency effects	0.8	1.4
		Acquisition effects	-8.8	-
		Organic sales	689.1	619.0
		Organic sales growth in %	11.6	-3.9
EBITDA	Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a key figure used to measure the performance of the Group.	Operating result (EBIT)	69.1	50.5
		Depreciation of property, plant and equipment	22.4	23.7
		Amortisation of intangible assets	0.5	0.5
		EBITDA	92.1	74.8
ROCE	The return on capital employed (ROCE) measures the profitability and efficiency of the Group's capital utilisation. The net operating profit after tax (NOPAT) is compared with the capital employed (CE).	Trade accounts receivable	109.3	111.0
		Other receivables	18.9	17.1
		Inventories	75.4	60.6
		Prepayments	1.2	1.3
		Accrued income	3.5	3.4
		Trade accounts payable	-41.5	-35.1
		Other short-term liabilities	-29.0	-29.6
		Accruals and deferred income	-66.0	-57.9
		Short-term provisions	-12.0	-10.9
		Long-term provisions	-27.8	-27.0
		Other long-term liabilities	-0.7	-1.2
		Non-current assets	207.9	198.9
		Capital employed (CE)	239.2	230.5
		Operating result (EBIT)	69.1	50.5
		Expected income taxes	-15.1	-11.4
Net operating profit after tax (NOPAT)	54.0	39.1		
ROCE in %	22.6	17.0		
Net liquidity/(net debt)	Net liquidity or debt is a key figure used to measure the Group's financial liquidity or debt.	Liquid assets	136.4	106.3
		Short-term financial liabilities	-3.4	-3.1
		Long-term financial liabilities	-9.8	-6.8
		Net liquidity/(net debt)	123.2	96.4

Balance sheet of Zehnder Group AG



CHF million	Notes	31 December 2021	31 December 2020
Assets			
Liquid assets		16.4	11.7
Other short-term receivables	1	2.5	3.5
Current assets		18.9	15.3
Financial assets	2	102.6	100.9
Participations	3	303.3	294.4
Non-current assets		405.9	395.2
Total assets		424.9	410.6
Liabilities & shareholders' equity			
Short-term interest-bearing liabilities	4	18.9	10.4
Other short-term liabilities	5	0.1	0.1
Accruals and deferred income		1.4	0.9
Short-term provisions		4.2	0.1
Current liabilities		24.5	11.6
Provisions		0.1	0.2
Non-current liabilities		0.1	0.2
Share capital	6	0.6	0.6
Legal retained earnings		46.5	46.5
Voluntary retained earnings			
• Voluntary retained earnings		4.2	4.2
• Available earnings			
– Profit carried forward		337.3	341.4
– Net profit for the year		19.8	10.5
Own shares	7	–8.1	–4.4
Shareholders' equity		400.3	398.8
Total liabilities and shareholders' equity		424.9	410.6

Income statement of Zehnder Group AG



CHF million	Notes	2021	2020
Dividend income		17.2	16.0
Other operating income		3.5	1.8
Operating income		20.7	17.8
Personnel expenses		-1.0	-0.9
Other operating expenses		-4.1	-3.6
Operating profit		15.6	13.3
Financial income		6.0	3.1
Financial expenses		-2.0	-5.6
Direct taxes		0.2	-0.2
Net profit for the year		19.8	10.5

Accounting and valuation principles



These annual accounts have been prepared in accordance with the provisions of the Swiss Accounting Law (title 32 OR [Swiss Code of Obligations]). The main valuation principles applied that are not prescribed by law are described below. It should be noted that the option of forming and releasing hidden reserves was exercised in order to safeguard the company's long-term best interests.

1. Income from participations

The income from participations corresponds to the dividend earnings of the company. These are generally stated before the deduction of withholding tax.

2. Own shares

Own shares are recognised under shareholders' equity in the balance sheet as a deduction at cost at the time of acquisition. If they are later resold, the profit or loss is recognised as financial income or expense on the income statement.

3. Share-based compensation

If own shares are used for share-based compensation for Board of Director members, then the difference between the current value at the time of allocation and the allocated share payment to the Board members is assigned as a personnel expense.

4. Participations

Participations are valued at acquisition cost less impairments.

5. Receivables and liabilities

Receivables and liabilities to third parties and Group companies are recognised at nominal values, less any operating allowance for bad debts.

Notes to the financial statements of Zehnder Group AG



General comments

As Zehnder Group AG has a pure holding company function, the point must be made that the income development of this company in no way reflects the present or future profitability of the Zehnder Group. Hence the development of the Group as set out in the consolidated financial statements – and not the individual financial statements of Zehnder Group AG – is decisive for the Board of Directors for their dividend proposal. The aim of the dividend policy laid down by the Board of Directors is to pay out some 30–50% of the consolidated net profit of the Zehnder Group to its shareholders.

1. Other short-term receivables

CHF million	31.12.2021	31.12.2020
Accounts receivable from third parties	0.4	–
Accounts receivable from Group companies	2.1	3.5
Total	2.5	3.5

2. Financial assets

CHF million	31.12.2021	31.12.2020
Loans to Group companies	102.6	100.9
Total	102.6	100.9

3. Participations

The directly or indirectly held majority interests which are material are included in the [Overview of companies](#) table set out in the consolidated financial statements in this Financial Report.

4. Short-term interest-bearing liabilities

CHF million	31.12.2021	31.12.2020
Loans from Group companies	18.9	10.4
Total	18.9	10.4

5. Other short-term liabilities

CHF million	31.12.2021	31.12.2020
Other short-term liabilities to third parties	0.1	0.1
Total	0.1	0.1

6. Share capital

	Registered shares A units 2021	Registered shares B units 2021	Value CHF 2021	Registered shares A units 2020	Registered shares B units 2020	Value CHF 2020
Total registered shares A as of 1.1.	9,756,000		487,800	9,756,000		487,800
Total registered shares B as of 1.1.		9,900,000	99,000		9,900,000	99,000
Total at 31.12.	9,756,000	9,900,000	586,800	9,756,000	9,900,000	586,800

As in the previous year, total share capital amounted to CHF 0.6 million, corresponding to EUR 0.4 million at the exchange rate of 1 January 2003. It is made up of 9,756,000 registered shares A with a par value of CHF 0.05 each and 9,900,000 registered shares B with a par value of CHF 0.01 each.

The unlisted registered shares B (CHF 0.01 nominal value) are all directly or indirectly held by members of the Zehnder family or by persons closely associated with the family. The great majority of the registered shares B are owned by Graneco AG (CH). On the balance sheet date, Graneco AG and its shareholders held 51.7% of the company's registered shares and voting rights.

7. Own shares

The development of this item can be seen in the table below.

	Registered shares A units 2021	Value per share CHF 2021	Value CHF 2021	Registered shares A units 2020	Value per share CHF 2020	Value CHF 2020
Own shares at 1.1., trading portfolio	104,429	42.45	4,433,210	110,524	41.34	4,568,660
Shares sold	-57,453	67.10	-3,855,096	-56,095	44.00	-2,468,180
Gain/(loss) from sale			1,488,309			140,238
Shares bought	79,300	76.65	6,078,670	50,000	43.85	2,192,493
Own shares at 31.12., trading portfolio	126,276	64.50	8,145,093	104,429	42.45	4,433,210

The own shares allocated to the Board of Director members are shown in item [5.1 Compensation to the Board of Directors in the business year 2021](#) in the Compensation Report.

8. Number of full-time positions

The holding company has no employees.

9. Contingent liabilities

The company has guarantee obligations and pledged assets in favour of subsidiaries in the amount of CHF 60.0 million (previous year: CHF 48.8 million).

In connection with the acquisition of the 51% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd. there is a contingent liability due to the granting of a put option on a further 25% stake in Zhongshan Fortuneway Environmental Technology Co., Ltd.

The company belongs to a VAT group which comprises all the Swiss companies in the Zehnder Group and is thus jointly and severally liable vis-à-vis the Swiss Federal Tax Administration for any VAT debts of this VAT group.

10. Disclosure of ownership structure

According to the information available to the Board of Directors, the following shareholders held more than 3% of the share capital of Zehnder Group AG as at the balance sheet date:

- Graneco AG, Gränichen (CH): 15,720 registered shares A and 9,775,600 registered shares B, corresponding to 49.8% of the votes (previous year: 49.8%); together with the other registered shares of the company held by the shareholders of Graneco AG, this group holds 51.7% of the voting rights.

For notification of disclosure of significant shareholdings, please refer to the website of SIX Swiss Exchange: www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?companyId=ZEHNDER.

As at the balance sheet date, the members of the Board of Directors and of the Group Executive Committee, including persons closely associated with them, owned the following shares and options:

Board of Directors and Group Executive Committee	Registered shares A units ¹	Registered shares A units ¹	Registered shares B units ²	Registered shares B units ²
	2021	2020	2021	2020
Dr Hans-Peter Zehnder⁴	215,692	210,846	20,000	20,000
Chairman of the Board	1.1% ³	1.1% ³	0.1% ³	0.1% ³
Thomas Benz	-	37,301	-	-
Vice Chairman of the Board up to 2 April 2020		0.2% ³		
Jörg Walther	10,134	8,335	-	-
Vice Chairman of the Board since 2 April 2020	0.1% ³			
Dr Urs Buchmann	20,621	18,962	-	-
Member of the Board	0.1% ³	0.1% ³		
Riet Cadonau	11,587	10,065	-	-
Member of the Board	0.1% ³	0.1% ³		
Daniel Frutig	-	1,313	-	-
Member of the Board up to 2 April 2020				
Ivo Wechsler	3,024	1,641	-	-
Member of the Board				
Milva Zehnder	7,445	6,062	-	-
Member of the Board				
Matthias Huenerwadel	15,099	10,726	-	-
Chairman of the Group Executive Committee, CEO	0.1% ³	0.1% ³		
René Grieder	20,664	17,850	-	-
CFO	0.1% ³	0.1% ³		
Johannes Bollmann	4,621	2,610	-	-
COO Ventilation EMEA				
Tomasz Juda	-	2,800	-	-
Competence Center Radiators up to 31 May 2020				
Jörg Metzger	1,638	-	-	-
COO Radiators EMEA since 11 May 2020				
Cyril Peysson	48,680	45,557	-	-
CCO EMEA	0.3% ³	0.2% ³		

1 Provided they were acquired under the employee share ownership programme, some of these shares may be subject to a restriction period (see Compensation Report).

2 The registered shares B are not listed.

3 Share of total votes in % (only if ≥0.1%)

4 Excluding Graneco AG, in which Dr Hans-Peter Zehnder holds a 58.4% stake.

11. Events after the balance sheet date

There were no extraordinary pending transactions, risks or events after the balance sheet date which would require disclosure in the financial statements.

Proposal on the appropriation of earnings

CHF

The balance sheet profit available for distribution comprises

Retained earnings from previous year	337,345,400
Net profit for 2021 according to the income statement	19,816,030
Balance sheet profit	357,161,430

The Board of Directors proposes the following appropriation of earnings:

Payment of a dividend ¹	21,124,800
To be carried forward to new account	336,036,630
Total appropriation of earnings	357,161,430

¹ Corresponds to a dividend of CHF 1.80 per registered share A.

As retained earnings have reached the statutory requirement of 20% of share capital, any corresponding allocation can be waived.

Report of the statutory auditor

Report of the statutory auditor

to the General Meeting of Zehnder Group AG

Gränichen

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Zehnder Group AG, which comprise the balance sheet as at 31 December 2021, income statement for the year then ended and notes to the financial statements, including a summary of significant accounting and valuation principles.

In our opinion, the accompanying financial statements (pages 107 to 114) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 4,240,000



We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

Valuation of investments in subsidiaries

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PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 5'000'000
How we determined it	Sales
Rationale for the materiality benchmark applied	We chose sales as the benchmark because, in our view, it is one of the benchmarks against which the performance of a group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 300'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises two business divisions and it is active in two regions, Europe, and China and North America. The Group financial statements are a consolidation of 57 reporting units, comprising the Group's operating businesses and centralised service and corporate functions.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor as well as by the component auditors in the PwC network and third parties. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor was based on audit instructions and structured reporting. It included telephone conferences with the component auditors, an investigation of the risk analysis and on-site visits to discuss the audit with selected component auditors.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Please refer to page 109 of the annual report for information on the accounting and valuation principles and to page 110 for the notes on the investments.

rate and the capitalisation rates used, by comparison with other available internal and external information and by performing sensitivity analyses.

We conducted on the basis of the available documentation a critical assessment of the wider-ranging qualitative and quantitative factors considered in the valuation by Group management.

Additionally, we compared the net assets of the Company with the market capitalisation of the Group.

We consider the valuation procedures to be an appropriate and adequate basis for the impairment testing of the equity investments. The results of our audit support the assumptions of Group management and the Board of Directors.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is available on the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.



We further confirm that the proposed appropriation of earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Thomas Ebinger
Audit expert
Auditor in charge

Korbinian Petzi
Audit expert

Lucerne, 18 February 2022



Further information for investors

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Registered shares A

Valor number	27 653 461
SIX	ZEHN
Bloomberg	ZEHN SW
Reuters	ZEHN S

Registered shares B (unlisted)

Valor number	13 312 654
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Registered shares A

Annual General Meeting 2022	7.4.2022
Ex-dividend date	11.4.2022
Dividend payout	13.4.2022
Six-month Report 2022	27.7.2022
End of business year	31.12.2022
Sales for 2022	20.1.2023
Annual Report 2022 and Media/Analyst Conference 2023	1.3.2023
Annual General Meeting 2023	23.3.2023

News and reports, as well as this Annual Report, are available in German and English. The German version is binding.

News is published under www.zehndergroup.com/en/news.

Reports and presentations are published under www.zehndergroup.com/en/investor-relations/reports-and-presentations.