

Annual Report 19

Content

Management and Sustainability Report

1	Key Figures
2	Letter to the Shareholders
4	Introduction
4	How Belimo Creates Value
8	Performance
8	Profitable Growth with Impact
13	Key Figures
14	Growth Strategy and Innovation
18	Employee Portrait: Mei Cheung
20	Remuneration Report
25	Credibility Culture
25	Creating and Living a Unique Culture
27	Interview: "Clean-Tech and True Humanity"
30	Empowering Our Employees
32	Story: Credibility Culture
34	Fostering Skills in the Organization
38	Offering Equal Opportunities
40	Story: Ability Beyond
42	Principles of Governance
54	Customer Value
54	Engaging with Our Customers
55	Story: "Savings That We Can Really See"
58	Quantifying Our Impact
62	Solution Leadership
62	Leading with Best Solutions
64	Innovating Digital Solutions
65	Managing Patents Successfully
66	Story: Reliably Controlling DC-Motors
68	Operational Excellence
68	Creating Win-Win Relationships
70	Mitigating Our Footprint
72	Ensuring Efficient Operations
76	Staying Ahead in Logistics
78	Exceeding All Expectations
80	Appendix
80	Mapping Our Topics with GRI
81	Stakeholder Engagement
82	GRI Content Index
83	Topic-Specific Disclosures

Financial Report

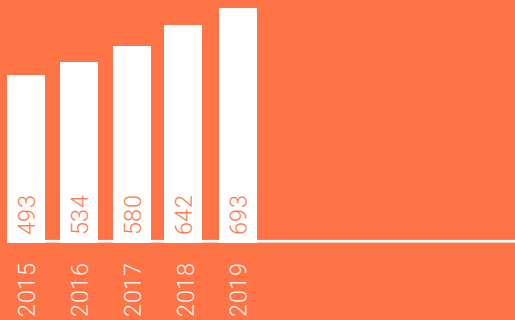
86	Consolidated Financial Statements
90	Notes to the Consolidated Financial Statements
128	Financial Statements of BELIMO Holding AG
136	Information for Investors
138	Five-Year Financial Summary

Key Figures

Net Sales

in CHF million

692.7



EBIT

in CHF million

123.9

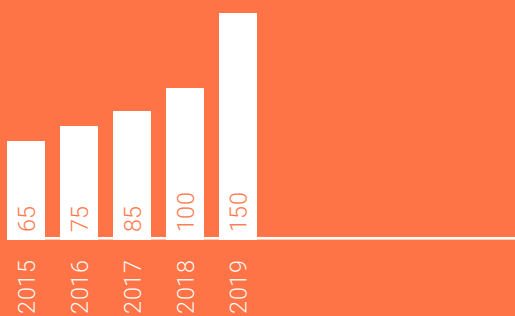
in % of net sales

17.9

Dividends

per share in CHF

150



FTEs

Worldwide

1 789

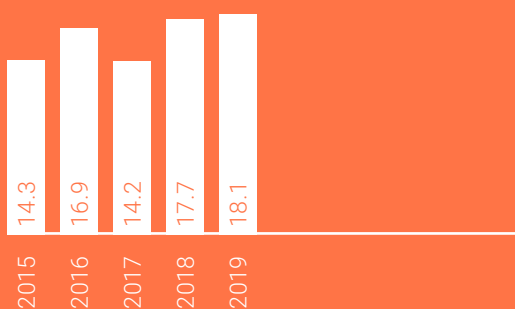
Average Hours of Training per Employee

24

Operating Cash Flow

in % of net sales

18.1



Total CO₂ Savings of Belimo Devices

in millions of tons CO₂e

7.6

CO₂ Savings Achieved per Device

24x Saving



1x Input



Letter to the Shareholders



Dear Shareholders

Belimo is looking back at a successful financial year: Sales in Swiss francs increased by 7.8 percent to CHF 692.7 million, corresponding to a growth of 9.2 percent when adjusted for currencies. The Group has succeeded in achieving an operating income (EBIT) of CHF 123.9 million, which equals to an EBIT margin of 17.9 percent. Net income rose including a one-time tax benefit by 40.5 percent with respect to the comparison period to CHF 121.1 million. Free cash flow amounted to CHF 83.9 million and was – impacted by investments – 11.0 percent lower than in the previous year. For a strong continuation of its growth strategy, Belimo invested again a substantial amount of CHF 50.7 million in research and development during the reporting period.

In our commitment to “Small devices, big impact” Belimo regards sustainability as a major part of its corporate strategy and business model. Through sustainability management, Belimo aims to create long-term value for customers, shareholders, employees, and other stakeholders. This is why sustainability reporting constitutes an integral part of our annual reporting that reflects our commitment to a corporate sustainability management that enhances economic, ecological and social performance.

In order to provide greater transparency to our stakeholders, we set out to further advance our sustainability reporting based on the international reporting framework of the Global Reporting

Initiative (GRI). GRI is a non-governmental organization that provides a systematic and comprehensive framework, which has become a global standard for disclosure by corporations and other organizations on sustainability.

Within the sustainability reporting according to the GRI Standards, we focus on the issues that are essential to the Company's future success. These topics have been identified through a materiality assessment which Belimo conducted. The systematic identification of topics of significance for stakeholder groups of Belimo and the Company's impact on sustainable development is described in the chapter on materiality. As part of the preparation for our Sustainability Report 2019, we have compiled our management approaches on the material topics as in line with GRI requirements.

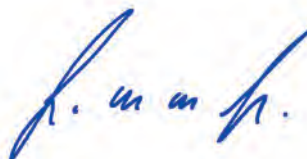
Our aim is to state concisely for the company and for all external stakeholders how Belimo approaches the material topics in a responsible manner. The management approaches comprised in this report are a starting point that Belimo will continue to review and further advance in the coming few years.

The Board of Directors proposes a dividend of CHF 150.00 per share at the 2020 Annual General Meeting. Based on the closing price of CHF 7 290.00 on December 31, 2019, this equates to a return of 2.1 percent per share.

On behalf of the Board of Directors and the Group Executive Committee of BELIMO Holding AG, we would like to thank our customers, suppliers and employees for their loyalty and successful cooperation. We would also like to thank you, our esteemed shareholders, for the great trust you place in us and your loyalty to BELIMO Holding AG.



Patrick Burkhalter
Chairman of the Board of Directors



Lars van der Haegen
CEO

Introduction

Defining Materiality

How Belimo Creates Value

Our Value Creation Model serves as a guideline for how we think about the topics that are the most relevant for us and our stakeholders.

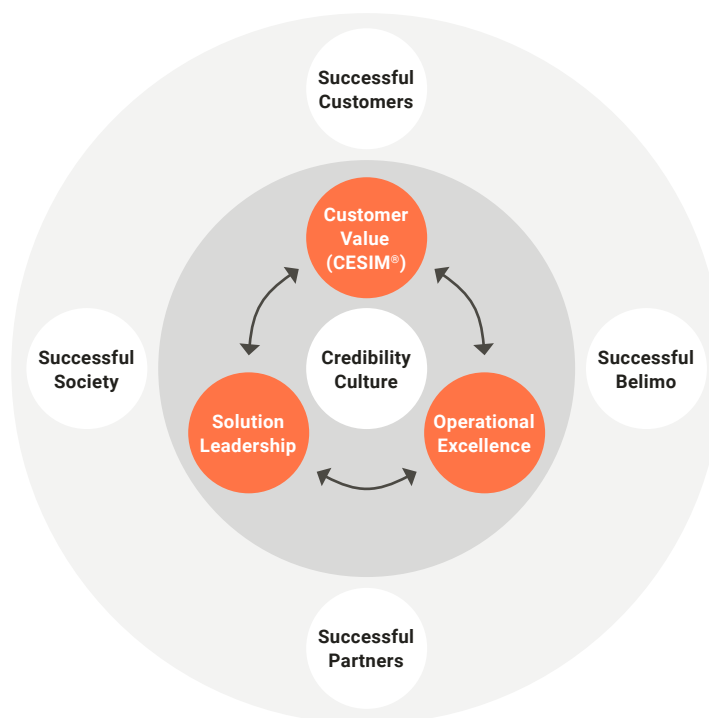
Commitment, credibility and reliability characterize our behavior. Therefore, Belimo sees its Credibility Culture at the heart of its value creation model that enables us to deliver more value to our customers than they expect and more than others can offer.

Our focus is on our customers' success. The three pillars that lead them to success are: Operational Excellence, Solution Leadership and Customer Value. Consistent implementation of these pillars not only enables success for our customers, but also success for Belimo, success for our partners as well as success for society.

Success Through Operational Excellence

Operational Excellence ensures that the products we deliver are top-quality, extremely reliable, and have short lead times. Quality, deadlines and costs are our priorities. We are constantly enhancing our processes

Belimo Value Creation Model



by regularly examining how we work. We learn from our mistakes by reviewing the causes in detail and taking systematic steps to improve.

We focus on improving our skills in the areas that allow us to deliver more customer value. We source other areas of expertise from reliable suppliers, and aim to work in close partnership with them. The criteria that apply to suppliers are similar to those that apply to us. We invest in our employees to enhance our skill levels.

Success Through Solution Leadership

Research and market-relevant innovation as well as rapid and customized execution are key for us.

Belimo delivers more than just products. We support our customers with innovative, efficient and energy-optimizing solutions and bring success to both our customers and ourselves. We are close to our customers throughout the world; we speak their language and we understand them.

We continuously invest in innovation in order to develop superior solutions.

Success Through Customer Value (CESIM®)

We differentiate ourselves from our competitors through the high level of customer benefits from our products and services. Added value for our customers is the measure of our success. The method for innovating building technology with our actuators, valves, and sensors is CESIM®. It ensures that our “small” Belimo devices have a big impact on **C**omfort, **E**nergy, **S**afety, **I**nstallation, and **M**aintenance.


With its customer-oriented method CESIM®, Belimo focuses on greater comfort and ensures both optimum indoor air quality and higher energy efficiency. In addition, the method guarantees safety for people and animals as well as protection of property, while guaranteeing easy installation and commissioning of its products with low maintenance requirements. In 2019, numerous employees worldwide were trained in CESIM®.

Assessing Materiality (GRI 102-46)


Determining the topics that are most relevant for Company's role in supporting sustainable development, responding to stakeholder interests, and ensuring long-

CESIM®: The Benefits of Belimo Solutions (Click on the Icon to Watch the Corresponding Video)




Comfort: Belimo devices offer a precision controlled, comfortable room environment that is essential for the well-being and productivity of people. 




Energy Efficiency: Smart control of heating, cooling and ventilation loads has a major impact on the energy efficiency of buildings. 




Safety: Belimo safety actuators save lives and help minimize damage to buildings and tangible assets. 



Installation: Ease of installation and fast commissioning save time. 



Maintenance: Low maintenance and quality customer service directly impact building operations. 

term success in the marketplace is an essential step in forming the foundation for corporate strategic management and sustainability reporting.

To achieve this, Belimo has determined relevant topics by means of a materiality assessment according to three dimensions: strategic relevance for the business, impact on sustainable development, and relevance for key stakeholder groups of Belimo. By identifying these topics and implementing the following steps to address these material topics, Belimo aims to strengthen its stakeholder relationships, monitor high-level opportunities, safeguard against risks, and maintain its successful mid- and long-term growth performance.

An overview of the topics identified in the process, which started with an industry and peer evaluation and was developed in dialogue with group management across the Company, is provided in the resulting materiality map (see graph below).

The materiality map provides an overview of topics determined to be most material or relevant for the impact on sustainable development (horizontal axis) and interests of stakeholders (vertical axis).

The focus of this report lies on the dark gray “Interact,” “Impact” and “Focus”-topics. Topics most relevant for business are considered in particular in the further development of the Company’s strategic priorities.

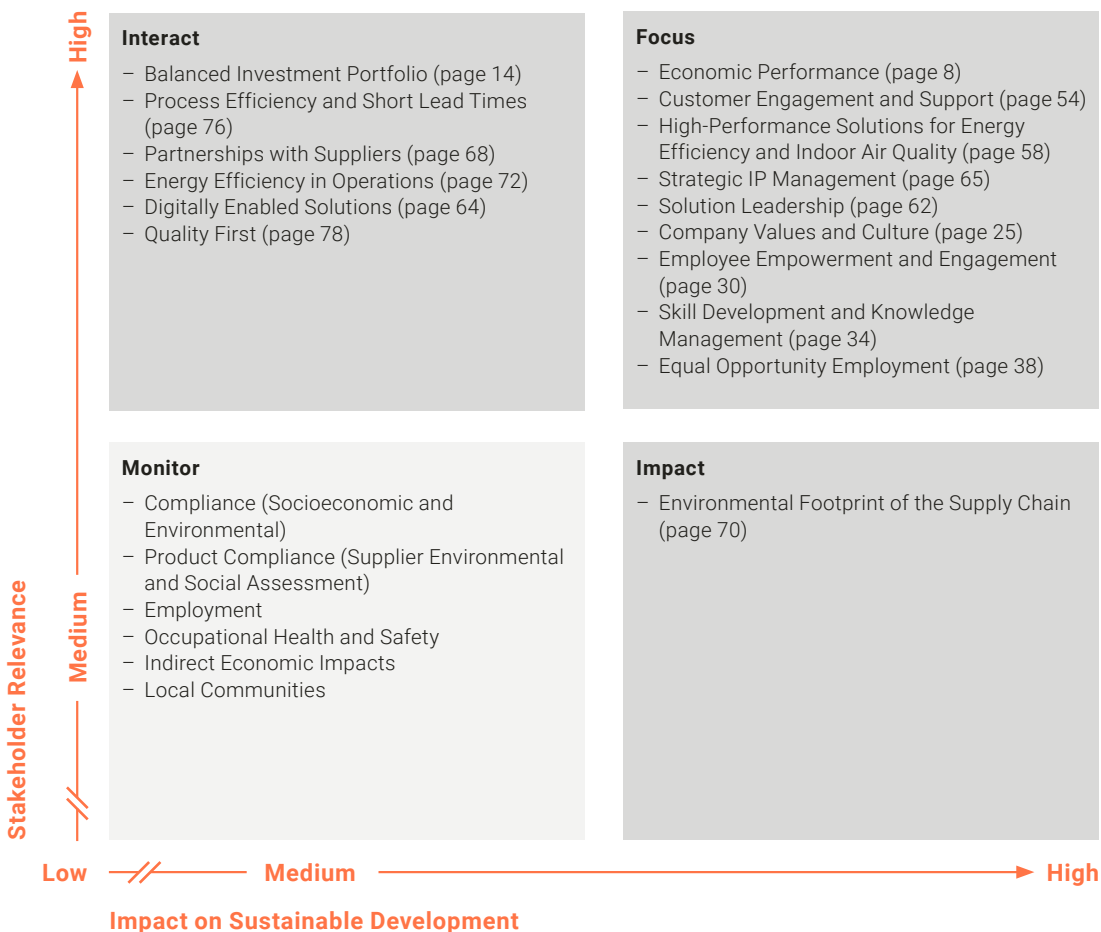
Our Answer to Megatrends

Structural growth drivers in the core markets of Belimo consist of the four following long-term megatrends:

Urbanization: Promoting Well-Being and Indoor Air Quality

As the population globally shifts from rural areas to urban areas, more and more people are leading mod-

Belimo Materiality Map (GRI 102-47)



ern, urban lifestyles and spending 90 percent of their day indoors. State-of-the-art building automation and reliable HVAC components (heating, ventilation and air conditioning) are indispensable to satisfy increasing demands on room climates.

Energy Efficiency: Increased Energy Efficiency

As buildings currently consume 40 percent of the world’s energy, smart control of HVAC systems has a major impact on global energy efficiency. In most regions of the world, regulations increasingly support rising energy efficiency standards for HVAC equipment and encourage energy-efficiency-driven building renovations. Belimo products are making a difference.

Safety in Buildings: Higher to the Sky/Deeper into the Ground

Urbanization means more buildings in less space with unusual designs, mixed use and increasing complexity. This poses new challenges in protecting lives and assets, making technical fire protection through motorized fire and smoke control dampers more important than ever.

Digitization: Welcoming the Age of Transparency

Digitization of the building automation industry offers new powerful toolsets to analyze and optimize HVAC systems. Be it in the form of data analytics, monitoring, predictive maintenance or digital support of the commissioning phase, the applications for smart performance devices are seemingly endless.

External Initiatives and Association Memberships



Belimo has been a member of the UN Global Compact since 2013 and is committed to environmental protection, responsible working practices, human rights and protection against corruption. The United Nations Global Compact is the largest international

initiative for responsible company management. As a trusted partner around the world, Belimo and its employees are committed to the HVAC industry and are actively involved in associations that sponsor research and formulate codes and standards. This involvement keeps us close to our customer needs and directs our investment in innovative, efficient, and energy-optimizing solutions. An extensive list of affiliated organizations can be found on our website:

www.belimo.com/en_US/about/belimo/affiliated-organizations

UN Sustainable Development Goals Index

Belimo directly contributes to the Sustainable Development Goals (SDG). By incorporating the UN Global Compact principles into strategies, policies, and procedures, Belimo not only upholds its basic responsibilities to people and the planet, but also sets the stage for the long-term success of our industry.



Good Health and Well-Being:

Belimo provides indoor air quality for the comfort of its occupants and enables critical applications (page 57).



Affordable and Clean Energy:

With smart HVAC controls, Belimo makes a contribution to double the global rate of improvement in energy efficiency (page 61).



Decent Work and Economic Growth:

With its sustained economic growth, Belimo continuously creates new, excellent workplaces (page 12).



Industry, Innovation and Infrastructure:

Belimo field devices drive energy efficiency of buildings and contribute to their resilience (page 62).



Sustainable Cities and Communities:

Belimo helps make cities more sustainable and safer (page 64).



Responsible Consumption and Production:

Belimo upholds sustainable procurement practices and environmental management standards (page 75).



Climate Action:

Through their application, Belimo products save energy and reduce CO₂ emissions (page 61).

Performance

Economic Performance

Profitable Growth with Impact

2019 was an excellent year for Belimo. Amidst a more uncertain overall macro-economic environment, the Company once again achieved outstanding sales performance and generated above-average growth.

In 2019, the Group posted above-average growth and expansion of market presence in all of its market regions. The success of Belimo has been supported by a solid non-residential construction market. The water business performed particularly well. Belimo logged a market-share expansion in water applications with water shares now trending at 44.3 percent (prior year: 43.1 percent) of total sales of CHF 692.7 million. Belimo once again increased its profitability in 2019 and achieved an operating income (EBIT) of CHF 123.9 million, equaling an EBIT margin of 17.9 percent. Net income rose with respect to the comparison period by 40.5 percent to CHF 121.1 million, with a positive, non-recurring effect stemming from the transitional provisions of the Swiss tax reform applied by Belimo in the amount of CHF 22.1 million. All market regions contributed to the favorable result, especially the Americas as the main growth driver.

Europe

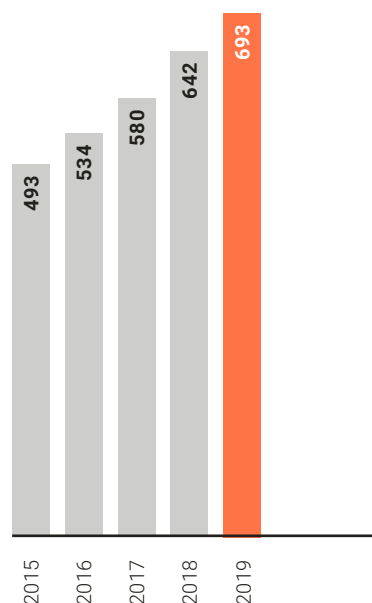
Belimo Group registered net sales of CHF 328.8 million in its largest market region, which corresponds to a growth of 3.6 percent, or 6.8 percent on a currency-adjusted basis in comparison with 2018, and that in a challenging overall macro-economic environment. Supported by an uninterrupted trend towards increasing regulatory requirements for building efficiency, the heating, ventilation and air conditioning (HVAC) market in Europe saw solid growth in 2019. Belimo was able

to increase its market shares mainly in the contracting business. This segment benefited from a solid refurbishment and retrofit market as well as from new legal regulations and legislation for energy efficiency. The Original Equipment Manufacturing (OEM) business also grew, but was nonetheless hampered by a weaker export market. Within Europe, the long-term trend of relocating OEM-production facilities from western to eastern countries could also be seen during the period under review.

With double-digit growth figures (currency-adjusted), 2019 has been an exceptionally successful year in France, Italy, Switzerland, Russia, Austria and the Netherlands. In France, Belimo benefited from a brisk construction activity, which primarily boosted contracting business. Solid growth was also recorded in Italy,

Net Sales

in CHF million



Management Approach

How We Achieve

Economic Performance

Ever since its foundation, Belimo views successful customers as the foundation of a strong and sustainable economic performance. Only by creating more value for the customer than its competitors (CESIM®), Belimo believes it is able to trigger a spiral of success where higher demand for its products leads to a higher number of shipped actuators, valves and sensors. In turn, this increases productivity and leads to higher profits. In this sense, Belimo views profit not as the objective, but as the result of making its customers successful.

How We Manage

Economic Performance

A key element in sustaining economic performance is the optimal utilization of available resources and balancing growth and profitability. Originating from its conviction that the greater the concentration, the stronger the force on the most effective point, Belimo attaches great importance to keeping a razor-sharp focus on its niche and maintaining market leadership. This not only safeguards against competitors but also allows Belimo to retain innovation and quality leadership. Further effects of its management approach include: Driving pure organic growth, outsourcing production and services to others with greater expertise or economies of scale, as well as commitment to solving customer problems no matter their cause.

How We Measure

Economic Performance

The three overarching financial figures tracked to evaluate the economic performance of Belimo are sustained growth, high profitability (EBIT margin) and the optimal use of capital.

Sustained growth encompasses the annual growth rate and cost ratios – balance between investments and results – of the four strategic initiatives (see pages 14 to 16). Division Heads manage their areas of responsibility based on the development of cost ratios – or in other words operating costs in percent of market or group sales. The optimal use of capital entails effective management of core processes and is reflected in an accurate net working capital level. The ratio of in-house value ad serves as a proxy to measure the optimal use of capital.

Further leading indicators for gauging the approach's effectiveness are market share and profitability in total and in comparison with (new) products and regions as well as R&D in total and in comparison to the largest competitors.

where it was supported not only by private investment but also by strong export activity. Meanwhile, the Swiss market benefited from a strong demand in commercial construction. The Roche Tower 2 in Basel (Switzerland) is a good example to illustrate this development. With a height of 205 meters, the office building will be the tallest in Switzerland and more than 2 000 Belimo 6-way valves will be installed. Completion is expected by 2022.

Net sales in Germany as the largest European market exceeded prior-year levels on a currency-adjusted basis, but were below prior year development. In April 2019, Belimo began ramping up its new service and logistics center in Großröhrsdorf near Dresden (Germany), which is scheduled to become fully operational in 2020. Initial orders were already being processed there by the end of 2019. With this new service center, Belimo is moving ever closer to its customers, adding capacity in the field of sensors and meeting individual customer needs. Water applications and sensors were the strongest sales drivers in the European market region, delivering clear above-market growth, while air applications performed slightly ahead of the market.

Americas

In the Americas market region, the Group increased its sales to CHF 272.8 million, representing a growth of 12.3 percent in Swiss francs, or 11.0 percent on a cur-

rency-adjusted basis, further establishing the position of Belimo as a market leader. Healthy economic growth in the US and Canada translated into positive market conditions for the region.

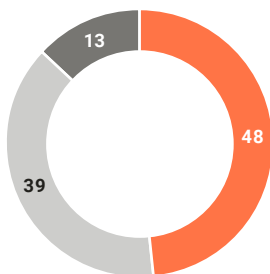
In the US and Canada in particular, 2019 has been a highly successful year for Belimo with excellent growth rates of 11.4 percent and 18.9 percent, respectively. All segments recorded significant growth in prior-year comparison, with the performance of products for water applications such as the Belimo Energy Valve™ markedly ahead of air applications. The growth in Canada was achieved by consistently implementing a highly project-centered sales process, which focused on satisfying the unique needs of all project decision influencers. These include end users, consulting engineers, controls contractors and OEMs. The Americas market region experienced sustained growth in all verticals. The data center vertical in particular grew at an outsized pace, enhancing sales results from both OEM and contracting business.

Asia Pacific

In the Asia Pacific market region, Belimo recorded CHF 91.1 million in sales, corresponding to a gratifying growth of 10.7 percent, or 12.7 percent on a currency-adjusted basis, in an increasingly difficult market environment. Growth momentum picked up in the second half of 2019, resulting in a higher all-year performance.

Net Sales by Region

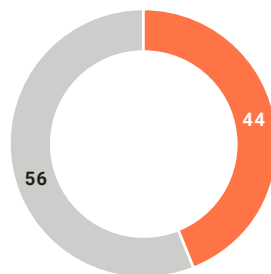
in %



- Europe: 48%
- Americas: 39%
- Asia Pacific: 13%

Net Sales by Application

in %



- Water: 44%
- Air: 56%

Belimo increased its market share in China, its largest market in the region, where a 16.3 percent sales growth was recorded, or 19.5 percent on a currency-adjusted basis, and this on top of a 23.7 percent growth year in 2018, demonstrating once again the sustained success of the cluster strategy being pursued, with its focus on selected metro areas.

High governmental spending in subway infrastructure as well as private enterprise investments in data centers were the underlying drivers of growth in the strong OEM business in the region. Notable large subway projects in 2019 included the Xian and Chengdu networks in China. For the other countries, noteworthy verticals included office buildings and hotel projects. In India, Belimo had particularly great success with the demand-based zone control solution, Belimo ZoneEase VAV™. Air applications were the main driver of growth in the Asia Pacific market region.

Financials

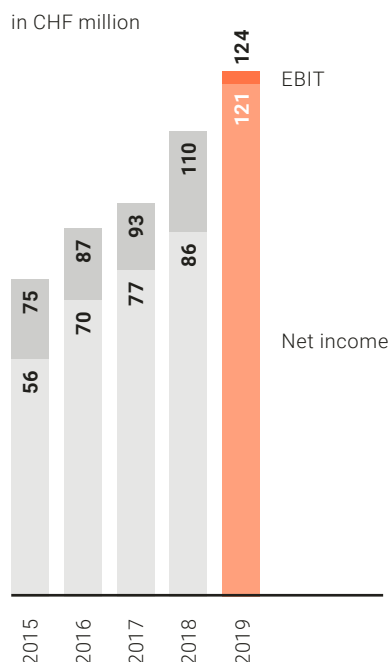
EBIT increased during the year under review by 12.8 percent to CHF 123.9 million, resulting in an EBIT margin of 17.9 percent. Profitability was improved, thanks to higher sales volumes as well as to efficiency gains in the production and distribution organization.

Operational Expenditures: Material expenses as percentage of net sales declined in 2019 by 1.1 percentage points to 40.3 percent. In line with its growth strategy, the number of employees (full-time equivalents, FTEs) rose by 148 during the period under review. The average number of FTEs in 2019 was at 1 712. Personnel expenses amounted to CHF 188.3 million, or 27.2 percent of net sales, while net sales per FTE were at CHF 405 000. Overall, Belimo spent CHF 50.7 million (7.3 percent of net sales) for research and development in the interests of advancing its innovative capacity for continuous advancement of its market leading position.

Depreciation and Amortization: Depreciation and amortization of property plant and equipment and intangible assets rose to CHF 30.4 million in the period under review, representing 4.4 percent of net sales. This figure was impacted mainly by the purchase of real estate and building in Großröhrsdorf (Germany) in 2019 as well as by the new accounting methods for leases, which went into effect during the year under review.

Net Income: Net income grew in the period under review by 40.5 percent to CHF 121.1 million, or 17.5 percent of net sales. Taking into account the higher profit for the year, earnings per share rose by 40.5 percent to CHF

EBIT / Net Income



197.00 (prior year CHF 140.22). The negative financial result of CHF 4.1 million was mainly attributable to foreign exchange losses of CHF 2.4 million in 2019. The transitional provisions of the Swiss tax reform applied by Belimo had a nonrecurring, positive effect on net income in the year under review of CHF 22.1 million.

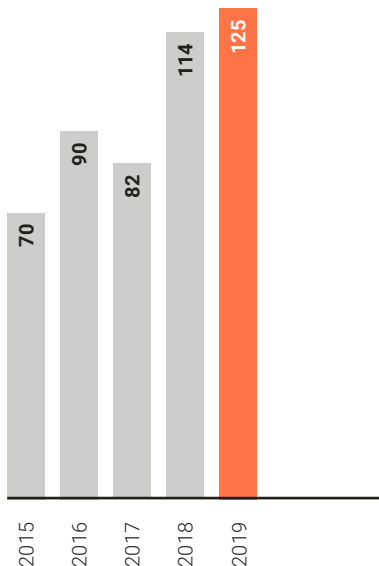
Balance Sheet: Belimo has once again maintained a healthy and sound balance sheet in 2019. In order to reduce its substantial cash reserves, the Company will increase dividend payments to CHF 150.00 per share. Total assets rose by CHF 70.5 million to CHF 602.0 million in 2019. In line with the Group's strong sales performance, its net working capital increased by CHF 9.8 million, totaling CHF 176.5 million. Year-end cash and cash equivalents amounted to CHF 172.6 million.

Return on Capital: The return on equity-ratio has increased to 25.6 percent and shareholder equity rose to 84.3 as percentage of total assets, while the return on invested capital remained unchanged at a level of 27.8 percent.

Cash flows: In 2019, Belimo generated a strong operating cash flow of CHF 125.4 million. The cash flow used in investing activities amounted to CHF 41.5 million, including the ramp-up of the new service and logistic center in Großröhrsdorf (Germany). The financing cash flow included the dividend payment of CHF 61.5 million in 2019 (CHF 100.00 per share), in addition to leasing

Cash Flow from Operating Activities

in CHF million



payments in accordance with IFRS 16. Additional impacts on the overall cash flow were the acceleration of the growth strategy in the Asia Pacific market region as well as the expenditures for research and development. Cash and cash equivalents increased by CHF 17.4 million to a total of CHF 172.6 million.

Business Outlook 2020

Belimo continues to be confident of its markets for 2020, but nonetheless expects a revenue growth slightly below the five-year average. Overall, the long-term outlook remains positive, as the main drivers of growth in form of megatrends remain unchanged. Increased uncertainty, however, has a dampening effect on the short-term and mid-term outlooks.

The US construction market remains to be strong, albeit late-cycled. Belimo anticipates stable market development in most European countries. The economy in certain European countries, however, remains challenging, e.g. in Germany and Great Britain. With the Energy Performance of Buildings Directive (EPBD) of the European Union coming into effect in 2020, an increased demand for building automation in European countries is anticipated in the years ahead. In Asia Pacific, the outbreak of the Coronavirus is likely to affect sales revenues, especially in China. A major strain on the global economy continues to be the U.S.-China trade conflict, with potential negative ramifications for overall economic conditions. In Europe, continuing Brexit-related uncertainties may have negative impacts on the regional economy. In addition, currency risks persist.

Despite a lower expected growth rate for 2020, Belimo continues to invest in its growth initiatives.



UN Sustainable Development Goals Approach

With its sustained economic growth story and the continuous creation of new decent workplaces Belimo, contributes to SDG 8 "Decent Work and Economic Growth". Other contributions are the empowerment of employees, the fostering of their skills as well as offering equal opportunity employment.

Key Figures

	2019	2018 restated ¹⁾	Change
in CHF million			
Net sales	692.7	642.4	7.8%
Operating income before interest, taxes, depreciation, amortization (EBITDA) in percent of net sales	154.2 22.3%	135.0 21.0%	14.2%
Operating income before interest and taxes (EBIT) in percent of net sales	123.9 17.9%	109.8 17.1%	12.8%
Net income in percent of net sales	121.1 17.5%	86.2 13.4%	40.5%
Cash effective investments in property, plant and equipment and intangible assets	40.7	20.5	98.4%
Cash flow from operating activities in percent of net sales	125.4 18.1%	113.9 17.7%	10.1%
Free cash flow in percent of net sales	83.9 12.1%	94.3 14.7%	-11.0%
in percent			
Return on equity (ROE)	25.6	20.3	
Return on invested capital (ROIC)	27.8	27.8	
in CHF			
Earnings per share	197.00	140.22	40.5%
Dividend per share	150.00	100.00	50.0%
Number of employees (FTEs) as at December 31			
	1 789	1 640	9.0%
Actuators shipped, in million items	7.2	6.7	6.2%
Total CO ₂ impact of Belimo devices (in tons of CO ₂ e)	- 7 558 620	-	-

¹⁾ Restatement of non-current employee benefits. For additional information see note 1.3 of the financial report 2019.

Value added and its distribution

Significant GRI disclosures for the creation and distribution of value in accordance with GRI Standards can be found in the financial report.

Direct economic value added

- Sales and operating profit: see Consolidated Financial Statement Belimo Group, Consolidated Income Statement
- Personnel expenses: see Notes to the Consolidated Financial Statements Belimo Group, Note 4 Personnel Expenses
- Income Taxes: see Notes to the Consolidated Financial Statements Belimo Group, Note 7 Income Taxes
- Payments to the providers of capital: see Consolidated Financial Statement Belimo Group, Consolidated Statements of Cash Flows

Economic value retained

Investments in and divestments of tangible and intangible assets: see Consolidated Financial Statement Belimo Group, Consolidated Statements of Cash Flows

Balanced Investment Portfolio

Growth Strategy and Innovation

In 2019, Belimo continued to pursue its growth strategy and has attained numerous milestones. As a whole, the Company still sees abundant growth potential in each of its four strategic initiatives.

Grow Existing Business with Actuators and Valves

In its first strategic initiative, growing existing business with damper actuators and control valves, Belimo has further established its market share and broadened its product portfolio. While both air (actuators) and water (valves) applications reported steady growth, the valve segment, in which Belimo has a lower market share in comparison with actuators, grew at a gratifyingly strong rate. This was made possible by focusing resolutely on the development of this segment.

A particular highlight in the water segment in 2019 was the rapid growth rate of new products such as the zero-leakage Belimo ZoneTight™ valve range. Belimo was able to establish these offerings further – especially in the OEM business. Meanwhile, the Belimo ZoneTight™ range was further extended in June 2019 by the launch of the world’s smallest compact 6-way valve. This extremely compact 6-way valve was developed for zone applications, where restricted space is often a key factor.

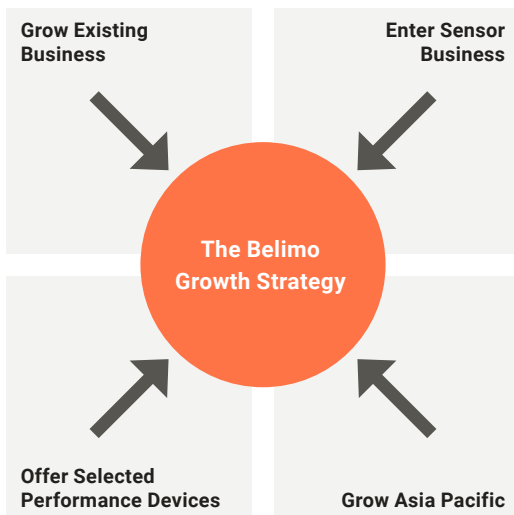
Furthermore, the promotion of pressure-independent control valves resulted in high acceptance and sales growth. Belimo is seeing a shift towards pressure-independent valve technology in both central plants and zones.

Additional innovations in the first strategic initiative have been the launch of the VRU Universal VAV controller for variable air volume control (VAV) in sensitive areas such as laboratories or hospitals, and a new generation of smoke control damper actuators (BEN/BEE) has been successfully brought to market.

Enter Sensor Business

The sensor business is the second strategic initiative of Belimo. These devices are a key technology for achieving a favorable room climate and optimizing the use of energy. They measure temperature, humidity, pressure, air quality, air flow or energy in rooms, air ducts and pipes.

Belimo launched pipe and duct sensors as its first product range in 2017. Since then, the Company has continued to expand its offering, while further experiencing strong sales growth in the segment. Belimo sensors are now well-accepted in the industry – thereby further strengthening the positioning of Belimo as a one-stop shop for all field devices.



Management Approach

Balancing Investments In Our Product Portfolio

To ensure long-term success, it is essential for Belimo to maintain a balanced investment portfolio. This involves keeping the right balance between investments in existing and new business areas. In its existing business, Belimo focuses on maintaining the broadest, most innovative product range, while in the new business, Belimo aims to create growth opportunities through unique and innovative solution offerings. Investments in product innovation, training and marketing must be balanced as well. This guarantees a pull for innovative offerings and that the Belimo sales force and its partners are well-trained and motivated to penetrate the market. Balanced investments also serve as a risk mitigation strategy: Credibility in new business areas accelerates the introduction of new offerings and shields off competition from existing offerings.

How We Manage Our Portfolio

Balancing investments between existing and new business is mainly the responsibility of the Markets & Innovation Committee (M&I), a formal team of senior Belimo executives from all three regions. The M&I carefully assesses and prioritizes the projects that are to be released for development. Balancing investments between innovation, marketing and training is part of the annual strategy process of the Executive Committee that is reviewed by the Board of Directors. The assignment of an executive business owner and a strategy coach to each of the four initiatives, an implementation strategy, as well as a progress review on a quarterly basis ensure that opera-

tions and existing business activities are given sufficient consideration from management.

Regular Strategic Controlling

To ensure balanced allocation between investments into the different areas of the company, it is necessary to track the following operative figures: planning (five years), budgeting (yearly) and controlling of innovation costs per strategic growth initiative ("strategy is where the money goes"). Other crucial factors include: planning, budgeting and controlling cost for innovation, marketing and training. The growth initiatives and the above key figures are discussed and adjusted in the annual strategy process by the Executive Committee and are confirmed by the Board of Directors. Once confirmed they become part of the "Belimo Strategy Map." Respective KPIs of each initiative are tracked and discussed on a quarterly basis by the Executive Committee and key management of the respective initiative.

Measuring and managing flows are the core business at Belimo. An ultrasonic flow meter has been introduced to round off its product portfolio. This device clearly differentiates the Company's offerings by measuring and automatically compensating for glycol and temperature changes in an HVAC system. The range of ultrasonic flow sensors was broadened during the period under review, with Belimo now offering eleven sizes, ranging from DN 15 to DN 150.

Furthermore, Belimo has literally "stepped into the room" during the period under review by adding a comprehensive offering of room sensors and room operating units. Belimo presented its first series of active and passive room sensors at ISH in Frankfurt (Germany), the world's leading industry exhibition, in March 2019. They generated strong interest and were subsequently released for sales in the fall. The room sensors feature not only the option of configuration via app but also a timeless thin design, to the delight of many architects.

Offer Selected Performance Devices

Belimo drives the trend towards making field devices smarter, allowing for substantial additional energy savings in comparison with conventional valves. The combination of sensor, actuator and valve technologies and embedded logic is key when it comes to making devices "smart". These "Performance Devices" had a substantial impact on the Company's high rate of growth in 2019.

One very successful representative of these products is the Belimo Energy Valve™, an award-winning innovation that continuously measures energy, controls power and manages Delta T to avoid the Delta T syndrome. In addition, it is IoT-ready (Internet of Things) for integration with the IoT solutions used in contemporary buildings. Read more on what the Delta T syndrome is and how it can be resolved with the Belimo Energy Valve™ in our case study featuring the Citizen's Plaza in Nashville (Tennessee, USA) on page 55.

Another representative of the Performance Devices product category is the Belimo ZoneEase™ VAV, which continues to be highly successful in the Asia Pacific market region. It is an innovative solution for room and zone ventilation in large building complexes, offering many advantages, first among them being its time-saving commissioning process via smartphone.

Grow Asia Pacific

The Asia Pacific region represents an important, fast-growing market, where Belimo is strengthening its presence and expanding its leading position.

Increased investments for developing sales and distribution capabilities as well as the launch of further products specifically developed for the region characterized the period under review. Belimo pushed ahead with its cluster strategy in selected Chinese metropolitan areas. It now runs sales offices in six cities, with imminent plans for opening four new ones.

The metropolitan areas in China continue to undergo rapid development – in terms of buildings as well as of infrastructure. Particularly to be noted with respect to infrastructure are the new subway stations that require demanding HVAC systems, including Belimo actuators, valves and sensors.

In India, the second largest market in the market region, Belimo plans to expand its operations in the near future. As part of this initiative, it is building a new facility that will house customization, sales and a customer experience center for training purposes. The customizing center in Kuala Lumpur (Malaysia), which opened in 2018, is now fully operational.

Employee Portrait: Mei Cheung

Providing Structure



Ever since joining Belimo 23 years ago, Mei Cheung has been in charge of laying the foundations of continuous growth in the Asia Pacific market region.

It was while Mei Cheung was working for a manufacturing company in the mid-nineties when she met her future boss Rolf Schweizer. He asked her whether she wanted to join Belimo. "I had two options at that time – either working in an auditing position or joining Belimo. I had to think this through thoroughly, and I opted for Belimo."

Why? "Because I was interested in building up the company – and Rolf made me a good offer," Cheung laughs. Twenty-three years have now passed since Cheung joined the company in Hong Kong.

Pioneering Times

It was at times back then; and the scale was very different compared to today: Belimo Hong Kong employed two persons and had only

eight Million Hong Kong Dollars in yearly sales. Cheung started working in a small office. While looking for a warehouse she and her co-worker started managing the importing and exporting of actuators. "Sales were not something that I wanted to do nor could do with my educational background in accounting, so firstly we hired a salesperson." Once beginning her new role, which also included responsibilities for China as well as South East Asia, Cheung quickly saw the direction of growth and the next step.

New Boss, New Growth

As Matthias Haas succeeded Rolf Schweizer in 2000, Belimo moved to a new building in the Shatin area. "Since rental space is costly in Hong Kong, finding a decent-sized

place where the company could rent for a long time was crucial," Cheung says.

The next tasks on her strategy map were to set up a company in China, India as well as other branches under Belimo Hong Kong, such as Japan in 2008. During that time, sales growth proved to be steady. However, a bustling economy also brought challenges with it: employee turnover in China was high, and people left the company after a short time. "Double-digit growth in China made it easy for people to change jobs," Cheung remembers.

To stabilize staff turnover, the management team of Belimo Hong Kong introduced incentives, such as rewarding staff with five-year anniversary gifts and extra benefits. The sales figures were sometimes not in line with the national growth rate, and the premises created a challenge. Cheung recalls: "Our office facilities were not like the ones we have today, which made it even harder to keep good people". With no back office and a constant lack of qualified people to support her, the business was even more challenging. Another difficulty was offering Chinese customers good payment terms, therefore, causing complications when doing transactions.

Established Brand

Things improved when they changed their setup in Belimo China from a representative office to a limited company. Cheung and her team hired salespersons in Shanghai, where the representative office was first located, then moved it into a commercial building until finally arriving at the current location in an industrial building with almost 5 000 square meters. All this helped to lower turnover while at the same time, the brand be-

came established in China and sales went up.

In the background, Cheung continuously provided the necessary budget to contribute to this steady growth. To do so, she recalls having many discussions with the CFO/CEO. "They gave us a benchmark on how much we could spend. However, I must say, I've been very pleased to get continuous support from our headquarters in terms of budget – as long as sales were keeping up."

Investments paid off

Succeeding Gary Economides' start at Belimo in 2012 there has been continuous sales growth. Finally, the hard years of foundation work paid off. "We couldn't see the results at the time when we invested in the countries – hiring the people, getting familiar with the markets, understanding them, etc.," Cheung says, "so, it was a great relief when it finally paid off."

Although the property market is exceptionally costly, Hong Kong still offers many advantages for a headquarters of the Asia Pacific region, such as a free trade port, no duties, fast import and export service as well as logistic arrangements. The subsidiary in Kuala Lumpur (Malaysia) opened in 2018 meanwhile improved customer service and logistics to Malaysia, Singapore, Indonesia and Thailand.

What furthermore speaks for Hong Kong, Mei Cheung says half-jokingly, is that Swiss visitors do not need a visa, and vice versa, which makes it easy to travel. As her main contribution to the Strategic Growth Initiative "Grow Asia-Pacific", Cheung sees three points: providing the structure to Belimo, understanding of the market as well as ensuring a set-up according to the local growth strategy.

Short-Portrait

Position at Belimo Hong Kong.

As Head of Financial Services Asia Pacific, Mei Cheung is responsible for accounting, operations and logistics between Hinwil and Asia Pacific regions.

Daily Routine.

Mei keeps the department heads posted of any budget overruns, reviews sales figures and contribution margins. Moreover, she manages compliance tasks, such as distributor agreements. Further, Mei coordinates many other tasks across Asia Pacific to improve team cohesiveness.

Being the oldest member of staff by age of service, Mei is always happy to give advice to younger peers.

Daily commute.

25 – 40 minutes one way.

What makes working at BELIMO special?

Its trust culture.

Hobbies

Walking her dog as well as cycling with husband and son.

Family

Married, a 14-year-old daughter and a 10-year-old son.

Remuneration Report

Principles of Remuneration

The remuneration report describes the principles of the remuneration system of Belimo and includes information about the remuneration of the Board of Directors and the Group Executive Committee.

The content and extent of the remuneration report are in compliance with the Ordinance Against Excessive Compensation in Listed Companies, the articles of incorporation of BELIMO Holding AG, the Directive Corporate Governance of the Swiss stock exchange SIX Swiss Exchange and the principles of the Swiss Code of Best Practice of *economiesuisse*.

Remuneration Committee

Articles of Incorporation – Articles 15 and 24

The Remuneration Committee comprises at least two non-executive, independent Members of the Board of Directors. A Member is considered independent if he or she has never, or at least not for the past three years, been a Member of the Group Executive Committee and has no, or only minimal, business relationship with the Company.

The Members of the Remuneration Committee are elected individually by the Annual General Meeting for a term of office of one year until the next ordinary Annual General Meeting.

The following Members have been elected for the 2019/2020 period of office: Prof. Adrian Altenburger (Lead) and Sandra Emme.

The Remuneration Committee is entrusted with the following duties, subject to the power of the Annual General Meeting:

- Submitting proposals to the Board of Directors for the definition of principles, performance targets and assessment criteria for fixed and variable remuneration within the framework of the statutory provisions and those of the articles of incorporation
- Submitting proposals to the Board of Directors for the determination of the overall amounts of the fixed remuneration of the Members of the Board of Directors and the fixed and variable remuneration of the Members of the Group Executive Committee to be placed to the Annual General Meeting for approval
- Monitoring of compliance with the principles for remuneration pursuant to the law, the articles of incorporation, regulations and decisions of the Annual General Meeting
- Submitting the remuneration report for the attention of the Board of Directors and the Annual General Meeting

The Remuneration Committee held two meetings in 2019.

Remuneration System

Principles

Articles of Incorporation – Articles 15, 25^{quater}, 25^{quinquies} and 25^{sexties}

Belimo offers market-oriented and performance-related remuneration to recruit and retain senior management members with the required capabilities and personal characteristics. The remuneration system is designed in the way that their interests are in line with those of the Company. The basic elements of the remuneration are designed in a simple and comprehensible manner.

The Annual General Meeting approves with binding effect the maximum overall remuneration for the cur-

rent financial year for the Board of Directors and the Group Executive Committee. If the Annual General Meeting withholds its approval, the Board of Directors may submit new proposals for approval at the same Annual General Meeting. If the Board of Directors makes no new proposals or if the Annual General Meeting declines the new proposals, the Board of Directors must convene a new general meeting within three months.

The remuneration report of the Board of Directors is approved by the subsequent Annual General Meeting by consultative vote.

The following agenda items are being voted at the Annual General Meeting 2020:

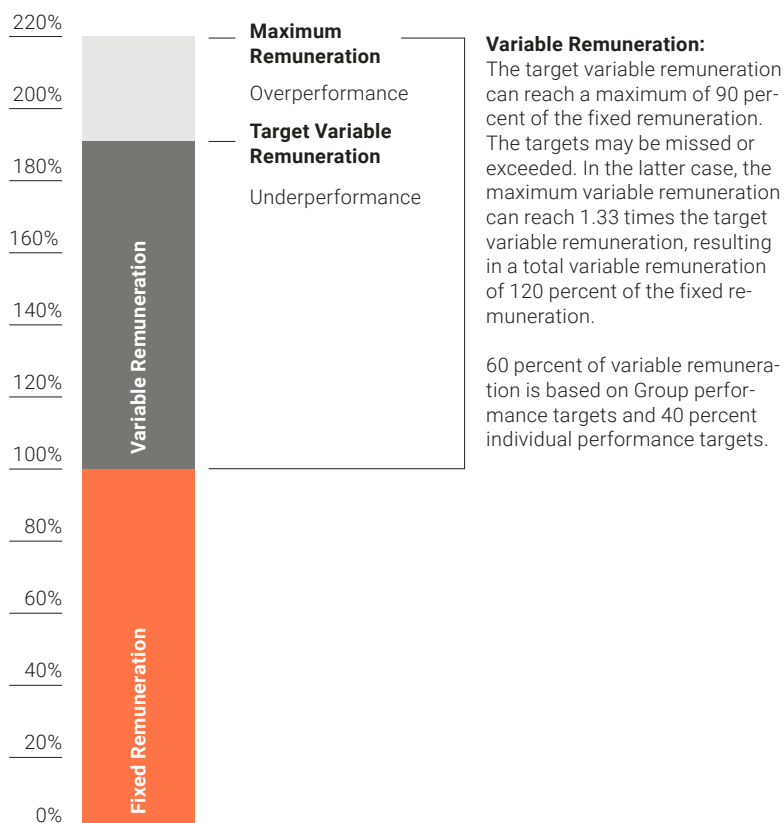
- Consultative vote on the remuneration report 2019
- Approval of the fixed remuneration of the Board of Directors for the financial year 2020
- Approval of the fixed and variable remuneration of the Group Executive Committee for the financial year 2020

Temporary and permanent employment contracts may be concluded with the Members of the Board of Directors and the Group Executive Committee. The maximum duration of the temporary contracts is one year. Renewal is permitted.

In principle, prohibitions against competition may be agreed for the period after termination of a contract. As compensation for such a prohibition against competition, remuneration may be paid for a maximum period of two years. This amount may not exceed the last fixed annual remuneration.

There are no agreements with special conditions for the Members of the Board of Directors or the Group Executive Committee, such as special severance payments or special clauses in case of change of control over the Company. Employment contracts with Members of the Group Executive Committee have a notice period of a maximum of twelve months.

Principles of Remuneration for the CEO



Board of Directors

Articles of Incorporation – Article 25^{quinquies}

The Members of the Board of Directors receive a fixed basic remuneration, which is paid out, and an expense allowance for their activities. Supplements may be paid for membership of committees or for the performance of special tasks.

Group Executive Committee – Basic Principles

Articles of Incorporation – Article 25^{sexties}

The Members of the Group Executive Committee receive a fixed basic remuneration for their activities, as well as a performance and success-related remuneration, which are paid out. The success-related remuneration for the CEO may in maximum amount to 120 percent and for the other Members of the Group Executive Committee to 100 percent of the equivalent fixed annual remuneration, according to the articles of incorporation (see graph on page 21).

Group Executive Committee – Implementation

Payment of up to 60 percent of the variable remuneration is dependent on the achievement of the financial targets operating income (EBIT) and sales growth, with the rest being dependent on the achievement of personal performance targets. All targets are in line with the long-term interest of the Company.

The amount of the target bonus, which is paid when all set targets have been reached, is between 70 and 90 percent of the fixed remuneration for the CEO and between 40 and 70 percent for the other Members of the Group Executive Committee. If the targets set are partially reached, the bonus is lower, as set out in the target agreement; if the targets are exceeded, the bonus can be increased up to a maximum of 1.33 times the target bonus.

For new Members of the Group Executive Committee appointed after the Annual General Meeting, the maximum amount shall be increased pro rata temporis to a maximum of one and a half times the proportion for a comparable function contained in the maximum amount approved.

Remunerations

Board of Directors

The amount of remuneration for the Board of Directors (non-executive Members) was as described on page 23. The total remuneration is within the amount approved by the Annual General Meeting on April 1, 2019.

No additional remuneration was made available for activities carried out in a board committee.

No remuneration other than that disclosed here was assigned.

Group Executive Committee

The amount of remuneration for the Group Executive Committee was as described on page 23. The total remuneration is within the amount approved by the Annual General Meeting on April 1, 2019. The remuneration is based on the accrual principle of accounting.

The highest remuneration paid to a Member of the Group Executive Committee was to Lars van der Haegen, CEO.

No remuneration other than that disclosed here was assigned. Remuneration of CHF 256 000 was paid to one former Member of the Group Executive Committee.

Related Parties

During the year under review, no further remuneration was assigned to related parties of present or of past Members of the Board of Directors or the Group Executive Committee.

Credits and Loans

Articles of Incorporation – Article 25^{bis}

Credits and loans to Members of the Board of Directors and the Group Executive Committee may only be granted in justified exceptional cases and only at market conditions. The total amount of such credits and loans shall not exceed CHF 200 000 per member.

In 2019, no credits or loans were granted to present or former members of the senior management or related parties, and there were none outstanding as of December 31, 2019.

Board of Directors

	Fixed remuneration			Expense allowance
	Basic remuneration	Social security contributions	Total	
in CHF 1 000				
2019				
Patrick Burkhalter, Chairman ¹⁾	211	15	226	6
Dr. Martin Zwysig, Deputy Chairman	124	9	133	6
Prof. Adrian Altenburger, Member	124	9	133	6
Sandra Emme, Member	124	9	133	6
Martin Hess, Member ¹⁾	4	0	4	0
Urban Linsi, Member ¹⁾	83	6	89	4
Prof. em. Dr. Hans Peter Wehrli, former Chairman ¹⁾	85	5	90	2
Total	755	53	808	30
Approved remuneration by the Annual General Meeting 2019			900	
2018				
Prof. em. Dr. Hans Peter Wehrli, Chairman	254	15	269	6
Dr. Martin Zwysig, Deputy Chairman	124	9	133	6
Prof. Adrian Altenburger, Member	124	9	133	6
Patrick Burkhalter, Member	124	9	133	6
Sandra Emme, Member ²⁾	83	6	89	4
Martin Hess, Member	124	7	131	6
Total	833	55	888	34

¹⁾ At the Annual General Meeting on April 1, 2019, both the former Chairman of the Board of Directors, Prof. em. Dr. Hans Peter Wehrli, as well as the former Member of the Board of Directors, Martin Hess, retired. Furthermore, Patrick Burkhalter was appointed as Chairman and Urban Linsi was newly elected to the Board of Directors.

²⁾ Sandra Emme was elected to the Board of Directors at the Annual General Meeting on April 9, 2018.

Group Executive Committee

	Fixed remuneration				Variable remuneration			Total remuneration	Expense allowance
	Basic remuneration	Pension contributions ¹⁾	Other remuneration	Total	Bonus	Pension contributions ¹⁾	Total		
in CHF 1 000									
2019									
Lars van der Haegen (CEO)	490	111	7	608	446	87	533	1 141	18
Other members of the Group Executive Committee	1 683	334	109	2 126	1 237	205	1 442	3 568	69
Total²⁾	2 173	445	116	2 734	1 683	292	1 975	4 709	87
Approved remuneration by the Annual General Meeting 2019				3 000			2 400	5 400	
2018									
Lars van der Haegen (CEO)	390	89	7	486	392	78	470	956	18
Other members of the Group Executive Committee	1 539	296	176	2 011	1 057	176	1 233	3 244	60
Total³⁾	1 929	385	183	2 497	1 449	254	1 703	4 200	78

¹⁾ Social security and pension plan contributions.

²⁾ The Board of Directors appointed Louis Scheidegger as an additional Member of the Group Executive Committee as of March 1, 2019.

³⁾ As of September 1, 2018, for the purpose of handing over CFO position this includes seven members of the Group Executive Committee.

Report of the Statutory Auditor

To the General Meeting of BELIMO Holding AG, Hinwil

We have audited the accompanying remuneration report of BELIMO Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections “Remunerations” on pages 22 to 23 of the Annual Report.

Responsibility of the Board of Directors

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 for the year ended 31 December 2019 of BELIMO Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG



Reto Benz
Licensed Audit Expert
Auditor in Charge



Reto Kaufmann
Licensed Audit Expert

Zurich, 6 March 2020

KPMG AG, Raffelstrasse 28, PO Box, CH-8045 Zurich

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Credibility Culture

Company Values and Culture

Creating and Living a Unique Culture

An excellent company culture is essential for loyal customers and a sustainable competitive advantage.

Customer loyalty generally starts with an organization's well-defined purpose and a substantial investment. For Belimo, the purpose of the Company is CESIM® (see page 5), while creating impact through the development, production and marketing of actuators, valves, and sensors for HVAC systems. Utterly important for maintaining a competitive advantage in its field is the Company's internal service quality, which unites seamless processes with training and a "quality first" attitude (see page 78). Belimo believes that this forms the foundation, on which employee loyalty can thrive. If processes did not function properly, disagreements would be inevitable and in turn hamper the development of a loyal work force. A healthy cultural environment, in contrast, allows better results in recruiting to be achieved – a crucial advantage especially in emerging markets and raises employee tenure. An overall longer professional experience and in consequence greater efficiency leads to overall better employee performance. The better the professional experience of its employees, the better the external service quality a company is able to offer. This includes excellent outside/inside sales and technical support, fast and reliable logistics and efficient handling of quality issues. The resulting outstanding customer service leads to greater customer satisfaction, positioning the brand in front of its competitors. The goal of Belimo, however, is not only to have satisfied customers. Its goal is to offer superior customer value by exceeding their expectations. By doing so on a regular basis, true customer loyalty is created. And as loyal customers are willing to pay a premium for their flawless experience, this leads to higher revenues from demand (customers) as well as efficiency through operational excellence from supply (costs), consequently resulting in above-average profitability.

Key Platform: New Employee Trainings

The principles for interacting with internal and external stakeholders are set forth in our vision, mission statement, values/code of conduct as well as our purpose (CESIM®, see page 5). They are, in this order and according to the Belimo management model, crucial to follow and practice. In case of misconduct, a strict policy for corrective actions has been implemented. Moreover, Belimo believes that an excellent company culture mitigates risks, since possible misconduct or risks will be more quickly identified. These values also mean that employees contact the appropriate person in the event of perceived violations of applicable laws or ethical standards. Leadership trainings (see interview on page 27), continuous communication of our vision, mission and values are key measures to convey company values and culture. New employees learn about the values and quality standards during their introduction to the Company (new employee training). Because 86 percent of product manufacturing costs at Belimo are incurred in a network of suppliers and partners, the cultural aspects do not end at the organization's borders. It is within the interest of Belimo to also promote an outstanding company culture with its suppliers (see page 68).

Putting Values Into Practice

We evaluate the success of our company values and culture through employee surveys and feedback from new employees. The results of the survey process are evaluated by a team and an improvement plan – where required – is defined that is monitored by Human Resources (HR). Each employee's long-term ability to internalize and put those values into practice is assessed within the scope of the annual employee performance appraisal interview. Moreover, average employee tenure is measured and benchmarked against the industry standards. The high average length of nine years at its Hinwil headquarters underlines the extent of employee loyalty and identification with the Company values.

Information on Employees as at December 31, 2019

		Danbury (Connecticut, USA)	Hinwil (Switzerland)	All Other Belimo Subsidiaries	Belimo Group	In % of Belimo Group
Total employees						
Headcount		428	849	589	1 866	
Full time equivalents (FTEs)		425	786	578	1 789	
Employees by employment contract (in FTEs)						
Permanent/indefinite	Female	180	282	162	624	35
	Male	245	461	412	1 118	62
Temporary/fixed	Female	0	26	3	29	2
	Male	0	17	1	18	1
Employees by employment type (in FTEs)						
Full-time	Female	178	196	145	519	29
	Male	243	411	407	1 061	59
Part-time	Female	1	112	20	133	8
	Male	3	67	6	76	4
Employees covered by collective bargaining agreements (GRI 102-41)						
As percentage of the total workforce		0 ¹⁾	0 ¹⁾	20 ²⁾	6	

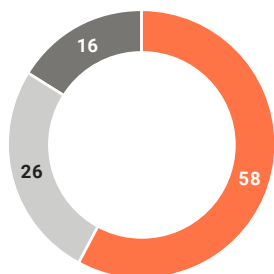
¹⁾ In Switzerland and the USA the employees are not covered by a collective bargaining agreement.

²⁾ Average of all other Belimo Subsidiaries in percent on a headcount-basis.

Employees by Region

FTEs, as at December 31, 2019

in %

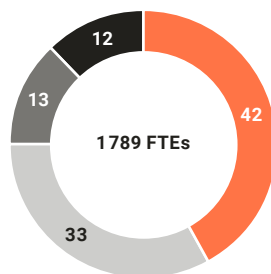


- Europe: 58%
- Americas: 26%
- Asia Pacific: 16%

Employees by Function

FTEs, as at December 31, 2019

in %

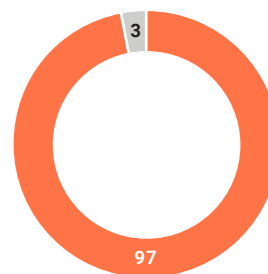


- Assembly, logistics: 42%
- Sale, marketing and distribution: 33%
- Research, development: 13%
- Administration, management: 12%

Employees by Employment Contract

FTEs, as at December 31, 2019

in %



- Permanent: 97%
- Temporary: 3%

Interview: Leadership Excellence



“Clean-Tech and True Humanity”

Rudolf Potocnik facilitates leadership-training courses at Belimo. He talks about the program “Together to the Top with Leadership Excellence” and shares his insights into the corporate culture at Belimo.

You have been giving seminars on the subject of change management for almost ten years. What brought you to Belimo?

About eight years ago, Belimo asked if I would conduct in-house seminars on change management. Following a pilot event with the extended group executive committee, change management was included in the Belimo training program for all managers and has been held two to three times a year ever since.

How did the new program “Together to the Top with Leadership Excellence” take shape?

Three years ago, HR started planning an international leadership seminar combining the topic of transformational leadership with training units to strengthen the corporate culture of Belimo together with the Company values and Code of Conduct.

The program should be rolled out internationally and geared to all management levels. This is why the Group Executive Committee has also contributed to the development of the program and has integrated two important topics. Namely “The 7 Habits of Highly Effective People” by S. Covey and the concept of “The Five Dysfunctions of a Team” by L. B. Lencioni.

Another important aspect was to use this series of seminars as a platform for the group executives to engage in a half-day management conversation with the participants. At each training event, the CEO and one member of the Group Executive Committee present and discuss the Belimo growth strategy as well as function and organization of the formal network organization at Belimo.



Dr. Rudolf Potocnik (second from right) is an organizational psychologist and managing partner at Potocnik-Neulinger-Partners, based in Salzburg (Austria). He is an expert in leadership excellence, transformational leadership and change management. As a consultant and coach, he accompanies executives and management teams in change processes.

What role do leadership theories play in relation to leadership practice?

The seminars – or rather the workshops – follow the training principles of experiential learning. The methodical approach to each topic is the participants' previous personal experiences. Thus, the leadership practice at Belimo is the permanent anchor for the participants' learning.

Do inputs about leadership psychology and research findings serve as theoretical platforms?

Altogether, this has to be in line with the rather flat hierarchy at Belimo as well as with the functional and non-functional – and often multiple – leadership roles of the participants. E.g., lateral leadership in the formal network organization or in project management.

Modern, participative management concepts such as Transformational Leadership, Servant Leadership, Leadership 4.0, etc., are discussed. In regard to corporate culture, a global company also needs to consider what the preferred long-term best fit of leadership approaches is for the demands of the future organizational strategy, including national and cultural contexts.

What are other main aspects for Belimo?

Belimo is a highly successful, growing company in a dynamic, global environment. It is important for the entire workforce to grow personally and professionally at the speed of growth of the Company. Managers must remain learners; even if they are already advanced on their own growth and development curve. Only with this mind and skill set, they will be perceived as authentic role models, lead their employees into a successful future for everyone, and develop the Company together in such a way that Belimo remains Belimo in terms of its high aspirations and values. To achieve this, Transformational Leadership provides the overall guidelines.

How is the implementation in everyday leadership routines prepared and supported?

This is a very important goal. To reach this goal, the seminar is highly interactive and focuses strongly on the day-to-day practice of the participants. Right from the beginning, everyone is oriented towards its individual learning goals and leadership practice, which keeps the motivation and commitment for implementation high.

In peer-to-peer coaching partnerships, participants support one another in formulating their implementation goals and their individual back home program. These coaching partnerships are continued for three months after the seminar. Colleagues commit to support one other in the process of shaping new leadership habits back in their area of responsibility. Regularly held "After Action Reviews" facilitate the implementation process, help to stay on track, and to make course corrections if necessary.

After all these trainings, you must certainly have a picture how Belimo ticks.

Belimo has and is a unique culture. Based on its history, Belimo lives by values that are similar to those of a grown up start-up company. What comes in mind when I think of Belimo is an exceptionally high level of customer orientation, direct and fast communication and open interactions in a rather flat hierarchy. In sum, a pronounced culture of unforced humbleness together with a high sense of collegiality and partnership – just to mention a few cultural qualities.

In other words, stakeholders experience Belimo as an innovative,

highly reliable high-tech company with an authentic people touch. Especially in Hinwil, its culture seems to be grounded in strong local roots and comes across in a friendly encounter of Swissness of engaged and competent professionals.

Other companies may envy Belimo for its culture with their efforts to stay or to become “agile”...

True, Belimo serves as a benchmark for a company easy to deal with and fun to work for! Employees who have been with the company for long sometime worry that these values and culture might get lost due to the bigger size and accelerated growth of the company. Unfortunately, culture does not directly show up as an asset in the balance sheet.

And do managers help to support this culture?

Yes, absolutely! And this holds true for the younger managers as well who have not been with the company for so long. They all share the “Belimo-Spirit”. This became particularly evident in the personal commitments, shown during the discussion of Belimo culture and values. Experienced and less experienced leaders openly show and stand up for their individual contribution to enhance and reinforce the values and Code of Conduct of Belimo. Belimo people are proud of their culture and values. But they are also becoming aware that, as Belimo managers, they bear great responsibility for maintaining and enhancing the successful Belimo-way.

This goes beyond the individual area of responsibility and extends to the broader area of personal influence as far as to include business partners along the whole customer journey.

However, this heightened cultural sensitivity can lead to frustration and disappointment if someone experiences that not everyone is equally concerned. But to speak up and to be influential is part of the commitments given by the participant from all over the world to the Company.

The shadow of this culture could be an increased need for harmony, with the possible tendency of conflict avoidance when dealing with controversial issues. Understanding these dynamics, including dysfunctions in teams, help to overcome these tendencies, which of course is an important part of the leadership role.

How far up does this extend in the hierarchy?

As any other company, Belimo has a variety of different leadership personalities with varying histories and lengths of service. This contributes to a lively and open conversation amongst passionate managers, and certainly stands out as a strength in a company that is both innovative and growth-oriented, and a powerful player in a global competitive environment.

Dealing constructively with this diversity in style and opinion can be challenging at times. Upper level leaders are role models of how to go about this sort of issues, without getting involved in power struggles and stay true to the Belimo way.

Where do you perceive divergences from other corporate cultures?

What stands out in other companies – especially with less attention on cultural qualities – especially in ones of bigger size – is a strong reliance on regulations and formalities vs. trust in values and people.

This leads to a more control-oriented management style where people are regarded simply as means to an end. You might call these cultures over-managed and under-led with a loss of nimbleness and customer orientation in the long run.

Eventually, cultural dysfunctions can become severe management issues and finally slowing processes and deteriorating business results.

But the Belimo culture forms part of its success, which is why it should remain so at the core ...

Precisely! It explains why Belimo enjoys such a high level of customer loyalty. And as an employer, Belimo is known for its highly regarded employer brand value leading to its enviable high retention rate.

In sum, this is why the intense discussion of team and corporate culture plays a prominent role in this seminar: For strengthening the highly successful and admired Belimo way. By leaders heading for the top for Belimo and themselves in the future of the Company.



“Short decision-making lines, empowerment as far down the line as possible, closeness

to the customer and a high degree of identification of our employees with the company are the basis for creativity and innovation and, consequently, the reason why Belimo is always one step ahead with its market development.”

Heinz Hütte, Co-Founder of Belimo and former Chairman of the Board of Directors (Annual Report 1996)

Employee Empowerment and Engagement

Empowering Our Employees

Employee engagement is critical for the success of Belimo. Employees are empowered through a high level of autonomy and responsibility in the decision-making process for their specific organizational tasks.

In times of growth, Belimo is challenged to retain its successful company culture and empower its employees. Belimo believes that satisfied employees directly lead to highly engaged customers. An empowered and engaged workforce is therefore essential to succeed in the market by maintaining a high level of customer support and innovation leadership. Belimo regards the continuous engagement of its employees not only as a competitive advantage but also as beneficial to all other stakeholders.

Training and Role Models

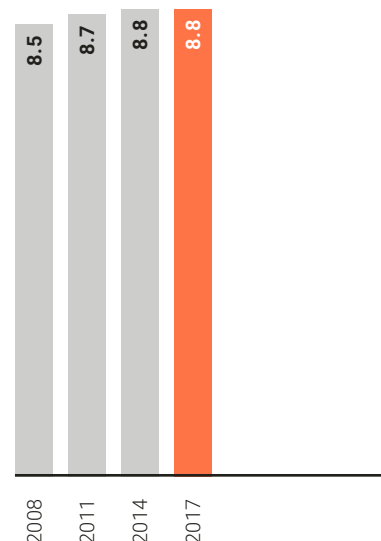
For Belimo, employee empowerment and engagement begin with transparent communication and a culture of trust. Creating a trusting work environment where employees can thrive and unlock their full potential is a main aspiration of Belimo. Direct and open communication about mistakes is therefore essential. To ensure that employees remain empowered and engaged, Belimo regularly holds management trainings on its corporate mission and values. It is the key responsibility of managers across all levels to act as role models within the company and represent the values of Belimo accordingly. Belimo also regularly supports social and team building events.

Excellent Employee Engagement

In order to assess employee engagement, Belimo conducts a group-wide employee survey every three years. The 2017 employee survey met with a response rate of 92 percent and an engagement score of 8.8 (see chart below). On a scale from 1 (lowest rating) to 10 (highest rating), this value describes the extent to which the topics of identification, motivation and commitment are present among employees. Within the context of the survey, Belimo employees are asked questions anonymously on central workplace subjects such as job content, structures and procedures, collaboration, the Executive Committee, dealing with changes, management by superiors, employee promotion and remuneration. Detailed results are analyzed by the individual teams around the world and used to implement corre-

Employee Engagement

Scale from 1 (lowest rating) to 10 (highest rating)



sponding measures. In order to continuously improve engagement, Belimo aims to implement the feedback gained from the employee surveys. Belimo also monitors employee turnover to assess its success in Human Resources Management. Among other topics, managers are trained to foster participation as well as a trial-and-error culture and align their decision-making process with the mission and values of Belimo.

Health and Safety at the Workplace

Ergonomic workstations, relief exercises, workplace exchanges organized by teams to prevent monotony in work routines and regular training courses ensure a pleasant and organized work environment. This enables employees to deliver extraordinary performance.

Continuous investments are made in occupational safety and ergonomics, which are reviewed on-site with the involvement of external consultants. The program to promote occupational health includes targeted relaxation and strengthening exercises, training in workplace ergonomics as well as other topic-specific activities and lectures.

The first-aid teams in Hinwil and Danbury are regularly trained on how to handle various medical emergencies. The safety concept is regularly reviewed with evacuation exercises without notice.

The restaurants BELGUSTO in Hinwil and Belimo Bistro in Danbury offer employees the opportunity to eat healthy and at affordable prices while meeting colleagues from other departments, supporting cross-collaboration.

Story: Credibility Culture

Top – with
no need for a
“Ms. Top”



The team optimization process or Top process emphasizes the ambition of Belimo to empower employees so that they can contribute to the Company's success. The Top process offers representatives of all levels of the hierarchy a platform for submitting, evaluating and implementing suggestions for improvement.

In 2011, Belimo adopted the lean approach, in which all group leaders in production underwent lean management training. This soon gave rise to the question: How should the group leaders pass on their knowledge to the production employees?

"One approach was to pass on the success factors of 'one piece flow' to them via gaming and joint exercises," recalls Peter Kälin, Production Manager. For example, cardboard workstations were created to simulate processes. "That was actually the starting signal for Top," Kälin says. The name of the program actually stems from our slogan "Together to the Top". In the meantime, Top has developed into a continual improvement process at Belimo, which regulates how problems that have been identified are dealt with in production. Personnel issue between employees are explicitly removed from the process – instead, the emphasis is on preventing all different types of waste, machine time, ensuring safety and maintaining order and cleanliness.

Basic Democratic Process

To describe the actual status of the problem and the solution approach, problem finders fill out the "Top cards," which hang on a "Top wall" in each team island, and place them in the "New Suggestions" compartment. Two to three times per month, as part of a "Top meeting," the team then discusses the cards and clears up any ambiguities on site.

In addition to empty Top cards and an "Inbox," on the Top wall there are also fields for cards that are currently being processed, cards with topics that have already been implemented, as well as the rules of the game and a process visualization. "When introducing Top the most important thing was not preventing simple suggestions," Kälin says. "Otherwise we would have run the risk that people would stop making suggestions very quickly."

In a basic democratic decision, without any interference from supervisors, it is finally decided whether the suggestion will be implemented or not. If yes, the team members jointly define the procedure for solving the problem and decide on a person who will be responsible for implementing the suggestion, as well as an implementation deadline. Kälin: "For 'simple' suggestions, so-called small orders, the responsible person should be located as deep in the hierarchy as possible." For more profound suggestions, a work order to maintenance is triggered via Top card. If the suggestion goes even further, if necessary suppliers must also be involved – and a so-called "Ae" process is initiated. All of these considerations are noted on the card. Kälin: "It is important that, even if the decision is negative, the reason for the rejection is noted on the card."

Over 500 Suggestions

The advances of the individual measures are each monitored at every Top meeting – which means that the cards "in process" are gone through jointly. The goal is to complete improvements that have been discussed within two weeks. Four weeks after implementation the result is assessed, with a "re-check" of the solution's effectiveness. Finally, once per quarter, the three best suggestions from all lines are presented by the department managers in front of all groups and division managers in a "Top 3 meeting." "For the sake of joint learning, in this context failures and reasons for rejection are also presented," Kälin says.

In 2019, this method resulted in 516 suggestions being implemented from 290 employees. Kälin: "There is no Ms. Top – the process is lived by everyone."

An employee passes along a "Top card". Each card carries the actual status of the problem and the solution approach. Several times per month, the team then discusses the cards as part of a "Top meeting."



Skill Development and Knowledge Management

Fostering Skills in the Organization

Since knowledgeable employees are critical to ensure operational excellence and solution leadership, Belimo supports its employees in developing their specialist knowledge.

Acquiring the necessary knowledge ensures that employees are fully proficient in their tasks, responsibilities and corporate culture. In short: Belimo sees properly trained employees as essential to providing value to customers. Moreover, effectively managing skills development and knowledge also supports employer branding: It assists talent attraction and employee retention through facilitating their continued engagement. Likewise, it also helps employees maintain or increase their employability by preparing them for future changes in technology and expertise.

Learning Management

The deliberate management of skill development ensures employees receive the necessary training to succeed in their roles. To embrace all training functions for customers and employees, Belimo has established a global training organization with teams in Asia Pacific, Americas and Europe and has implemented a Learning Management System in the US and Asia Pacific, which provides E-learning content to employees and allows tracking of trainings and certifications. There are also plans to enhance E-learning and blended learning offers in the future. Belimo works at all levels with a performance and behavioral appraisal system. This includes regular status reports on the achievement of individual goals, employee performance appraisals and appropriate measures. Individual development planning is completed and discussed at regular employee reviews. This is based on the Belimo competence model and supports

individual development planning. Appraisal reviews including the assessment of core competencies, a competency matrix for assemblers, career paths and career development plans serve as a basis for deciding which employees should receive training.

Comprehensive induction programs ensure that new employees are efficiently inducted into their field of work and the corporate culture. An internal training program enables knowledge and skills to be continuously adapted to the tasks at hand. Employees' personal development is also supported. Time spent abroad at one of the Company's other locations is considered an opportunity for professional and personal development and brings added value to the Company. Managers around the world regularly complete training courses on leadership issues. For example, all managers complete a three-day leadership course aimed at discussing Belimo values and strategies and enhancing leadership skills (see page 27). Belimo offers career path planning for both managers and professional specialists. Belimo also supports individual further education financially.

Keeping Track of Training Days

Belimo tracks expenses for internal and external courses, days of training per employee, and monitors the average degree of fulfilment of the core competencies. Also, it commonly collects feedback forms after trainings and addresses the topic skills development and knowledge management in the periodical employee survey. The Learning Management System further enables Belimo to document employee trainings. Systematic succession planning as well as identification and training of skills needed in the future (new technologies, new products, new services) is crucial and to will be tackled in the years ahead. Keeping the required skillset of the workforce up to date remains an ongoing challenge.

Training and Education Overview

	Danbury (Connecticut, USA)	Hinwil (Switzerland)	All Other Belimo Subsidiaries	Belimo Group
Average hours of training per employee 2019				
Total number of training hours divided by total number of employees	22 hours/year	26 hours/year	23 hours/year	24 hours/year

Programs for improving employee skills and transition assistance programs

Type and scope of programs implemented and assistance provided to increase employee skills.	<p>Methodical Experience</p> <p>Methodical experience includes general knowledge that is important across disciplines. It comprises the ability to apply specific learning and working methods necessary for the acquisition and development of expertise. Belimo offers a wide range of courses for developing such abilities, e.g. presentation skills, project management, leading and moderating of workshops, introduction to HVAC and building technology etc.</p>			
	<p>Social Competency</p> <p>Social competencies are key to our current working environment, as social skills form the basis to working together smoothly. They include among others fostering a certain level of empathy, teamwork and communication readiness. Courses offered to our employees include, for example, effective communication, negotiation and conflict management, intercultural competences as well as language courses.</p>			
	<p>Leadership Skills</p> <p>Belimo understands leadership skills as the abilities of individuals to help oversee processes, guide initiatives and projects and steer their employees towards the achievement of goals and customer expectations. Besides a Global Leadership Course, which takes place on regular base, additional offerings include, e.g. the essence of leadership, succeeding as a supervisor, change management, health promotion, "The 7 Habits of Highly Effective People", etc.</p>			
Transition assistance programs provided to facilitate continued employability and manage the end of careers, resulting from retirement or termination of employment.	Not applicable; USA do not offer transition assistance programs for retirement or termination of employment in the US.	Courses are offered as preparation for retirement. Also, Belimo occasionally offers outplacement services in case the employer terminates the working relationship.		

Employees receiving regular performance and career development reviews 2019

As a percentage of the total workforce	100%	100%	100%	100%
As a percentage of the workforce with management functions	100%	100%	100%	100%
As a percentage of the workforce without management functions	100%	100%	100%	100%

Supporting the Talent of Tomorrow

Together with local schools, Belimo helps students in Hinwil (Switzerland) to choose a profession and provides insight into everyday working life. This offer attracts great interest in the region and has therefore been further expanded. Meanwhile, the STEM initiative in Danbury (Connecticut, USA) aims to stimulate children's curiosity and interest in Science, Technology, Engineering and Mathematics. In workshops, representatives of local Belimo management use practical examples to show the children how these disciplines are applied in product development and ultimately how energy-efficient HVAC systems make a contribution to the environment.

To promote new talent, Belimo provides apprenticeships to 21 trainees in six different professional areas at its Hinwil site. Belimo also offers places for selected apprentices looking to combine their basic vocational training with a career in top-level sport. This requires a flexible education program that fits working hours around their physical training and competitions. For this, Belimo is recognized by Swiss Olympic as a competitive-, sports-friendly apprenticeship company. As part of the promotion of new talent, all apprentices are given a project order each year that they are to plan and carry out by themselves with a specified budget. All apprentices are involved in this program. The result of this project work is presented at the annual parents' evening. The project order and the organization of the parents' evening are both entirely the responsibility of the apprentices. The apprentices complete their training with a final examination, and in 2019 some even obtained awards. Belimo offers them employment opportunities even after they have completed their training. This is often used to bridge the time until they commence further study or military service. In order to ensure optimal training and supervision, vocational instructors are regularly coached.

Belimo conducts yearly visiting days for children of employees at its sites around the world. The daughters and sons accompany their parents for a whole day, gaining some insight into their work.

Equal Opportunity Employment

Offering Equal Opportunities

The success of Belimo is only possible thanks to the shared commitment of its employees. Our workforce encompasses a vast range of different cultures and nationalities.

In order to be a reliable partner that always bases its actions on the highest level of integrity, Belimo sees cultural diversity, equal treatment of all genders as well as the prevention of any kind of discrimination as crucial. Belimo is convinced that the workforce should reflect the diversity of the population, as diverse perspectives strengthen the Company's knowledge base. This, in turn, offers a competitive advantage. Belimo is convinced that all stakeholders benefit from equal opportunity employment, especially suppliers (compliance requirements), customers (best solutions) as well as existing employees, for whom equal opportunity employment is a main pillar in a culture of trust. It also optimally positions Belimo in the area of employer branding.

Guided by Our Code of Conduct

Belimo is committed to a work environment in which all individuals are treated with respect and dignity, free from all forms of discrimination, harassment, and retaliation. The Belimo Mission Statement has been supplemented by a Code of Conduct, which applies to all employees in their business practices with both external and internal partners. Currently, employees report cases of perceived violations of applicable law or ethical standards to their supervisors. To further foster a culture of trust and credibility, employees are encouraged to report such cases through a globally accessible incident/breach notification channel that has been implemented by the end of 2019.

Belimo attaches great importance to ensuring that women and men receive equal pay for work of equal value. Special attention is also paid to gender equality in salary adjustments.

Moreover, the Company is particularly proud of its integration of people with physical or mental disabilities. Ability Beyond in the US, Sonnhalde in the Zurich Oberland region (Switzerland), Foundation Brändi in Willisau (Switzerland) as well as the Swiss residential and employment center for people with restricted mobility (IWAZ) in Switzerland are examples for schemes Belimo is involved in to find gainful employment for individuals with disabilities. Our many years of cooperation with these organizations are an established part of corporate culture at Belimo, providing work for roughly 120 people. The production division in Hinwil has been running an additional pilot project with IWAZ employees since January 2017, involving assembling, testing and packaging actuators on an assembly line. Learn more about the collaboration with Ability Beyond on page 40.

Equal Opportunity Employer

In order to improve its performance as an equal opportunity employer, Belimo tracks the following KPIs: percentage of genders employed, age structure, diversity of nationalities/languages, results of the employee survey, the proportion of women in a management position, as well as gender pay gap. The latter has been reviewed using the LOGIB tool (a self-test to evaluate the gender pay gap). For Switzerland, no gender pay gap was identified. In the US, Belimo is required to file annual EEO-1 statistic, which provides a breakdown of the data by gender, ethnicity and predefined job categories to the U.S. Equal Employment Opportunity Commission. The part-time working models offered are equally valued by employees and the Company itself. In Hinwil, 23 percent of the employees have chosen this model.

Diversity of Governance Bodies and Employees as at December 31, 2019 (Headcount Figures)

	Danbury (Connecticut, USA)	Hinwil (Switzerland)	All Other Belimo Subsidiaries	Belimo Group	In % of Belimo Group
Employees without Management Functions					
Female	169	329	114	612	48
Male	202	232	216	650	52
<30 years	55	96	55	206	16
30 – 50 years	169	334	198	701	56
>50 years	147	131	77	355	28
Employees with Management Functions					
Female	12	25	59	96	16
Male	44	258	199	501	84
<30 years	0	3	8	11	2
30 – 50 years	27	189	191	407	68
>50 years	29	91	59	179	30
Executive Management¹⁾					
Female	0	0	0	0	0
Male	1	5	1	7	100
<30 years	0	0	0	0	0
30 – 50 years	0	1	1	2	29
>50 years	1	4	0	5	71
Board of Directors²⁾					
Female	0	1	0	1	20
Male	0	4	0	4	80
<30 years	0	0	0	0	0
30 – 50 years	0	2	0	2	40
>50 years	0	3	0	3	60
Disability-Employment-Schemes					
	Danbury	Hinwil	Off Site	Group	
Number of individuals with disabilities working for Belimo in the context of disability-employment-schemes ³⁾	33	6	80	119 ⁴⁾	

¹⁾ The percentage of women on level Executive Management at Belimo deviates by –7 percentage points from the manufacturing industry average in Switzerland of 7 percent.

²⁾ The percentage of women on level Board of Directors deviates by +6 percentage points from the industry average in Switzerland of 14 percent. (Source: Schillingreport 2019 www.schillingreport.ch/content/uploads/sites/2/2019/06/sr_2019_EN_final_web.pdf)

³⁾ Individuals are employed by the respective organizations, not by Belimo directly.

⁴⁾ All Sonnalde associates (45 individuals), all associates of Brändi Foundation (25 individuals) and a part of IWAZ associates (10 individuals) are performing work on the premises of the respective institutions.

Discrimination 2019

	Danbury (Connecticut, USA)	Hinwil (Switzerland)	All Other Belimo Subsidiaries	Belimo Group
Number of discrimination incidents and corrective actions taken				
Discrimination incidents (e.g. on grounds of race, color, sex, religion, political opinion, national extraction, or social origin as defined by the International Labour Organization) and corrective actions taken ¹⁾	0	0	0	0

¹⁾ A policy prohibiting workplace harassment and discrimination is implemented. A globally accessible incident / breach notification channel has been implemented by the end of 2019.

Story: Ability Beyond

“A win-win collaboration”



Belimo and Ability Beyond have been working together for 20 years. While Belimo values the partnership as a key provider in its supply chain, Ability Beyond associates are gaining greater independence through training and job placement. And, more importantly: feel part of a team.

Initially in 1999, Belimo began working with Ability Beyond. Back then, material was shipped to the facility of the non-profit organization and processed there. “But over time, and as the Belimo facility grew, we made a home for them inside our building”, says Dan Hobbs, Vice President of Production Belimo Americas.

In 2005, when Belimo expanded its previous building in Danbury, the Company included a work area for Ability Beyond crews. “This allowed us to move into a more inclusive community based work site”, remembers Ability Beyond-associate Bridget Kopet. With easier access to more of the materials on site, the number of job types Ability Beyond was able to perform increased.

“This gave our crew a chance to learn new skills: We were able to increase the turnaround times for job orders, becoming more efficient for the production needs of Belimo”, says Ability Beyond staff Diane Strom.

Counting and Kitting

In 2014, with the new building Belimo again included Ability Beyond as a trusted partner in the planning and development of a new work area. And Ability Beyond was again able to increase the number of individuals who could work at the Company. Their main tasks comprise the counting and kitting of the bag and label kits, which are shipped with almost every valve actuator combination. In their three

shifts, each being 3 hours long beginning at 9:30 am and finishing at 8:00 pm, assembling 0.9 million pieces in 2019 alone.

"This has been a win-win collaboration for both companies", says Belimo-VP Hobbs. He sees the Ability Beyond team as key providers in the Belimo supply chain: "They play a huge role in fulfilling our kitting operations, putting together nearly a million units annually," says Hobbs. "Having them on site gives us a maximum degree of flexibility for priorities, and they do a great job integrating the associates into the Belimo team." It's a win-win – Belimo gains a great supplier, and the Ability Beyond associates gain valuable work life experience.

Also, Diane Strom praises the flexibility of the program: "The relationship we have with Belimo enables us to develop flexible schedules that allow us to meet each individual's needs and interests. The various types of jobs we complete for Belimo allows the staff to match the skill level of each person to the jobs, while meeting the expectations of Belimo. We can also then help them build their skills as they work on more complex jobs."

Satisfaction and Pride

Over the last 20 years, all the Ability Beyond staff who worked at Belimo have been positively impacted by working in such a welcoming setting where they feel they are a valued member of the Belimo work force. Bridget Kopet: "This has given them a great work and social experience resulting in great satisfaction and personal pride. Many of them are flourishing thanks to the arrangement and have been able to truly strengthen their life skills."

When asked about what Belimo means to them, Ability Beyond staff

Craig Lynch said: "It is a very inclusive relationship with Belimo. They include the individuals and interact with the Ability Beyond crews throughout the day every day. They have a large variety of job opportunities that allow individuals with different skill levels to work and be productive and proud of their work."

And Ability Beyond associate Bridget Kopet commented: "Working side by side with people with

disabilities brings about the awareness that everyone is capable of working and being a productive members of the community. It also proves that we all share the same hopes and dream of wanting a fulfilling job in life."

For the foreseeable future, Belimo does not see the arrangement changing, says Hobbs: "It works very well for both sides, why would we do anything different?"

Currently, 33 clients and 11 staff are involved in the Ability Beyond program with Belimo, with all of them living nearby – some with family and some at group homes. Remuneration of the

individuals involved in the program is managed by Ability Beyond, as they are employees of the non-profit organization. Belimo pays a piece part price for each kit assembled.



Corporate Governance

Principles of Governance

BELIMO Holding AG discloses this corporate governance report at the highest corporate level of the Belimo Group in accordance with the principles and regulations of the Swiss stock exchange SIX Swiss Exchange, in particular the Corporate Governance Directive and the Swiss Code of Best Practice published by *economiesuisse*.

The required disclosure of remuneration for the Members of the Board of Directors of BELIMO Holding AG and the Group Executive Committee, as well as other disclosures, are reported in the remuneration report on pages 20 to 23 based on the Ordinance Against Excessive Compensation in Listed Companies and the articles of incorporation of BELIMO Holding AG.

The information contained in this corporate governance report is based on the corporate organization, regulations and articles of incorporation effective as of December 31, 2019.

Group Structure and Shareholders

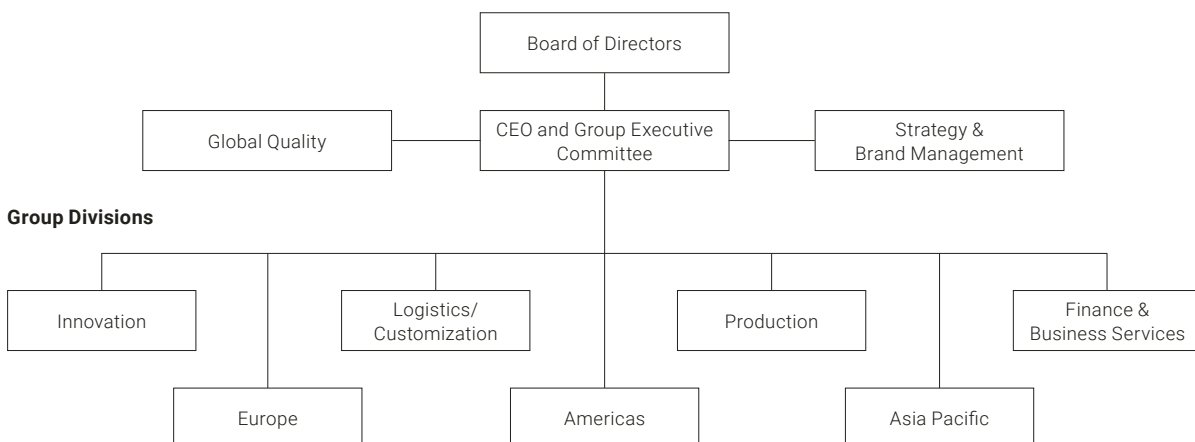
Group Structure

The Belimo Group is organized into markets (Europe, Americas, Asia Pacific), Innovation, Production, Logistics/Customization, Finance & Business Services, Global Quality as well as Strategy & Brand Management. The operational Group structure is shown in the organization chart below.

BELIMO Holding AG (the holding company of the Belimo Group) is the only Group company that is listed. The registered office of the Company is in Hinwil (Switzerland). Belimo shares (ISIN CH0001503199) are listed on the Swiss stock exchange SIX Swiss Exchange.

The market capitalization as of December 31, 2019, amounted to CHF 4 483 million. With the exception of BELIMO Holding AG, no Group companies hold Belimo shares. The Belimo shares held by BELIMO Holding AG

Group Structure



are disclosed on page 131. Further details on Belimo shares are given on pages 136 to 137. Information regarding the unlisted companies is given on page 122.

Significant Shareholders

As of December 31, 2019, the following shareholders owned more than three percent of the share capital of BELIMO Holding AG:

Shareholder	Number of Belimo shares	Share	Of which voting shares	Share
1832 Asset Management L.P.	22 401	3.64%	22 401	3.64%
Ameriprise Financial, Inc.	24 626	4.00%	24 626	4.00%
The Capital Group Companies, Inc. Group	32 034	5.21%	32 034	5.21%
Linsi	118 580	19.28%	118 580	19.28%

Disclosure notices relating to persons or groups with significant shareholdings (more than three percent of voting rights) can be found at:

www.six-exchange-regulation.com

As of December 31, 2019, BELIMO Holding AG held 0.01 percent of the share capital.

Cross-Shareholdings

There are no cross-shareholdings with other companies.

Capital Structure

Information on the capital structure is contained to a large extent in the articles of incorporation of BELIMO Holding AG and in the financial statements of BELIMO Holding AG (pages 128 to 133). The articles of incorporation are available at:

www.belimo.com/corporate-governance

Capital

The ordinary share capital of BELIMO Holding AG amounts to CHF 615 000.

Approved and Conditional Capital in Particular

The Company has no approved or conditional share capital.

Changes in Equity

The shareholders' equity of BELIMO Holding AG has changed during the last three years as follows:

	2019	2018	2017
in CHF 1 000			
Shareholders' equity as of December 31	309 095	287 174	262 939

Shares

The share capital is divided into 615 000 registered shares, each with a nominal value of CHF 1.00. All registered shares are fully paid up and entitle the holder to dividends.

The Company maintains a share register, in which the names and addresses of owners and beneficial owners of shares are entered. Each share entered in the share register as a voting share at the date determined in advance by the Board of Directors entitles the holder to one vote at the Annual General Meeting. In the event of a share capital increase, shareholders have a right of first refusal to subscribe to new shares in proportion to their existing shareholding and legal requirements.

Participation and Dividend-Rights Certificates

BELIMO Holding AG has issued neither participation nor dividend-rights certificates.

Limitation of Transferability and Nominee Registrations

In terms of the relationship with the Company, only those persons who are entered in the share register shall be considered registered shareholders or beneficial owners. Buyers of shares or the beneficial owners must apply in writing to be entered in the share register. The Company may refuse to make an entry in the share register if the applicant fails to declare expressly that he/she has acquired and will hold the shares on his/her own behalf and for his/her own account.

A shareholder or beneficial owner shall be entered in the share register as a voting shareholder or beneficial owner for a maximum of five percent of the total number of shares as shown in the commercial register. Legal entities and private partnerships related to each other through ownership or voting rights, by shared management, or in any similar manner, and individuals, legal entities and private partnerships acting jointly or in a coordinated manner shall be deemed one person. Shareholders holding more than five percent of the total number of shares at the time this provision was introduced shall continue to be registered in the share register with the number of shares actually held.

By application of regulations, the Board of Directors may define exceptions to the five-percent registration limit. No such exceptions were made during the year under review.

Convertible Bonds and Share Options

BELIMO Holding AG has no outstanding convertible bonds or share options. No options were issued to employees.

Board of Directors

Members of the Board of Directors

The Board of Directors of BELIMO Holding AG comprised a total of five members as of December 31, 2019.

Further Activities and Relationships

Personal details and further activities and relationships of the individual Members of the Board of Directors are shown on pages 46 to 47.

Independence of Non-Executive Members

The Board of Directors consists of non-executive members. This means that no member exercised an operational function for the Belimo Group during the three financial years preceding the reporting period.

The other Members of the Board of Directors and the companies they represent have no material business relationships with the Belimo Group.

Mandates

No Member of the Board of Directors may hold more than four additional mandates in the ultimate strategic management bodies or on the ultimate boards of listed companies which do not belong to the Belimo Group. The Board of Directors may allow a maximum of two exceptions per member in specific cases.

The acceptance of a maximum of four mandates in the ultimate strategic management bodies or on the ultimate boards of non-listed companies which do not belong to the Belimo Group is permissible for a Member of the Board of Directors as long as the Member of the Board of Directors is not impaired in exercising their obligations to BELIMO Holding AG.

Election and Term of Office

According to the articles of incorporation, the Board of Directors is made up of at least three and no more than seven members, who are elected individually by the Annual General Meeting (AGM) for a term of office of one year, which ends with the next ordinary Annual General Meeting. On reaching 70 years of age, Members of the

Board of Directors may be elected for a term of office one final time.

Details of the first election to the Board of Directors are provided in the following table:

Member	AGM
Patrick Burkhalter (Chairman)	2014
Dr. Martin Zwyssig (Deputy Chairman)	2011
Prof. Adrian Altenburger	2015
Sandra Emme	2018
Urban Linsi	2019

Internal Organization

The Board of Directors is the supreme management body in the Belimo Group. It is empowered to make decisions in respect of all matters that are not reserved for the Annual General Meeting by law or in accordance with the articles of incorporation, or that the board has not delegated to another body by regulation or resolution. The Board of Directors constitutes itself, subject to legal and statutory provisions. The Chairman and the Deputy Chairman of the Board of Directors as well as the Members of the Remuneration Committee are elected individually by the Annual General Meeting for a term of office of one year, which ends with the next ordinary Annual General Meeting. The Board of Directors designates a secretary, who does not have to be a Member of the Board of Directors.

By law, the Board of Directors has the following non-transferable and non-assignable tasks:

- Directing the Company and issuing the necessary instructions
- Approving corporate policy and strategy
- Defining the organizational structure
- Determining the design of the accounting system, financial control and financial planning
- Nominating and removing the persons entrusted with the management and representation of the Company
- Supervision of the persons in charge of the management
- Drawing up the Annual Report and the remuneration report, preparing for the Annual General Meeting and carrying out its resolutions
- Notifying the judge in the event of insolvency

The Board of Directors may entrust the preparation and execution of its resolutions or the supervision of business to committees. The Board of Directors has established two permanent committees during the year under review: the Audit Committee and the Remunera-

tion Committee. The Nomination Committee shall be convened when necessary.

Details of the memberships for each of the committees are given in the following table:

Member	Audit Committee	Remuneration Committee	Nomination Committee	Meeting Attendance in %
Number of Meetings Held	2	2	4	–
Patrick Burkhalter	Member			100
Dr. Martin Zwysig	Lead		Member	100
Prof. Adrian Altenburger		Lead		100
Sandra Emme		Member	Lead	100
Urban Linsi			Member	100

The Board of Directors has delegated the operational management to the Group Executive Committee, headed by the CEO, in accordance with the articles of incorporation of BELIMO Holding AG and organizational regulations that have been issued (with the corporate schedule of responsibilities). The CEO is not a Member of the Board of Directors.

The Chairman of the Board of Directors, or, in his absence, the Deputy Chairman of the board or a duly appointed member, calls the meetings and chairs the discussions.

Functioning of the Board of Directors

The Board of Directors holds at least five ordinary meetings per year. The dates of its ordinary meetings and committee meetings are set early so that all members can attend in person as a general rule. Extraordinary meetings may be convened as and when required. Any board member may submit a request for additional meetings to the Chairman, stating the reasons.

The agenda for meetings is drawn up by the Chairman in cooperation with the CEO. Any board member may request additional items to be included in the agenda. Meetings are convened in writing by the Chairman. The invitation, together with the detailed agenda and attachments, is normally distributed to all participants one week prior to the date of the meeting. Provided that no member objects, the board may also discuss other urgent matters that were not included on the agenda. The Members of the Group Executive Committee may be invited to attend board meetings. Other employees

or third parties may also be invited to attend meetings, in order for the Board of Directors to receive adequate information for its decisions.

The Board of Directors makes decisions and conducts elections by a majority of the members present at the meeting. A majority of members must be present for the board to pass a resolution. Resolutions may also be passed by videoconferences, conference calls or by means of circulation provided that no member requests a verbal discussion at a meeting. The individual members are required to step out of the meeting if matters are discussed that affect them or persons or legal entities related to them. The board members receive a complete copy of the minutes, with the other participants receiving an excerpt detailing the agenda items/resolutions of relevance to them.

Attendance of Ordinary Board Meetings in 2019

Total number of meetings held	5
Number of members who missed no meetings	5
Number of members who missed one meeting	0
Number of members who missed two or more meetings	0
Meeting attendance, in %	100

In addition to board meetings, the Board of Directors holds regular meetings with the Group Executive Committee. Furthermore, the Board of Directors and the Group Executive Committee met for one workshop in 2019.

Composition/Functioning of the Committees of the Board of Directors

The duties of the Audit, Remuneration and Nomination Committee primarily comprise evaluation, advisory and supervisory functions for the Board of Directors. The committees have no decision-making powers. They meet periodically or when required. The same conditions regarding meeting rules and stepping out also apply as for the Board of Directors. The Board of Directors elects the Members of the Audit and Nomination Committee annually. The Members of the Remuneration Committee are elected individually by the Annual General Meeting for a term of office of one year.

Minutes of the meetings are prepared and distributed to those who attended the meeting and to all Members of the Board of Directors. The members of the committees also report verbally to the next meeting of the Board of Directors regarding the matters discussed and submit, where necessary, the respective motions to the Board of Directors.

Board of Directors



Patrick Burkhalter, Chairman

Patrick Burkhalter (1962, Swiss citizen) was elected to the Board of Directors at the 2014 Annual General Meeting and as Chairman of the Board at the 2019 Annual General Meeting. He is a Member of the Audit Committee.

From 1988 to 2018, Patrick Burkhalter held several positions at Ergon Informatik AG, Zurich (Switzerland). After starting his career as a software developer, he was appointed Chief Executive Officer and Member of the Board of Directors of the company in 1992. From 2016 to 2018 he led the company as its Chairman. He holds a degree in business administration and computer science (lic. oec. publ.) and acts as a guest speaker at ETH Zurich (Switzerland). Throughout his career, Patrick Burkhalter has gathered relevant knowledge and expertise with IT, entrepreneurship, strategic development and corporate governance.



Dr. Martin Zwyssig, Deputy Chairman

Dr. Martin Zwyssig (1965, Swiss citizen) was first elected to the Board of Directors at the 2011 Annual General Meeting. He is Deputy Chairman of the Board, a Member of the Nomination Committee and a Member of the Audit Committee (Lead).

Dr. Martin Zwyssig was Divisional Controller at Sarna Kunststoff Holding AG, Sarnen (Switzerland), before becoming Senior Deputy President of Finance & Controlling at EMS-TOGO Group, Romanshorn (Switzerland) in 2001. He then served as Group CFO of Schaffner Holding AG, Luterbach (Switzerland) from 2003 to 2008, before becoming Group CFO of Ascom Holding AG, Baar (Switzerland) from 2008 to 2013. From 2014 to 2019, Dr. Martin Zwyssig was Chief Financial Officer and a Member of the Group Executive Board of the Autoneum Holding AG, Winterthur (Switzerland). He graduated in business administration, specializing in accounting & finance, and received his doctorate in business administration at the University of St. Gallen (Switzerland). The major field of expertise of Dr. Martin Zwyssig is his financial know-how as well as corporate governance.



Prof. Adrian Altenburger, Member

Prof. Adrian Altenburger (1963, Swiss citizen) was first elected to the Board of Directors at the 2015 Annual General Meeting. He is a Member of the Remuneration Committee (Lead).

From 1999 to 2015 Prof. Adrian Altenburger was Partner, a Member of the Group Executive Committee and a Member of the Board of Directors of the engineering company Amstein + Walther AG, Zurich (Switzerland). In 2015 he was appointed Professor at the Lucerne University of Applied Sciences, School of Engineering & Architecture, and Head of the Institute of Building Technology and Energy, Lucerne (Switzerland). Prof. Adrian Altenburger is Vice President of the Zurich-based SIA Swiss Society of Engineers and Architects and Deputy Chairman of the Winterthur-based SNV Swiss Association for Standardization (both Switzerland). He is a Member of the Board of Directors at the following Swiss companies: Jobst Willers Engineering AG (Rheinfelden), Energie Wasser Bern (ewb, Bern), BS2 AG (Schlieren) as well as Pasquale Baurealisation AG (Zurich). He graduated as an HVAC engineer HTL and holds a master's degree in architecture from ETH Zurich (MAS Arch. ETH). Prof. Adrian Altenburger's field of expertise lies in energy and building technology engineering.



Sandra Emme, Member

Sandra Emme (1972, Swiss and German citizen) was elected to the Board of Directors for the first time at the 2018 Annual General Meeting. She is a Member of the Remuneration Committee as well as the Nomination Committee (Lead).

Sandra Emme was co-founder of a start-up company in the IT sector, which she successfully sold in 2011. Since then, she has been working in various positions for Google Switzerland GmbH, Zurich (Switzerland): From 2014 to June 2019 as Industry Head for Luxury and Finance in Global Business Development and since July 2019 as Industry Leader for Cloud Enterprise in Global Business Development. Sandra Emme is a lecturer for Leading Digital Business Transformation at the IMD Business School in Lausanne (Switzerland) and since May 2019 a Member of the Board of Directors of Metall Zug AG, Zug (Switzerland). She holds a Master of Arts in business and international management from the University of Applied Sciences Bremen (Germany). She completed part of her studies at the Ecole Supérieure de Commerce in Marseilles (France) and later completed a further degree in Leading Digital Business Transformation at the IMD Business School, Lausanne (Switzerland) / Singapore. Sandra Emme's fields of expertise are her know-how in digital transformation strategy, international business development as well as entrepreneurship.



Urban Linsi, Member

Urban Linsi (1974, Swiss citizen) was elected to the Board of Directors at the 2019 Annual General Meeting. He is a Member of the Nomination Committee.

Between 2009 and 2014 Urban Linsi worked for architecture firm Linsi Delco, Uetikon am See (Switzerland) before joining Braune Roth AG, Ingenieurbüro für Akustik, Bauphysik und Lärmbekämpfung, Rorschacherberg (Switzerland), as a project manager. Urban Linsi completed an apprenticeship as a bricklayer and subsequently as a carpenter. Furthermore, he is a Technician TS-Holzbau and has completed various training programs in the field of energy and sustainable construction. He is also a member of the Sustainable Construction Network Switzerland (NNBS). Urban Linsi is a Member of the Board of the U.W. Linsi Foundation as well as a member of the anchor shareholder Group Linsi. Therefore, he represents the Linsi family.

Changes in the Board of Directors during the Reporting Period

At the Annual General Meeting in Rapperswil (Switzerland) on April 1, 2019, both the former Chairman of the Board of Directors, Prof. em. Dr. Hans Peter Wehrli, as well as the former Member of the Board of Directors, Martin Hess, retired. More information on former Members of the Board of Directors can be found in our Annual Report 2018 available under the following link:

 www.belimo.com/mam/corporate-communications/investor-relations/financial-reports/2018/annual-report_2018.pdf

Audit Committee

The Audit Committee comprises at least two independent Members of the Board of Directors. Based on their education or their professional experience, all members of the committee have sufficient knowledge of finance and accounting.

The members for the 2019/2020 period of office are: Dr. Martin Zwysig (Lead) and Patrick Burkhalter.

Duties:

- Evaluating the Annual Report, the annual and interim financial statements, the comprehensive audit report and the audit reports for the Belimo Group and BELIMO Holding AG, submitting motions to the Board of Directors
- Evaluating adherence to financial reporting standards within the Group
- Selecting the audit firm to be proposed to the Annual General Meeting as statutory auditors, submitting motions to the Board of Directors
- Approving the audit plans of the statutory auditors
- Evaluating the performance, independence and remuneration of the statutory auditors
- Periodically reviewing the guidelines issued regarding ad hoc announcements and the avoidance of insider offences
- Reviewing the internal control system
- Periodically reviewing the structure of the risk management system
- Evaluating key tax issues

The Audit Committee held two meetings in 2019 with the CEO, CFO and the statutory auditors.

Remuneration Committee

Information on the composition and duties of the Remuneration Committee are disclosed in the remuneration report on pages 20 to 23.

The following members have been elected for the 2019/2020 period of office: Prof. Adrian Altenburger (Lead) and Sandra Emme.

Nomination Committee

The Nomination Committee comprises at least two Members of the Board of Directors.

The members for the 2019/2020 period of office are: Sandra Emme (Lead), Dr. Martin Zwysig and Urban Linsi.

Duties:

- Selecting suitable candidates for membership of the Board of Directors, submitting motions to the Board

of Directors for proposal to the Annual General Meeting

- Selecting suitable candidates to fill positions on the Group Executive Committee

Four meetings were held in 2019.

Regulation of Authority

The regulation of authority between the Board of Directors and the Group Executive Committee, which is headed by the CEO, is laid down in the organizational regulations (corporate schedule of responsibilities) of BELIMO Holding AG, in accordance with the articles of incorporation of BELIMO Holding AG. These describe the general duties and defines who holds the decision-making authority for which transactions.

In addition to decisions regarding the tasks that are defined under article 716a of the Swiss Code of Obligations as being irrevocable and non-assignable, the Board of Directors also reserves the right to approve significant transactions relating to strategy implementation and important organizational, financial and staffing matters in the operational area.

Information and Control Instruments in Relation to the Group Executive Committee

The Board of Directors is integrated in the management information system of the Belimo Group at the appropriate level. At the end of each quarter, in addition to the monthly reporting, the Board of Directors receives commented, unaudited financial statements and key figures of the Group. Furthermore, forecast figures are distributed quarterly and at the end of the third quarter, the board receives the detailed projection for the current year as well as the budget of the following year.

During a strategy workshop with the Group Executive Committee in the first half-year the board discusses the results of a medium-term planning covering a period of five years as well as the qualitative strategic targets.

The written reports are supplemented by verbal information from the CEO or CFO at every meeting of the Board of Directors. In special cases, the CEO informs the Board of Directors without delay regarding the matter in question. The Chairman of the Board of Directors maintains regular contact and discussions with the CEO and is kept up to date by him on all transactions and issues that are of fundamental importance or that have wider implications.

The Board of Directors is responsible for risk management, the Group Executive Committee for its operational implementation. A company-wide risk assessment is

carried out annually, using a systematic risk management methodology. The assessment is based on group workshops and individual interviews and contains the phases risk identification and evaluation, causes and action analysis and implementation of the actions defined. The result of the risk assessment is discussed with and approved by the Board of Directors.

Group Executive Committee

Together with the other Members of the Group Executive Committee, the CEO manages the operations of the Group. He is responsible for drawing up, implementing and achieving the Group's corporate targets. The Group Executive Committee handles all transactions that are of significant importance to the Belimo Group.

The Group Executive Committee has the following main duties:

- Developing and implementing the overall strategy and the overall budget
- Drawing up and implementing the structures and systems necessary for the management of the Group
- Making optimal use of Group resources
- Utilizing potential synergies present within the Group
- Promoting cooperation and communication within the Group
- Preparing motions that fall within the authority of the Board of Directors

Members of the Group Executive Committee

The Group Executive Committee comprised a total of seven members as of December 31, 2019.

Further Activities and Relationships

Personal details and further activities and relationships of the individual Members of the Group Executive Committee are shown on pages 50 to 51.

Mandates

No Member of the Group Executive Committee may hold more than two additional mandates in the ultimate strategic management bodies or on the ultimate boards of listed companies which do not belong to the Belimo Group. The Board of Directors may allow a maximum of two exceptions per member in specific cases.

The acceptance of a maximum of four mandates in the ultimate strategic management bodies or on the ultimate boards of non-listed companies which do not belong to the Belimo Group is permissible for a Member of the Group Executive Committee as long as the Member

of the Group Executive Committee is not impaired in exercising their obligations to the Belimo Group.

Management Contracts

There are no management contracts with companies or individuals outside the Belimo Group.

Remuneration, Participations and Loans

Details on the principles of the remuneration system, the granted remuneration, participations and loans to current and former Members of the Board of Directors and the Group Executive Committee are provided on pages 20 to 23 in the remuneration report and in the notes to the financial statements of BELIMO Holding AG on page 132 of this Annual Report.

Shareholders' Rights of Influence

Limitation of Voting Rights and Proxies

Each share entered in the share register as a voting share at the date determined in advance by the Board of Directors entitles the holder to one vote at the Annual General Meeting.

Every shareholder may have his/her shares represented at the Annual General Meeting by a proxy appointed in writing or by the independent voter representative provided for by law. The proxy needs not to be a shareholder. The independent voter representative is elected by the Annual General Meeting for the term of office of one year including the subsequent Annual General Meeting. The Board of Directors may issue procedural rules for participation, representation and give instructions. Shareholders can issue their proxy and instructions to the independent voter representative electronically. The independent voter representative is obliged to exercise the voting rights that he/she represents as per the instructions. The general instruction to vote in accordance with the Board of Directors is deemed to be a valid instruction for exercising the right to vote.

See the provisions under the note regarding limitations on the transferability of shares and nominee registrations in this Corporate Governance section on pages 43 to 44.

Quorum as per Articles of Incorporation

The Annual General Meeting resolves and elects with the absolute majority of votes cast, insofar as the law does not compulsorily specify otherwise. In case of a tie, the Chairman of the meeting shall have the casting vote. If the absolute majority is not reached in a first

Group Executive Committee



Lars van der Haegen, Chief Executive Officer

Lars van der Haegen (1968, Swiss citizen) was appointed CEO of the Belimo Group and Head of the Group Executive Committee in July 2015. Prior to that, he held various management positions at Belimo: Head of Product Management Air Volume Control Europe from 2000 to 2002, Head of Product Management and Marketing at Belimo Americas in Danbury (Connecticut, USA) from 2003 to 2006, Managing Director of Belimo Italy from 2007 to 2010 and Head of Americas and Member of the Group Executive Committee from 2011 to June 2015. Furthermore, he has been proposed for election to the Board of Directors of Schweiter Technologies, Steinhausen (Switzerland), at the next Annual General Meeting in April 2020. Lars van der Haegen is a Building Technology Designer who holds master's degrees from both Columbia Business School in New York (USA) and London Business School (Great Britain).



Gary Economides, Head of Group Division Asia Pacific

Gary Economides (1970, Australian citizen) was appointed Head of Group Division Asia Pacific and Member of the Group Executive Committee in November 2012. Prior to that, he was a product manager at Staefa Control Systems in Sydney (Australia) from 1994 to 1997, served in various management roles at Siemens Building Technologies in Hong Kong (China) from 1998 to 2005, and was Managing Director of Carel Asia in Hong Kong (China) from 2005 to 2009, and CEO of Carel Electronic in Suzhou (China) from 2009 to 2012. He holds a bachelor's degree in mechanical engineering from the University of Technology Sydney (Australia) and an MBA from the University of New South Wales, Australian Graduate School of Management in Hong Kong (China).



Lukas Eigenmann, Head of Group Division Europe

Lukas Eigenmann (1961, Swiss citizen) was appointed Head of Group Division Europe and Member of the Group Executive Committee in July 2010. He joined the Company in 1984. From 1990 on, he held various management positions at Belimo Americas in Danbury (Connecticut, USA) until 1991 and in Vienna (Austria) from 1994 to 1996. From 2002 to 2010 he was Managing Director in Stuttgart (Germany). Lukas Eigenmann is an Electronics Technician TS.



James W. Furlong, Head of Group Division Americas

James W. Furlong (1960, American citizen) was appointed Head of Group Division Americas and Member of the Group Executive Committee in March 2016. Prior to that, he held managing positions with building equipment provider York International from 1991 to 1999 and with Baltimore Aircoil Company from 1999 to 2008. From 2008 to 2016, he was Vice President of Industrial Refrigeration at Johnson Controls. He holds a bachelor's degree in chemical engineering from Manhattan College (New York, USA), an MBA from Loyola University (Maryland, USA) and is a licensed Professional Engineer in the State of Connecticut (USA).



Louis Scheidegger, Head of Group Division Production

Louis Scheidegger (1966, Swiss citizen) has been Head of the Group Division Production since 2008 and was appointed Member of the Group Executive Committee in March 2019. He joined Belimo in 1991 and studied electrical engineering at the Zurich University of Applied Sciences (ZHAW) in Winterthur (Switzerland). From 2001 to 2002 he completed the International Senior Management Program at the St. Gallen Business School (Switzerland) and from 2015 to 2016 the Asia Executive Certificate Program at the University of St. Gallen (Switzerland).



Peter Schmidlin, Chief Innovation Officer

Peter Schmidlin (1963, Swiss citizen) was appointed Head of Group Division Innovation, Member of the Group Executive Committee and Chief Innovation Officer in August 2000. Prior to that, he held various positions in the R&D department at Belimo from 1988 to 2000. Peter Schmidlin holds a master's degree in electronic engineering from ETH Zurich (Switzerland) and an MBA degree from the IMD Business School of Lausanne (Switzerland).



Dr. Markus Schürch, Chief Financial Officer

Dr. Markus Schürch (1971, Swiss citizen) was appointed Member of the Group Executive Committee in September 2018 and Head of Group Division Finance and Business Services as well as Chief Financial Officer in January 2019. Prior to that, he worked at Landis+Gyr in Zug in various positions from 2004 to 2018. Most recently, he served as Senior Vice President & CFO for the EMEA (Europe, Middle East & Africa) region of the company from 2012 to 2018. Before joining Landis+Gyr, he was engaged as a consultant and project manager at McKinsey in Zurich (Switzerland) from 1999 to 2004. Dr. Markus Schürch holds a doctorate and a degree in chemical engineering from ETH Zurich (Switzerland), Dr. sc. tech. ETH.

Changes in the Group Executive Committee during the Reporting Period

The Board of Directors appointed Louis Scheidegger as an additional Member of the Group Executive Committee as of March 1, 2019.

election round, the relative majority shall be decisive in the second round. Resolutions based on article 704 of the Swiss Code of Obligations require at least two thirds of the votes represented and the absolute majority of the nominal values of the shares represented.

Convening the Annual General Meeting

The Annual General Meeting is convened in accordance with the Swiss Code of Obligations by being announced once in the Swiss Official Gazette of Commerce, and, for information purposes, by written invitation to the registered shareholders. The provisions do not contain any rules that diverge from the law.

Including Items in the Agenda for the Annual General Meeting

Voting shareholders representing shares with a nominal value of at least CHF 10 000 may request to include an additional item in the agenda of the Annual General Meeting. Such requests shall be submitted in writing to the Chairman of the Board of Directors at latest 45 days prior to the Annual General Meeting.

Entry in the Share Register

For administrative reasons, the share register is closed for about ten days before an Annual General Meeting. The exact date will be determined by the Board of Directors of BELIMO Holding AG and is published in the invitation to the Annual General Meeting.

Change in Control and Defensive Measures

Obligation to Make an Offer to Buy Shares

The articles of incorporation do not contain any provisions with respect to opting out or opting up.

Change of Control Clauses

Information on change of control clauses for Members of the Board of Directors and Group Executive Committee is on pages 20 to 23 of the remuneration report.

Statutory Auditors

Period of Appointment and Period of Office of the Auditor in Charge

KPMG AG, Raffelstrasse 28, Zurich (Switzerland) has been the Group auditor of the Belimo Group and the statutory auditor of BELIMO Holding AG since 2004. The statutory auditors are elected by the Annual General Meeting for one financial year. The auditor in charge since 2019 is Reto Benz. In compliance with the term of office regulations stipulated by the Swiss Code

of Obligations, a new lead auditor will be in charge for the 2026 financial year at the latest.

Audit Fee

KPMG invoiced a total of CHF 0.5 million to the Belimo Group in 2019 for services related to the audit of the financial statements of BELIMO Holding AG, the Group and the Group companies audited by it.

Additional Fees

Fees amounting to CHF 0.1 million were paid to KPMG for other services such as consulting and tax advice.

Sources of Information for the External Audit

Each year, at least one Audit Committee meeting takes place at which the annual financial statements are discussed in addition to other matters. The comprehensive audit report from the statutory auditors forms the basis for the discussion of the audit proceedings and the annual financial statements. Two meetings took place in the year under review. In each case, the statutory auditors supplied the participants with written points for discussion beforehand.

Information Policy

Principles

BELIMO Holding AG and the Belimo Group pursue an open, active and transparent information policy with all stakeholders. Each year, a Summary Annual Report, an Annual Report including a remuneration report and a Semiannual Report are published. At least one conference for the media and financial analysts takes place at the time of publication of the annual financial statements.

Publications and Agenda

Publication of Annual Report 2019/ Media and Financial Analysts Conference	March 9, 2020
Annual General Meeting 2020	March 30, 2020
Dividend Payment	April 3, 2020
Publication of Semiannual Report 2020	August 3, 2020
Publication of Sales 2020	January 21, 2021
Publication of Annual Report 2020/ Media and Financial Analysts Conference	March 8, 2021
Annual General Meeting 2021	March 29, 2021

Further information for shareholders is available at:

 www.belimo.com/financial-calendar

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Publicity Principles /

Avoidance of Insider Offences

BELIMO Holding AG publishes information that is relevant to the share price in accordance with the ad hoc publicity guidelines of the Swiss stock exchange SIX Swiss Exchange.

Customer Value

Customer Engagement and Support

Engaging with Our Customers

Superior customer support is essential for any company seeking to achieve and sustain a leading position in the HVAC industry – an industry that is complex and characterized by an ever-expanding array of new technologies.

With its mission to be the global leader in actuator, valve and sensor solutions, Belimo has customer support engrained in its corporate culture. Customer Engagement and Support helps strengthen the competitive advantage of the Company and further enhance market differentiation by improving the ease of doing business. The high-class customer support of Belimo is also a way of demonstrating that this is “the way we feel people should be treated.” As Belimo regularly introduces new technologies, the Company offers to assist clients to overcome their fear of the unknown and help to quicken market acceptance of new solutions.

Crucial Consistency

Departments at Belimo that work directly with customers, such as sales, customer service, technical support, field support, product management, credit and collections are responsible for managing Customer Engagement and Support. The three region Heads (Members of the Executive Committee) with direct regional access to customers are ultimately responsible for customer satisfaction. By maintaining a highly qualified sales force of more than 200 sales engineers, Belimo ensures every customer receives expert advice.

The consistency of customer engagement activities is crucial for the brand. Belimo, therefore, relies on well-documented internal policies and procedures to ensure employees are aware of their responsibilities

as well as upstream and downstream value creation processes. A Customer Relationship Management (CRM) tool that has been in place since 2017 supports employees in managing this topic. In addition, a global customer journey was defined in 2019. It serves as a frame of reference for the global web, e-commerce and social media presence of Belimo.

Customer Issue Tracking System

Belimo reviews its management of Customer Engagement and Support by conducting surveys and tracking material returns. In 2018, Belimo was rated the “Best technical support company of the year” by Control-Trends, a US-based controls industry association. In order to further advance such topics, Belimo has implemented a customer issue tracking system in 2019, allowing the Company to assess its effectiveness in resolving customer issues.

In case of a product complaint, Belimo applies a structured process to quickly resolve the issue. After closing the product complaint, a systematic phone survey is conducted: A Belimo quality manager calls each customer to gather feedback, to measure our performance and to ensure that the case has been completely resolved. This process was fully implemented in 2019. 100 percent of customers have been fairly/very satisfied with the frequency of the communication as well as with the attitude of Belimo managers in the course of the process. 97 percent are satisfied with overall complaint handling, which Belimo sees as a strong indicator of the effectiveness of its approach.

“Savings
That We Can
Really See”



The Belimo Energy Valve™ represents an easy to install, cost-effective option for resolving low delta T issues in district cooling systems. The successful implementation at the state-owned Citizen's Plaza in Nashville (Tennessee, USA) perfectly illustrates the benefits of this solution.

District cooling is the centralized production and distribution of cooling energy. Chilled water is delivered from an energy plant through underground pipelines to commercial, industrial and residential buildings to provide air conditioning using on-site heat exchangers. The water is then returned to the central energy plant. This approach eliminates the need for each building to have its own chillers – with the aim of lowering carbon footprints and increasing energy efficiency – but relies on each building within the network to use the chilled water effectively.

Why Is Low Delta T An Issue?

For air-conditioning systems, the chilled water supplied to a building must be used efficiently to cool the air circulated in the building, without returning too much of the “cooling energy” back to the district cooling plant. Utility companies supplying district cooling therefore set a target for the increase in water temperature returning to the plant – known as the delta T – based on the design of the building and air-conditioning equipment. Inefficient use of chilled water results in low delta T values – in



A partnership based on open dialogue and trust: **Kevin Leathers**, District Sales Manager at Belimo, **David Riffle**, Belimo Regional Application Consultant and **Chad Lovell**, Operations and Safety Specialist at Jones Lang LaSalle (from left) teamed up to optimize the performance of the Belimo Energy Valves™ installed at Citizen's Plaza.

which the water returning to the plant is cooler than intended. This leads to thermal inefficiency surcharges, higher energy consumption, and can also affect building comfort. This condition is known as "low delta T syndrome," and is especially problematic for older buildings, which are likely to have less efficient systems due to the original equipment design or degradation in performance.

About Citizen's Plaza

Citizen's Plaza is a state-owned and occupied 15-story building in downtown Nashville (Tennessee, USA). Constructed in 1984, this 25 600 square meters (276 000 square feet) facility can house from 800 to 1 200 government staff when fully occupied. Citizen's Plaza is supplied chilled water and steam by Metro Nashville District Energy System – a central plant on the Cumberland River serving 42 buildings across the district – and has historically struggled with thermal inefficiency surcharges due to over-pumping

chilled water leading to low delta T values. Chad Lovell, Operations and Safety Specialist at Jones Lang LaSalle (JLL), is responsible for operations at Citizen's Plaza, and explains the issue: "Basically, they were pushing water too fast through the building to achieve good thermal transfer. The contract with Metro Nashville District Energy System required the building to achieve a delta T of 8.1 °C (14.5 °F), but it was only managing 2.3 to 4.5 °C (4 to 8 °F). This resulted in thermal inefficiency surcharges of around USD 12 000 to 13 000 per month. When JLL assumed responsibility for the building in 2014, we knew we needed a strategy to increase the delta T and occupant comfort so we rolled up our sleeves to find a solution."

Enter Belimo

One of the biggest challenges for organizations wishing to resolve low delta T issues is knowing where to start. Belimo understands this, and invests heavily in customer

education and engagement to provide cost-effective, efficient and practical solutions for each individual project. "I went to a Belimo seminar where they presented the Company's various products and solutions, and the Belimo Energy Valve™ really caught my eye," Chad continues. "After the seminar I approached the Belimo team, explained my situation, and we scheduled a meeting the very next week."

Kevin Leathers, District Sales Manager at Belimo, describes the Company's approach to the project: "On our first visit to Citizens Plaza, we really just verified what we already knew. It was a standard office building with air handlers on each floor, and identical set-ups on floors 3 to 14. As is typical for a building of this age, it had oversized air handlers, over-sized globe valves and oversized coils, which made it a perfect candidate for the Belimo Energy Valve™ solution. We also had all the original drawings of the air-conditioning system, giving us complete confidence that

we could lower their chilled water usage, optimize heat transfer between the coils and air handlers, and as a result improve delta T performance.”

An Effective Pilot

The Belimo team discussed their findings with Chad Lovell and JLL, and together decided that the next step would involve a pilot project with Belimo Energy Valves™ on one lower, one middle and one upper floor. Following installation, the Belimo team used their experience to determine flow rate profiles for each valve that would help reduce chilled water consumption without compromising building comfort. After three months, the team returned to further optimize performance, utilizing the data taken directly from the valves and the Belimo Energy Valve™ data analysis tool. David Riffle, Belimo Regional Application Consultant, notes: “Based on the data, we saw dramatic reductions in flow and delta T went up – the overall delta T for the building increased by 1.2 °C (2 °F) from just three valves! Looking at the data from a single Belimo Energy Valve™, we could see that the Belimo Delta T Manager™ logic restricted flow to prevent a low delta T issue around 27 percent of the time. Without the Belimo Energy Valve™, this would have resulted in 1.7 million liters (446 000 gallons) of water being supplied over 13 months, whereas the actual volume supplied was only 0.6 million liters (160 000 gallons) – saving over 1.1 million liters (280 000 gallons) of chilled water. We were then able to calculate savings for the entire building based on changing the valves in all of the air handlers.”


Chad continues, “The proof of concept was a major success – it exceeded my expectations. Just from installing three valves, we saw

immediately that our delta T was more manageable and, in 2015, we equipped the entire building.”

Shared Success

A partnership based on open dialogue and trust was key to the success of the Citizen’s Plaza project, using a limited scale pilot study to demonstrate the value and efficacy of the Belimo Energy Valve™ solution. By working together with Chad and the JLL team, Belimo was able to use its knowledge and expertise to deliver unprecedented savings and reduce the building’s environmental impact. Steve Rybka, a Mechanical Contractor Consultant at Belimo, commented, “This project was about taking a calculated risk to solve a customer’s problem, regardless of the cause. Based on the initial meeting and survey, we were confident that we had the technology and expertise to mitigate the low delta T issues, and we worked closely with Chad and his team to make it happen.”

“Overall it was a very successful project,” Chad concludes. “We have been able to reduce chilled water pumping at Citizen’s Plaza by 49 percent thanks to the valves. We have since gone on to use the Belimo Energy Valve™ in a number of other projects with similar success. Our chilled water consumption has dropped so much that our district energy provider asked to send out an engineer, because there seemed to be a problem. It was a joy to tell them that “there is no problem, the building is just performing like you have never seen before. It was very exciting and felt great to have confirmation that the Belimo Energy Valves™ offer savings that we can really see.”

 View the video that tells the whole story.



UN Sustainable Development Goals Approach

Good, comfortable room climates are essential,

as it impacts people’s productivity and the way they feel. Belimo contributes to SDG 3 “Good Health and Well-Being” by ensuring optimum indoor air quality, the highest level of room comfort and well-being in rooms. Its intelligent HVAC components control the major factors affecting room climate: temperature, humidity, air flow, and indoor air quality (the concentration of CO₂ and Volatile Organic Compounds – VOCs). Tightly controlling these factors also enables critical processes such as in surgery rooms in hospitals, data centers, etc.

High-Performance Solutions for Energy Efficiency and Indoor Air Quality

Quantifying Our Impact

Belimo associates sustainability not only with the goal of minimizing CO₂ effects of its own business processes, but also with increasing the positive effects of utilizing Belimo products in the field.

The products manufactured by Belimo facilitate application solutions for creating measurable sustainability benefits to save energy in buildings' HVAC systems. With the aim of achieving excellent comfort in buildings and in rooms, these systems consume energy. The HVAC control system, in which Belimo field devices are integrated, is designed to accurately control comfort parameters (temperature, humidity, CO₂ level) but also to operate the HVAC processes in the most energy efficient manner possible. Belimo sets the standard when it comes to energy efficient control components, for example with its low power consumption actuators, tight-closing ball-valves with no leakage or Belimo Energy Valves™ for optimizing thermal energy-flows in buildings.

Modelling Along Six Steps

In order to quantify positive energy leverage, Belimo has established a model that assesses the impact of its field devices over their lifecycle in a typical HVAC system. A common air-handling and ventilation system was chosen as a proxy for energy-impact modelling, including one air-handling unit (AHU) and 25 air-outlets with variable air volume control (VAV). Typical global thermal loads for heating and cooling and electrical energy for ventilation were assumed. The model then calculated the contribution to energy savings of two types of typical Belimo field devices that are sold in high volumes for such applications. For air-side applications, the VAV-control actuator

LMV-D3-MP was chosen. For water-side applications, the valve R2025-16-S2 in combination with the valve-actuator LR24A-SR was chosen, a combination that is often used in air-handling units.

The energy-impact model is structured along six lifecycle steps of a field device: 1. resources, 2. manufacturing, 3. distribution, 4. operation, 5. energy saving, and 6. recycling.

1. Resources

The model first takes account of "gray" energy-content included in materials used to build a typical field device. These encompass steel, copper, aluminum, plastics, electronics and cardboard. While each type of raw material exhibits a different energy impact according to their weight per unit, they also differ in value due to their underlying energy intensity.

3.6 kg CO₂e per air-side actuator / 6.0 kg CO₂e per water valve and actuator (in one life-cycle): To keep utilized resources at the lowest level possible, environmental responsibility at Belimo begins with product design. Local sourcing, automated manufacturing, weight and material reduction, etc. help to continuously lower this factor.

2. Manufacturing

Also taken into account in our model is the energy needed to manufacture the field devices and to assemble and test them. In order to approximate this impact, typical values for manufacturing metals, plastics and electronics components used in the field devices are considered. The weights of the air-side actuators and control valves are used to determine the manufacturing energy necessary for each unit.

1.1 kg CO₂e per air-side actuator / 2.5 kg CO₂e per water valve and actuator (in one life-cycle): Ongoing optimization of current products leads to considerable material and energy savings during the manufacturing process. The product development process takes into account the entire useful life and customers' compli-

Management Approach

Energy Efficiency Delivered

Optimizing the energy use of buildings offers huge energy savings potential, as buildings are responsible for some 40 percent of worldwide energy consumption and climate-damaging CO₂ emissions. HVAC systems account for 40 percent of all energy used in buildings – research showing that 30 percent thereof is lost due to insufficiently controlled systems. Smart control of HVAC systems has a major impact on the energy efficiency of buildings. With its products, Belimo actively contributes to sustainable development. Exerting leadership in this area also promises to be a competitive advantage for Belimo.

Training Is Key

The main approach of Belimo to maintain leadership is by training customers as well as building owners/operators. Trainings are also conducted internally, as employees need to understand the superior energy efficiency that Belimo products provide (see also “Skill Development and Knowledge Management”, page 34). The “E” in the customer-oriented method CESIM® (see page 5) indicates that high-energy efficiency is an imperative in the development process. Strategically conforming new products to CESIM® is a critical factor in the selection process of development projects being pursued. The Markets & Innovation Committee (M&I) is responsible for the selection of such projects. This body made up of members of the three sales regions elaborate the M&I roadmap in regular meetings together with product management, the Group Divisions Innovation and Strategy.

Tracking Margins and Sales

The completion of development milestones according to CESIM® are tracked as part of the M&I process. Key performance indicators for subsequent success in the market are the contribution margin (CM) analysis as well as the number of quality-cases (external and internal) in comparison with the total number of sold products. A new data source, which is being introduced, is live data from IoT devices regarding energy use and energy savings during operation.

CO₂ Impact of a Belimo Field Device

Weighted average impact of an air-side and water-side actuator in kg of CO₂e



With 5.2 million new air-side actuators and 2.0 million valves and actuators shipped in 2019, Belimo helps prevent 7.6 million tons of CO₂e over the entire lifecycle of its products.

ance requirements, which include optimization of used materials in the manufacturing process according to recognized guidelines and standards.

3. Distribution

The model also takes into account the average amount of transportation energy needed to deliver a Belimo field device from the factory to the customer. Assumptions are made on the transportation paths commonly used, being mainly rail, road and sea-freight, in exceptional cases also air-freight.

0.1 kg CO₂e per air-side actuator / 0.2 kg CO₂e per water valve and actuator (in one life-cycle): Optimal shipping coordination results in low carbon emissions, as only a minority of field devices is shipped by air freight, thanks to the ever-expanding network of Belimo customizing centers across the globe.

4. Operation

Subsequently, the energy of a Belimo field device used during operation is calculated, taking into account the energy used in standby mode and when actuating.

47 kg CO₂e per air-side actuator / 26.9 kg CO₂e per water valve and actuator (in one life-cycle): In our model, a conservative service life of 15 years is assumed, while the actual lifetime is often 20 years and longer, made possible by the high quality and reliability of components used in Belimo actuators.

Designed for minimum power consumption during operation, our model shows that actuators exhibit their peak CO₂ output during this phase. However, the long service life of the actuators and valves helps drive this factor down to a minimum. Also, thanks to our best-in-class motor technology, our actuators consume up

to 80 percent less energy compared to others. The air-side actuator in our model uses just 0.4 watt in standby mode, much less than competitor products.

5. Energy Saving

To calculate energy savings realized with a Belimo control device in an HVAC system, the European standard EN 15232-2017 “Energy performance of buildings – Impact of Building Automation, Control and Building Management” (BACS) is used. This standard from CEN (Comité Européen de Normalisation, European Committee for Standardization) provides accepted average savings values when using BACS and controls devices of different efficiency classes, ranging from A to D. Each efficiency class demonstrates a different efficiency and energy savings factor when operated, ranging from 55 percent (type A) to no energy savings (D types).

Whereas type A is a demand-controlled, high-energy performance BACS featuring communicative controls, B operates with an advanced automated control, C is a standard BACS with central control, and D represents a non-energy-efficient BACS with no automated control. For our model, we assume that Belimo control devices are used to 30 percent in class A BACS (55 percent savings), to 60 percent in class B BACS (41 percent savings) and to 10 percent in class C BACS (29 percent savings), totaling savings of 44 percent.

Even though our chosen typical HVAC system operates in a similar manner across the world, there are large variations across the regions due to differences in climate zones and/or power generation. Annual energy savings are therefore calculated based on the consumption of a typical HVAC system that operates with a global average heating and cooling load profile using an average combination of electricity.

-1 103.2 kg CO₂e per air-side actuator as well as water valve and actuator combination (in one life-cycle): This major saving is possible thanks to the smart control of heating, cooling, and ventilation loads provided by Belimo field devices. Another favorable factor is the long service life of the Belimo actuators and valves.


6. Recycling

Belimo strives to minimize waste generated at the end of life of its products, although this more often than not coincides with the end of life of a building and is therefore difficult to manage and track. Still, assumptions on the impact of disposing and recycling a used Belimo field device are made for this phase.

-0.3 kg CO₂e per air-side actuator / -0.6 kg CO₂e per water valve and actuator (in one life-cycle): Energy can actually be recovered by properly recycling the units, i.e. when burnt in a waste-burning electricity plant or when recycling the metal of the valves.

Result of the CO₂ Impact Calculation

The energy-saving impact (step 5) of a Belimo valve and actuator is 21 (air-side) to 32 (water-side) times higher than the impact from all input factors, with a weighted average of 24. This results in a net CO₂ prevention impact of 1 068.3 kg CO₂e per valve and actuator over a 15 year lifecycle. For air-side actuators, this value is 1 051.7 kg CO₂e per device. With 5.2 million new air-side actuators and 2.0 million valves and actuators shipped in 2019, these devices will help prevent 7.6 million tons of CO₂e over their coming lifecycle. This corresponds to the negative emission of a middle-class car touring 600 000 times around the world. These small Belimo devices will therefore have a truly big impact on energy-consumption and our environment.

 The documentation as well as a review of the model by the Lucerne University of Applied Sciences and Arts is available online.



UN Sustainable Development Goals Approach

In order to double the global rate of improvement in energy efficiency stipulated by SDG target 7.3, the role of buildings and their HVAC systems are critical. Research shows that 30 percent of all energy used in buildings are lost due to insufficiently controlled systems. By making HVAC-controls smart, Belimo makes an active contribution to SDG 7 “Ensure access to affordable, reliable, sustainable and modern energy for all.”



UN Sustainable Development Goals Approach

Buildings are responsible for some 40 percent of worldwide energy consumption and climate change causing CO₂ emissions. Through their application, Belimo products save energy in HVAC systems in buildings, thereby creating measurable sustainability benefits and significantly contributing to SDG 13 “Climate Action.”

Solution Leadership

Solution Leadership

Leading with Best Solutions

To maintain its solution leadership, Belimo develops new, innovative devices focused on improving the five customer values (CESIM®), thereby adding more customer value than previous models or products of competitors.

In order to live up to its mission statement “We support our customers with innovative, efficient and energy-optimizing solutions,” Belimo is constantly working on delivering highly engineered solutions with added value, such as: greater comfort, higher energy efficiency, uncompromised safety, ease of integration, minimal installation costs and low maintenance need. As part of its company-wide CESIM® (see page 5) method approach for developing products and solution concepts in the field of building technology, the various customer segments and partners are involved in the development process at an early stage. This allows Belimo, together with its stakeholders, to find and verify innovative approaches and ideas.

Ensuring Best Solutions are Applied Best

Farsighted investment into research and development to maintain innovation leadership is one of the main success factors of solution leadership. Besides this, Belimo also ensures products are optimally designed through extensive testing, investments in big data analysis, competitor analysis, customer visits, error and supply chain analysis as well as training of employees and customers, i.e., in in-house experience centers, thereby ensuring that best solutions are applied best.

The Group division Innovation is responsible for and ultimately drives the development of better solutions, while the regional Group divisions operate the training facil-

ities. All engineering adheres to the Quality First statement of Belimo, which emphasizes that quality comes before deadlines and costs. This philosophy is directly linked to processes implemented within the Group division Innovation to achieve sustainable solutions. All major Belimo sites with innovation capabilities are certified according to ISO 9001 and ISO 14001 (Danbury, Hinwil and Shanghai). Balancing customer needs and the standardization of the product range, however, constitutes a constant trade-off for the Company. The modularization of the product range is an ongoing effort that allows for more flexibility to expand it while reducing complexity at the same time.

Focus on Research & Development

The main KPI for gauging the success of solution leadership is the investment in Research & Development (R&D) in percent of net sales. This percentage has been constantly maintained at 7 percent and above over the last five years. Belimo also tracks the success of managing its better solution design by comparing R&D investments in different segments to changes in turnover or market share of the corresponding segments. Other measures are the overall strategic development of the product range as well as the number of quality cases and costs for finding lasting solutions. In addition to plans to open a third section to the experience center in Hinwil where a chiller plant will be displayed, Belimo also runs several smaller experience centers in Danbury, Shanghai and Hong Kong, which will be upgraded step by step. Another experience center is planned to be opened in India.



UN Sustainable Development Goals Approach

With respect to SDG 9 “Industry, Innovation and Infrastructure,” Belimo sets standards in the field of HVAC actuator, control valve and sensor technology. While the majority of field devices of Belimo drive energy efficiency of buildings, its fire and smoke actuators contribute to their resilience.

A Selection of Innovations in Comfort, Energy Efficiency, Safety Solutions, Installation and Maintenance (CESIM®)

Comfort



Sensors of Belimo ensure comfort levels and contribute to people's well-being and productivity.



Pressure Independent valves ensure that hydronic systems are perfectly balanced at all times, leading to better comfort.

Energy



Belimo Energy Valves™ provide transparent energy monitoring while maintaining high Delta T.



Damper actuators of Belimo consume up to 80 percent less energy than others do, thanks to patented brushless DC motor technology.

Safety



Spring return or electronic fail-safe actuators provide reliable operation in case of a critical event.



Quick running actuators ensure controlled conditions of production spaces, laboratories and other sensitive areas.

Installation



Retrofit Solutions allow for quickly and conveniently upfitting valves, actuators, and sensors – without any interruptions.



The Belimo Assistant App provides fast and easy programming, commissioning and troubleshooting – even without power.

Maintenance



Belimo field devices offer low maintenance operation and longevity. Various communication protocols and interfaces provide superior application data access.



A 5-year warranty backing all Belimo field devices provides peace of mind; knowing that you have chosen the very best.

Digitally Enabled Solutions

Innovating Digital Solutions

By launching an ever increasing number of “digital products,” Belimo helps its customers digitize their business processes. The data gathered not only increases the efficiency of the installations but also helps Belimo continuously improve its products.

Belimo sees digitization as a highly relevant trend for the HVAC industry as it enables a closer relationship between all stakeholders in the value chain. Digitization helps Belimo assume a customer journey perspective – be it in its development, production or customizing approach. For customers, digitally enabled solutions promise product enrichment thanks to value-added product features. Belimo products now meet the increasing demand expressed by customers to digitize their business processes (i.e. in planning, installation, commissioning, monitoring, optimization, and maintenance).

Digitization Leads to New Questions

Belimo aims to be fit for the future by embracing digitalization. The main driver of digitally enabled solutions is the Group division Innovation, which has mandated a dedicated group of specialists with the task of drafting and testing the underlying business case. Digitization, however, also leads Belimo internally to ask new questions. The internal digitization of Belimo is a continuous company-wide process, with the organization as well as development processes continuously evolving.

Harvesting Value

As an example, Belimo ZoneEase™ well represents this new family of “digital products”. A simple commissioning process, increased connectivity and data transparency together with Cloud connection improve the user experience. Furthermore, such products provide data that can be analyzed to learn more about the application and consequently improve the product or its software in future versions. It is our aim to know selected applications better than our customers so we can innovate beyond the product and enhance the overall efficiency of HVAC systems.



UN Sustainable Development Goals Approach

By 2050, two-thirds of all humanity – 6.5 billion people – will live in cities. The megatrend of urbanization strongly drives the number of people living and working inside and with it, the necessity of smartly controlled HVAC systems – ergo Belimo applications. With respect to SDG 11 “Sustainable Cities and Communities,” Belimo helps make cities more sustainable and safer by providing products such as the Belimo Energy Valve™ or a wide range of safety actuators for motorized fire dampers and smoke control dampers.

Strategic IP Management

Managing Patents Successfully

Through strategic intellectual property (IP) management, Belimo protects its commercial interests and handles the growing number of patents and trademarks.

The first and main reason for Belimo to pursue a strategic IP management is to ensure the Freedom to Operate (FTO) – that Belimo and its customers are free to manufacture and operate Belimo products or non-patented know-how, without being restricted by other patent rights. Protecting technological advantage and subsequent innovation leadership is a second reason. A third focus is pruning: the continuous out-sorting of patents with low business value. Modularization is currently the main driver of patent concentration: If the core module is patent-protected, all deriving products are protected as well. Last but not least, FTO in the IoT range is an important IP area as well.

Highly Labor-Intensive Tasks

In the search of new patents, the strategic IP management team continuously monitors ongoing development projects, mapping out and pre-analyzing their status. In addition, new product or technology patents of third parties in the HVAC industry are regularly monitored to ensure FTO and to be knowledgeable of the market. Ultimately responsible for IP topics is the Head of Research, while external experts support certain tasks. This approach allows developers to primarily focus on their role, especially since these tasks are highly labor-intensive. IP management also entails the definition of rules and duties between development partners prior to the start of a project. These are usually well documented in frame development agreements and non-disclosure agreements (NDAs). If required, Belimo evaluates licensing of advance technology for its products to partners.

Patent Database

The effectivity of IP management is reviewed in regular meetings with the Group division Innovation and the IP management team. This also ensures an unimpeded flow of information between the two groups. For tracking and sharing all relevant information, IP management also maintains a patent database. KPIs Belimo uses to gauge the success of its strategic IP management are: the number of fields Belimo files patents in, the percentage of products that are patent-protected, as well as the number and fields of license, development and frame development agreements. Currently, Belimo files approximately ten new patents each year. Overall, Belimo owns around 90 patent families and around 260 pending or granted patents. To continuously monitor whether the IP strategy is on track, the strengthening of IP-related activities is currently being discussed.

IP Management in the Age of Digitization

Strategic IP management is especially relevant in the age of digitization – a field Belimo focuses its research on and has filed several patents. However, digitization is also a field in which Belimo is increasingly competing with IT companies that are filing a vast number of patents. Since it takes around five years until a patent is granted, the latest patents filed by Belimo are still pending.

Story: Reliably Controlling DC-Motors

The Patent Star of Belimo



A patented algorithm for motor control is one of the most valuable Belimo developments of the past few years. In four of five Belimo-actuators, it ensures uniform behavior with outstanding reliability.

For 45 years, the core element of every Belimo actuator has been its motor. However, motor technology has undergone great changes over the years. In the 1970s, all Belimo actuators were still made with brushed motors: These could be controlled with an extremely simple logic system. However, as Belimo actuators became more and more successful, the number of applications increased, and with them the requirements for durability and control options. In the 1990s, Belimo was the first to introduce brushless DC motors and in that way improving the quality and meeting the requirements of new applications. They were controlled with so-called Hall sensors. These sensor elements, which are staggered 120°, report back the respective motor position.

No Hall Sensors Anymore

To further improve the reliability, uniformity and quality of their actuators, Belimo introduced in 2004 a single chip motor control unit integrating the usual HVAC actuator interface signals and not using anymore hall sensors for the commutation of the three phase brushless motor. These allowed for a simpler design, because different positioning devices and lines, connector plugs, etc. for the sensor technology could be completely omitted. The calculation of the precise time, the so-called commutation time, to control the next two of three motor phases was done by the precise observation of the de-energized third phase. However, the crucial point

with this solution is its reliability in application. Depending on load, temperature and supply voltage, the measurement gives a somewhat different position determination.

“Therefore, a robust algorithm that is immune to all external operating conditions and influences is absolutely critical. The microcontroller solutions available for the sensorless operation of brushless motors were nowhere close to being able to do this,” says Silvio Grogg, Director of the Electronics Research Department at Belimo. “Because the robust algorithm that was needed was not available for purchase anywhere, we had to develop it ourselves – with a focus on the greatest reliability for precisely our requirements.”

As a result, at the beginning of the 2000s, the Belimo team started to develop an algorithm that took all possible influencing factors into account. Over a period of about one year a program was created that improved more and more in iterative tests and had to be verified – until at about 100 000 starts only two or three errors occurred. “But for these too we needed to find out when and why they happened.”

Logical Continuation

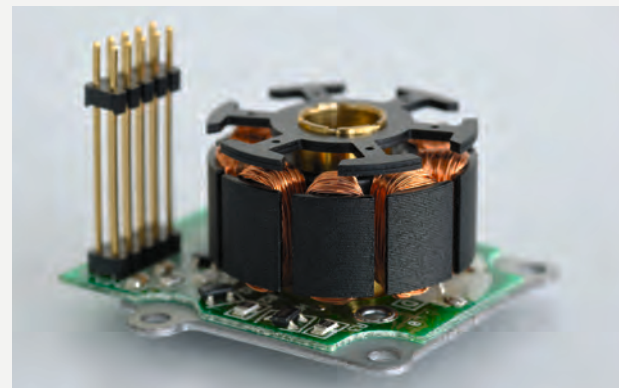
After a lot of meticulous work, the solution was born – an algorithm for all control types of the Belimo actuators. It was stable and was expected to avoid quality cases. The algorithm was then implemented in hardware in chip form as an ASIC (application-specific integrated circuit). It was cost and space-optimized and well-protected against copying, and since then has been installed in most Belimo actuators. “The great challenge for us was to cover the great variety of operating conditions,” Grogg recalls. “For that reason, and thanks to the integration in an ASIC, our optimized and sophisticated al-

gorithm has not yet been copied on the market.”

This patented technology gives Belimo a great competitive advantage. However, with technological development the company has been investing in a new generation of application-specific, integrated circuits for some time. A new version of the algorithm will then be integrated into them. This is because time has not stood still in the 15 years since the patent star of Belimo began to control motors reliably. “We have to refine the technology before someone else does,” says Grogg. Thanks to enormous advances in semiconductor miniaturization, the new solution should integrate considerably more functionality and capabilities for motor control, and therefore be able to cover the entire product range. Grogg: “It is the logical continuation of the very successful and, as anticipated, extremely reliable chip solution from 2004 with perfectly unified behavior for all Belimo actuators.”

Thanks to continuous research in innovative actuator technologies, Belimo will also be able to create unparalleled customer value in the future.

A key patent: In four of five Belimo-actuators, the patented algorithm for motor control ensures uniform behavior.



Operational Excellence

Partnerships with Suppliers

Creating Win-Win Relationships

Aligned with its founders' principle of outsourcing the production of goods and services to others with greater expertise or economies of scale, Belimo sees its suppliers as key partners and a critical element for the success of its asset-light model.

As 86 percent of product manufacturing costs at Belimo are incurred in a network of almost 400 suppliers and partners, a good partnership with its suppliers is essential for the Company to deliver with high speed, quality and flexibility to its clients. This network is also absolutely critical to maintaining comparatively high net sales per employee of CHF 405 000 in 2019. The total procurement volume of Belimo amounted to CHF 272 million in 2019. Depending on their turnover, the Company differentiates between A, B and C-type suppliers – next to strategic component specialists and special

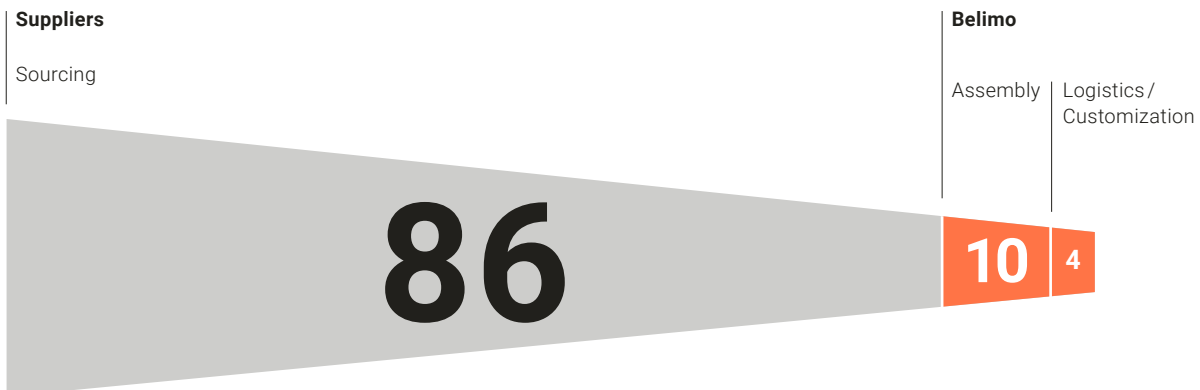
part suppliers. A guiding principle in terms of supplier partnership is to involve suppliers and partners when the exact part specifications for Belimo products or services are being developed. Optimizing downstream impacts also includes finding preferable solutions that fulfill the needs of the end users as well as meeting and exceeding mandates in a cost-effective manner. The ultimate ambition of the sourcing strategy of Belimo is to engage suppliers that match its company culture. The Company therefore only collaborates with established suppliers from mature markets.

Strong Supplier Relationships

Belimo suppliers significantly contribute to quality, innovative capacity and sustainability and are involved in the environmental and quality policy of Belimo. When it comes to environmental and social standards, Belimo makes the same demands on its suppliers as it does on its own internal service providers. These requirements are set out in the Code of Conduct for suppliers and reflect internal guidelines. Tier 1 suppliers are expected to pass these requirements down along their supply chain. Among other things, these requirements

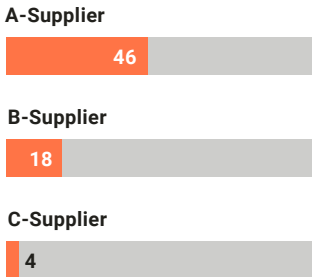
Focus on Final Assembly, Testing and Customizing

in % of production costs



ISO 14001 Certified Suppliers

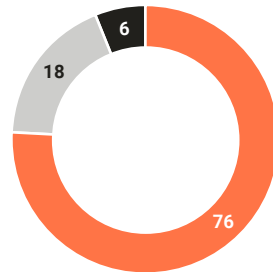
in %



■ ISO 14001 certified

Procurement by Region

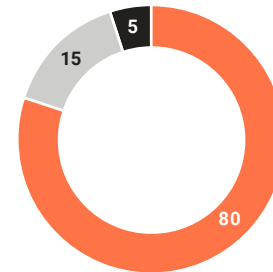
in %



■ Europe: 76%
 ■ Asia Pacific: 18%
 ■ Americas: 6%

Procurement Volume by Supplier Type

in %



■ A-Suppliers: 80%
 ■ B-Suppliers: 15%
 ■ C-Suppliers: 5%

are based on the principles of the UN Global Compact. Belimo is convinced of its moral obligation to thoroughly evaluate its supplier's adherence to occupational safety standards and additional aspects and that this can only be monitored through a certain level of personal presence on site – i.e. through supplier audits (child labor, protective gear, etc.). Therefore, suppliers must be willing to grant full transparency to enable Belimo to fairly estimate possible risks, be it of financial nature, the ability (know-how) and availability (capacities) to work on projects, and/or possible image-risks to the Belimo brand.

The Head of Global Sourcing, who reports to the Head of Group Division Production oversees supply chain management and is together with his team responsible for the procurement of semi-finished goods and raw materials. Belimo follows a single source strategy to establish relationships that are characterized by trust, honesty and operational excellence – ergo competitive costs. The main instruments to achieve this are supplier audits conducted by Belimo employees, open engagement, network building activities as well as a wide array of other instruments. Belimo views these instruments as part of its continuous improvement process. IT tools such as the SRM tool "Jaggaer" (Supplier Relationship Management, where measures or action plans resulting from each audit are stored), form the basis of successful supplier management.

For Belimo, being an active partner in the skill development of its suppliers' workforce regarding manufactur-

ing processes is crucial for the long-term enhancement partnerships. This ensures competitiveness and quality. Other tools such as "Risk Methods" for risk management and "Celonis" for process mining assist in effectively evaluating potential and existing suppliers.

Seeking a Cultural Fit

Next to ensuring a cultural fit with its supplier, which per se cannot be measured in quantitative terms, Belimo evaluates the effectiveness of its approach on the basis of the suppliers audited each year, the years of co-operation as well as their turnover. Of its supplier base, about 10 percent are audited every year. These audits are mainly conducted at A, B or special part suppliers. Besides being ISO 9001/quality management certified, Belimo requires its tier 1 suppliers establish a certified environmental management system that complies with ISO or has at least implemented the following elements from the standard: environmental goals, program, legal compliance, waste management. Belimo maintains a relationship for longer than 15 years with roughly one third of its suppliers. Belimo sees this as a strong indicator of success in managing partnerships with its suppliers. Regarding supplier turnover, five new ones are added each year – while non-compliant ones are gradually faded out.

In order to maintain a healthy and competitive supplier base, the Company strives to ensure that each supplier maintains net sales to Belimo below a 30 percent cap.

Environmental Footprint of the Supply Chain

Mitigating Our Footprint

Marketing its products with energy efficiency obliges Belimo to maintain a high level of awareness about the environmental impact of its supply chain.

Minimizing the environmental footprint is not simply an end in itself: Keeping an eye on the environmental footprint of the supply chain also bears a direct financial benefit. Being attentive helps mitigate risks from bad supplier practices such as local pollution etc. that might negatively affect the environment and therefore contradict the ethical standards of Belimo. Furthermore, it minimizes costs from procurement disruptions due to noncompliance with environmental regulations. At the same time, resource efficiency (materials, natural resources, energy, etc.) and waste reduction directly reduce costs.

Regular On-Site Audits

The Head of Global Sourcing is responsible for managing this topic at Belimo. Key instruments for ensuring that suppliers adhere to requirements include the implementation of the renewed Code of Conduct (incl. supplier declarations). Both new and existing suppliers undergo regular on-site audits. Belimo demands its suppliers to make a clear commitment to principles of sustainability and social responsibility. Contract management is yet another instrument to hold third parties accountable.

Approaches to optimize the environmental footprint of the supply chain involve minimizing waste and shipping. Optimal coordination of shipping (see "Process Efficiency and Short Lead Times", page 76) as well as local sourcing help to further reduce the environmental footprint of logistics.

In order to reduce packaging waste and maximize reuse as well as recycling of materials and packaging, suppliers must comply with strict packaging instructions. These stipulate, for example, the use of reusable FSC-labelled cardboard boxes/recyclable pallets. Cardboard packaging from suppliers based in the European Union is produced in accordance with the recycling symbols (RESY) guidelines and in the USA according to equivalent principles. This means that all transport packaging consists of ecologically harmless materials and can be recycled. Through the consistent use of reusable cardboard packaging between Belimo locations and suppliers, packaging material is saved and recycled at the end of its useful life.

Healthy Profits are Key

Suppliers are initially checked through supplier audits as to whether they observe environmental laws. The Code of Conduct has been signed by more than 80 percent of the A-suppliers and prohibits gross violations of environmental laws. The top 20 suppliers of Belimo incur more than 60 percent of the procurement volume. Once a collaboration has been established, suppliers undergo regular visits and audits, in which Belimo especially looks for healthy profits from the supplier as they ensure the capability to innovate and invest in state-of-the-art environmental-friendly technology. This can for example include switching from pneumatic injection molding machines – whose compressors are highly energy intensive – to electrical ones. Furthermore, many suppliers are themselves certified according ISO 14001, in addition to the mandatory ISO 9001. Moving to a 4PL logistics provider (Fourth Party Logistics, see "Process Efficiency and Short Lead Times", page 76) will in the future offer enhanced analytics of the environmental footprint of the supply chain.

Structured Product Design Process

The “Quality First” initiative of Belimo has been an essential pillar for managing sustainable product development, the continuous improvement process and the complaint handling process for many years. All product developments at Belimo follow a structured design process (certified according ISO 9001:2015 and ISO 14001:2015), for which the “Voice of the Customer” serves as a vital source of input. This input is generated through onsite interviews (different customers within different regions) that are conducted in line with CESIM® (see page 5).

Within CESIM®, the percentage of significant products and services with health and safety impacts is assessed prior to sale. In the previous year, 100 percent of products were assessed.

Hazardous Substances

The quality organization is responsible for supplier compliance with guidelines and regulations that regulate the use of critical materials, such as Restriction of Hazardous Substances Directive (RoHS), REACH, Conflict Minerals, Prop 65, etc. The constantly increasing requirements are continuously analyzed and the findings flow into the processes and products. Compliance is implemented based on a list of banned substances and suppliers are obliged to comply with these requirements. The careful selection of materials used is aimed at minimizing their environmental impact. Auxiliary materials such as solvents, resins, paints or lead and chromium are not used at all, or only in very small quantities.

During the design process, Belimo also relies on industry-wide accepted tools, such as FMEA (Failure Mode and Effect Analysis) and in-depth risk analysis. Environmental directives (WEEE, RoHS, REACH) are also taken into account. Moreover, all Belimo products undergo a thorough First Article Inspection and Series Testing prior to sale. The successful inspection and series testing have ensured that during the reporting period, no incidents of non-compliance with regulations and/or voluntary codes have been reported.

All legal and compliance topics concerning customer health and safety are listed in the Belimo requirement specifications. With this framework, Belimo ensures that all requirements regarding health and safety are fulfilled.

During the reporting period, no incidents of non-compliance with regulations and/or voluntary codes have been reported.

Assessment of Health and Safety Impacts of Products and Services

Percentage of significant products and services, for which health and safety impacts were assessed prior to sale	100%
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Incidents of Non-Compliance concerning the Health and Safety Impacts of Products and Services

Number of incidents	0
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Energy Efficiency in Operations

Ensuring Efficient Operations

The Belimo brand stands for energy efficient devices for HVAC systems. So do the operations of Belimo. We therefore make every effort to limit the impact of our own operations.

As a leader in developing energy-efficient solutions for the HVAC industry, the stakeholders (i.e., customers, public, investors, job applicants) of Belimo expect the Company to run its own operations energy efficiently. Energy efficiency is, however, not only about reputation, it also leads to cost reduction in the form of reduced power consumption and longer lifetime of

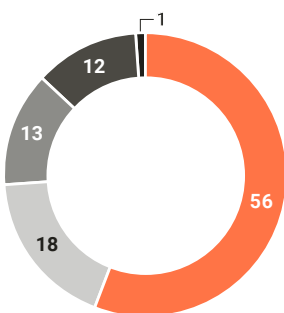
equipment. In addition, optimizing lighting conditions and air quality for employees improves – next to saving power – working comfort and therefore leads to a greater employee satisfaction. The same is true for heat emissions from installations.

Modularity Improves Efficiency

At Belimo, production comprises procurement, production planning and assembly. All production processes are analyzed according to the principles of lean management and improved on an ongoing basis. Efficient material supply, waste-free assembly based on reliable processes, quality-assured steps in value creation and standardized testing procedures form the basis for the quality and on-time delivery of Belimo products.

Energy Consumption by Source 2019 (Danbury and Hinwil)

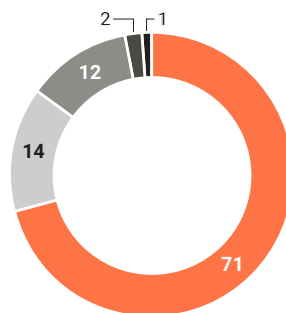
in %



- Electricity, non-renewable: 56%
- Electricity, renewable: 18%
- District heating: 13%
- Natural gas: 12%
- Diesel: 1%
- Heating oil: 0%

CO₂e Emissions by Source 2019 (Danbury and Hinwil)

in %



- Electricity, non-renewable: 71%
- Natural gas: 14%
- District heating: 12%
- Diesel: 2%
- Electricity, renewable: 1%
- Heating oil: 0%

Energy Consumption Within the Organization 2019

Scope: Danbury and Hinwil; encompassing approx. 90 percent of total energy consumption within Belimo.

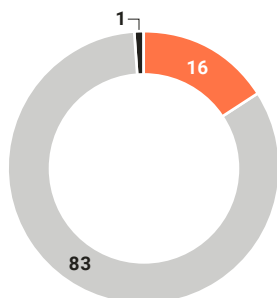
	Unit	Danbury (Connecticut, USA)	Hinwil (Switzerland)	Total
Electricity				
Total electricity consumption (purchased)	MWh	4 388	3 084	7 472
Total cost of electricity consumption	CHF	655 888	373 759	1 029 647
If available, name of purchased electricity product		40% renewable content		
Total electricity consumption (own production)	MWh	0	61	61
On-site fuel consumption				
Heating oil	liter	0	0	0
Natural gas	MWh	1 244	0	1 244
Total cost of heating oil	CHF	0	0	0
Total cost of natural gas	CHF	45 699	0	45 699
Direct heating				
Total district heating consumption	MWh	0	1 281	1 281
Total cost of district heating	CHF	0	104 771	104 771
Fuel consumption of backup generators				
Diesel fuel	liter	13 361	0	13 361
Total cost of diesel fuel	CHF	10 220	0	10 220
Floor area				
Total floor area of all buildings on site	m ²	18 263	35 360	53 623

Energy Consumption and CO₂e Emissions by Source 2019 (Danbury and Hinwil)

	Danbury (Connecticut, USA)		Hinwil (Switzerland)		Total	
	MWh	tCO ₂ e	MWh	tCO ₂ e	MWh	tCO ₂ e
Energy						
Electricity non-renewable	2 633	698	3 084	560	5 717	1 257
Electricity renewable	1 755	19	61	3	1 816	22
Heating oil	0	0	0	0	0	0
Natural gas	1 244	251	0	0	1 244	251
District Heating	0	0	1 281	216	1 281	216
Diesel	134	36	0	0	134	36
Total	5 765	1 004	4 426	779	10 191	1 783

CO₂e Emissions From Energy 2019 (Danbury and Hinwil)

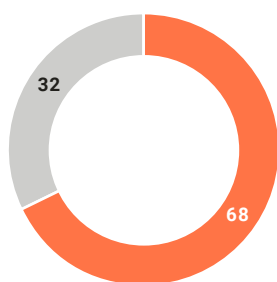
In %



- Scope 1 (direct emissions from owned or controlled sources): 16%
- Scope 2 (indirect emissions from the generating of purchased energy): 83%
- Scope 3 (other indirect emissions occurring in the value chain upstream [suppliers] or downstream [customers]): 1%

Waste 2019 (Danbury and Hinwil)

In %



- For recycling: 68%
- For incineration: 32%
- Remaining waste: 0%
- Hazardous waste (electronics, separated materials): 0%

Classification of Operational Boundaries Where Greenhouse Gas Emissions Occurred in 2019 (Danbury and Hinwil)

in tCO ₂ e	Consumption
Total	1 783
Scope 1 (direct emissions from owned or controlled sources)	287
Scope 2 (indirect emissions from the generating of purchased energy)	1 474
Scope 3 ¹⁾ (other indirect emissions occurring in the value chain upstream [suppliers] or downstream [customers])	22

¹⁾ Scope 3 emissions are merely a fraction of the total Scope 3 emissions and derive from the capital goods (e.g. hydropower infrastructure, photovoltaic panels, etc.) used to generate renewable energy (excluding business travel by air).

Energy Intensity 2019 (Danbury and Hinwil)

As outlined on pages 58 to 61, Belimo products reduce energy consumption and CO₂ emissions by a factor of 24 in relation to their resource input. While our model covers the whole resource consumption including supply chain, the figures below only show measured resources.

	Unit	Consumption
Net sales	kWh per 1 000 CHF Net Sales	14.71
Net sales	kgCO ₂ e per 1 000 CHF Net Sales	2.57
Per capita	kWh per employee	5 954.27
Per capita	kgCO ₂ e per employee	1 041.75
No. of actuators sold	kWh actuator sold	1.42
No. of actuators sold	kgCO ₂ e per actuator sold	0.25

Net sales, total employees, total no. of actuators sold represent group-wide figures, while the underlying energy consumption and greenhouse gas emissions comprise only data from the two locations Hinwil and Danbury in 2019.

Recycling and Disposal 2019 (Danbury and Hinwil)

	Unit	Danbury	Hinwil	Total
For recycling	metric tons	378	378	756
For incineration	metric tons	66	284	350
Remaining waste	metric tons	0	0	0
Hazardous waste (electronics, separated materials)	metric tons	0	3	1
Waste water	m ³	140	6 100	6 240

Under the lead of the Head of Group Division Production, Belimo strives for continuous improvement of energy consumption and waste within operations. The modular design of Belimo products offers energy efficiency advantages as it minimizes variances of parts and therefore waste as well as the number of suppliers and transports. Moreover, automated assembly of modular products leads to higher (energy and material) efficiency and further reduces waste. The Belimo sites in Hinwil (Switzerland), Danbury (Connecticut, USA), Sparks (Nevada, USA) as well as Shanghai (China) apply the international environmental management standard ISO 14001 and quality management standard ISO 9001.

The energy consumption of the two main manufacturing sites Danbury and Hinwil is well within the assumptions of our CO₂ impact model (see section "High-Performance Solutions for Energy Efficiency and Indoor Air Quality", pages 58 to 61). There, a weighted average of 1.45 kilogram of CO₂e input to manufacture one actuator was calculated, summing up to a total of 10 380 tCO₂e to manufacture the 7.2 million shipped pieces. This amount includes the manufacturing impact of Belimo suppliers as well as the in-house manufacturing of Belimo. The ratio between the calculated total impact of 10 380 tCO₂e and the measured Belimo internal impact of 1 783 tCO₂e (comprising Danbury and Hinwil sites; excluding business travel by air) therefore corresponds well with the actual production cost ratios. 86 percent of production costs are incurred at suppliers compared to 14 percent in-house production costs (see section "Partnership with Suppliers", page 68).

Capitalizing on Solar Power

Also in 2019, Belimo achieved progress in the area of energy consumption at its premises. In the reporting period, new and highly efficient chillers were installed in the Longus building in Hinwil (Switzerland). Furthermore, the entire building was retrofitted with Belimo Energy Valves™ to improve comfort and increase energy efficiency.

Also the solar plant in Hinwil was expanded in the reporting period, increasing solar power production in 2019 from 31 MWh/year to around 61 MWh/year. 100 percent of the electricity produced is consumed in-house. Furthermore, Belimo has decided to install a photovoltaic system in Danbury (Connecticut, USA), with a peak output of 900 kW. After commissioning of the system in 2020, Belimo will be able to save about

1.2 GWh or 345 tCO₂e per year¹⁾, or the equivalent of 172 flights from Zurich to New York and back²⁾.

Besides the increase in installed solar panels, further improvements have been achieved through the use of TPPL batteries for forklifts with expected yearly savings of 153 000 kWh and the insulation of the loading ramp in Hinwil with expected yearly savings of 15 000 kWh.

Business Travel

Business travel by air accounted for 2 243.6 tCO₂e³⁾ of emissions in the reporting period.

SQS-Audits

Analysis, evaluation and improvement of the use and cost of energy in operations (carried down to energy source and site) is conducted consistently. The above-mentioned Belimo sites also undergo regular audits by the Swiss Association for Quality and Management Systems (SQS) and the China Quality Certification Center (CQC) in China. Moreover, employees are regularly questioned via surveys on their working comfort.



UN Sustainable Development Goals Approach

Belimo contributes to SDG 12 "Responsible Consumption and Production" by upholding sustainable procurement practices and

localized sourcing, minimizing waste and optimizing logistics through modularization of its product ranges and applying environmental management standards at its main production sites.

¹⁾ Source: www.oecd.org (OECD countries: 432 g CO₂e/kWh electricity mix minus 87 g CO₂e/kWh for solar power)

²⁾ Source: www.myclimate.ch (ZRH-JFK-ZRH ECO flight: approximately 2 tCO₂e)

³⁾ Scope: Trips of employees from Hinwil (Switzerland) and Danbury (Connecticut, USA). The relevant emission factors and emissions have been calculated using the myclimate Flight Emission Calculator.

Process Efficiency and Short Lead Times

Staying Ahead in Logistics

Frequent last-minute changes in planning, construction, and installation are a serious challenge in the HVAC sector. This is why short lead times are a key advantage that Belimo can offer to its customers.

Ensuring short lead times and focusing on on-time performance are essential competitive advantages for Belimo, as customers are provided with additional flexibility for their business activities.

Moreover, delivering on-time and directly to customers and construction sites reduces handling and partially eliminates the need to stock products, which in turn frees up capital and time for our customers. In addition, short lead times reduce risks such as the exposure to order changes and updates by waiting customers. They also reduce on-site loss as well as material returns back to their stock.

Further, short lead times increase the flexibility of Belimo to react to changed demand. They result in lower carbon emissions and costs as urgent deliveries are generally executed by air.

Process efficiency in logistics reduces internal lead times between order intake and shipping, production and customization. Lean processes reduce the cost base and assist in the efficient use of resources, energy, materials, and labor.

Change in Logistics Provider

The most important contributors within Belimo that guarantee process efficiency and short lead times are procurement, the planning department, customiza-

tion, and production as well as logistics. Continuous process improvements such as the optimization of customs duty processes, a sophisticated product life-cycle management, supply chain improvements as well as managed logistics (4PL) are crucial processes for fast lead times. To improve the latter, Belimo changed from a 3PL (Third Party Logistics) to a 4PL provider in 2019, since the latter also offers tailor-made supply chain management and fully automated digital data interexchange. These measures reduced end-to-end lead times by one to three weeks. Weekly consolidated shipments from suppliers are another measure for keeping lead times short and saving energy.

The transfer of knowledge and technology between production locations ensures safe, efficient and resource-saving production processes. In all markets, the final assembly of the valve-actuator combinations takes place on-site. Ecological aspects are given high priority in the regular review and adjustment of logistics processes. The consolidation of deliveries from suppliers, internal transfers within the Company and direct deliveries to customers reduce transport lead times. Standardized reusable packages are increasingly being used for deliveries between Belimo sites, allowing for automatic storage or further processing without any need for repackaging. Reusable packaging is also used to transport goods between Belimo and its suppliers at an average of five to seven times.

If possible, waste is reused, recycled or professionally separated or disposed of at internal collection points. This allows for more than half of the waste to be recycled. In Hinwil, the non-recyclable remainder is sent to the neighboring waste incineration plant. Disposal transportation is consolidated.

From "First Saves" to "Last Saves"

Belimo tracks several KPIs to measure its on-time performance, such as on-time performance through the "first saves" and "last saves." "First saves" shows the

percentage of order lines that are delivered in line with customers' service expectations, whereas "last saves" shows the percentage of order lines communicated and confirmed to customers. The indicators "first save" and "last save" are exceeding their set target range for 2019. Further indicators are stock turnover rate, non-availabilities, lead times between destinations, lead times between Belimo and customers and the number of customer complaints relative to all deliveries. The measured indicators show that the logistic processes were in line of the target-range in 2019.

The "first saves" KPI for the Danbury, Hinwil, Shanghai and Sparks production sites, covering roughly 90 percent of order volumes at Belimo, amount approximately to a satisfying 94 percent average for 2019. "Last saves" for these plants are at 98 percent, which is also well in line with set targets.

Quality First

Exceeding All Expectations

Following our Quality First Standards, Belimo encourages all of its employees to assume their share of responsibility to ensure quality in everything we do.

In order to achieve our goals in terms of quality, mid-2018 the Executive Committee developed among others the following Quality First Standards:

- We understand our customers and focus on making them more successful.
- We help our customers to achieve comfort, energy efficiency, safety in buildings, ease of installation and maintenance.
- The order of our priorities is quality first, timeliness second and cost third.
- Operational excellence in all of our business processes ensures our products and services are top quality. Quality is everyone's responsibility.
- We learn from our mistakes and see them as an opportunity to drive excellence.
- We only do ourselves what others cannot do better. This will give us more time for our main tasks.

How Do We Manage Quality?

These top-level Quality First Standards are cascaded to each and every employee through individual workshop within all divisions. By doing so, employees become part of the development. And by raising awareness among our employees, we emphasize our commitment to live up to the quality standards we have defined for ourselves.

To contribute to the overall quality mindset in the organization, Belimo employees are empowered and encouraged to make continuous improvements to opera-

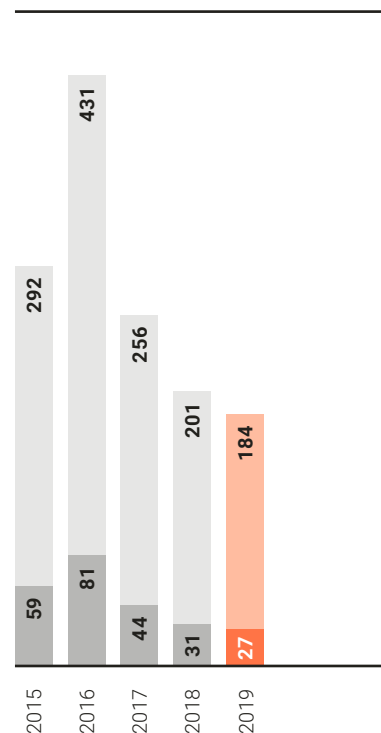
tional performance at every step of the value chain (see example Top Process, page 32).

In addition, all employees are encouraged to open an internal quality, environmental or safety-case if they believe something is not conform. These inputs are then analyzed and corresponding action is taken.

How Do We Measure Quality?

Belimo measures the level of customer satisfaction after closing a quality case (see chapter "Customer Engagement and Support", page 54). In addition, the number of customer, supplier and internal complaints are regularly reviewed to verify the success of our approach.

Supplier Complaints



Although net sales vastly grew and the complexity of our products is increasing, the total number of customer complaints decreased from an average of above 200 in the last few years to 171 complaints in 2019. Compared to net sales growth, the relative number of customer complaints is steadily decreasing, which we see as the success of our quality strategy.

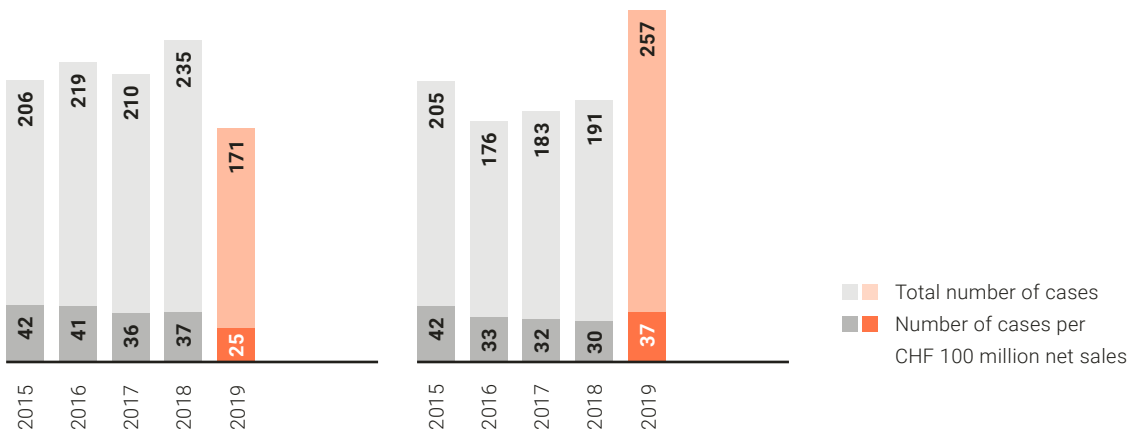
Also the number of supplier complaints (of logistical and technical nature) have been decreasing over the last few years. In 2016, we initiated logging of all logistical supplier complaints, regardless of severity. This initiative helped us understand the potential for improve-

ments, but also resulted in a peak of logistical supplier complaints. The following years effectively show a downward trend in the number of supplier complaints, which we view as proof of having implemented the right measures.

As a learning organization it is important for us to detect internal complaints systematically. With further strengthening our Quality First approach there is also a slight increase of internal complaints visible. We view this positively, as it demonstrates that we are still uncovering potential for improvements – although our current program and database has been running for six years.

Customer Complaints

Internal Complaints



About this Report

This report has been prepared in accordance with the GRI Standards: Core option. The current report refers to the year 2019 and is the first report that Belimo Holding AG has published along the standards of the Global Reporting Initiative (GRI 102-49; 102-50). Hence, no re-statement of information has been made (GRI 102-48; GRI 102-51). The reporting period is from January 1, 2019 through December 31, 2019 (GRI 102-50). Belimo Holding AG has not sought external assurance of the GRI information provided, but has used the standards for internal auditing wherever practical (GRI 102-56). The content of this report focuses on the topics determined to be relevant or material to Belimo, its stakeholders and its impacts on sustainable development.

For a description of the materiality assessment see page 6 and for the alignment between Belimo material topics and GRI topic-specific standards see table “Mapping Our Topics with GRI” below. The discussion of these topics in this report has been developed so that it meets the information requirements of the key stakeholder groups of Belimo (see table “Overview of Key Stakeholders”, page 81). On the executive-level, these topics are managed by the CFO and the CEO. They are supported by a Sustainability Steering Committee consisting of the CFO and CEO, the Head of Global Quality as well as the Head Strategy & Brand Management (GRI 102-20).

Mapping Our Topics with GRI

Page	Belimo Material Topics	GRI Topic
	Performance	
8	Economic Performance	201 Economic Performance
14	Balanced Investment Portfolio	–
	Credibility Culture	
25	Company Values and Cultures	102-16 Values, principles, standards and norms of behavior
30	Employee Empowerment and Engagement	–
34	Skill Development and Knowledge Management	404 Training and Education
38	Equal Opportunity Employment	405 Diversity and equal opportunity 406 Non-discrimination
	Customer Value	
54	Customer Engagement and Support	–
58	High-Performance Solutions for Energy Efficiency and Indoor Air Quality	305-3 Other indirect (Scope 3, downstream) GHG emissions
	Solution Leadership	
62	Solution Leadership	–
64	Digitally Enabled Solutions	–
65	Strategic IP Management	–
	Operational Excellence	
68	Partnerships with Suppliers	102-9 Supply chain
70	Environmental Footprint of the Supply Chain	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 416 Customer health and safety
72	Energy Efficiency in Operations	302 Energy
76	Process Efficiency and Short Lead Times	–
78	Quality First	–

Stakeholder Engagement (GRI 102-40; 102-42)

The stakeholders listed in the table below have been identified by the Executive Committee as important stakeholders as they fulfil the following two criteria: The stakeholder group exerts a strong influence on the economic, environmental or social performance of Belimo and the stakeholder group is strongly affected by the economic, environmental or social performance of the Company. Sustainability at Belimo is geared towards several stakeholder groups and aims to create added

value for all these groups. Meeting the interests of a stakeholder group, such as customers, must not be at the expense of other stakeholders, such as employees or local interest groups. Customers appreciate the reliable and innovative application solutions and high product quality. Further strengths include consulting and service expertise throughout all customer relationship phases and partnership interactions with suppliers and consultants.

Stakeholder Type	Engagement Approach (GRI 102-43)	Key Topics of Interest to the Stakeholder Group (GRI 102-44)
Shareholders and Analysts	Investor day once a year, conference for media and financial analysts once a year, Annual General Meeting once a year, a summary annual report, an annual report and a semiannual report. Regular bilateral meetings take place with the management and analysts and investors.	Information about financial figures such as shareholder return, management structure, economic development in key markets, strategy, transparency of the remuneration system, new products and economic outlook.
Customers	Technical support, customer trainings, customer hotline, mailings, interviews, and most importantly: personal consultations through Belimo sales managers. All customer interactions are managed through a Customer Relationship Management tool. Also, presence at leading trade shows of the HVAC industry to present new applications and foster customer relations.	For real estate investors/architects: assurance in the Company's high quality product offering and efficient delivery. For planners and project managers: certainty about our solutions. For buyers: seamless integration into their system. For installers: solution simplicity.
Employees	New employee trainings, leadership trainings, worldwide surveys every three years, annual and semiannual performance reviews, trainings.	Workplace safety, remuneration, Company strategy, education and further training, occupational health and safety.
Suppliers	Initial contact within the scope of the assessment procedure and implementation of the Code of Conduct for Suppliers, close collaboration in joint development projects, 40 to 50 supplier audits per year.	Order volume, risk assessment, price negotiations, overall strategy of Belimo.
Municipalities and Authorities	Regular exchange on topics such as taxes, working permits and developments of production sites.	Consultation on expansion plans, tax strategy, etc.



GRI Content Index

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures GRI 102-40 to 102-49 align with appropriate sections in the body of the report.

Disclosure	Description	Reference
GRI 101: 2016	Foundation	
GRI 102: 2016	General Disclosures	
	Organizational profile	
102-1	Name of the Organization	Belimo Holding AG; Corporate Governance, p. 42
102-2	Activities, brands, products, and services	Solution Leadership, p. 63
102-3	Location of headquarters	Corporate Governance, p. 42
102-4	Location of operations	Solution Leadership, p. 62
102-5	Ownership and legal form	Corporate Governance, p. 42 – 43
102-6	Markets served	Economic Performance, p. 8 – 12; 95 – 97
102-7	Scale of the organization	Economic Performance, p. 13
102-8	Information on employees and other workers	Company Values and Culture, p. 26
102-9	Supply chain	Operational Excellence, p. 68 – 71
102-10	Significant changes to the organization and its supply chain	Financial Report, p. 94
102-11	Precautionary Principle or approach	Environmental Footprint of the Supply Chain, p. 70 – 71
102-12	External initiatives	Introduction, p. 7 and www.belimo.us/en_US/about/belimo/affiliated-organizations
102-13	Membership of associations	Introduction, p. 7
	Strategy	
102-14	Statement from senior decision-maker	Letter to the Shareholders, p. 2 – 3
	Ethics and integrity	
102-16	Values, principles, standards, and norms of behavior	Company Values and Culture, p. 25
	Governance	
102-18	Governance structure	Corporate Governance, p. 42 – 45
102-20	Executive-level responsibility for economic, environmental, and social topics	Appendix, p. 80
	Stakeholder engagement	
102-40	List of stakeholder group	Appendix, p. 81
102-41	Collective bargaining agreements	Company Values and Culture, p. 26
102-42	Identifying and selecting stakeholders	Appendix, p. 81
102-43	Approach to stakeholder engagement	Appendix, p. 81
102-44	Key topics and concerns raised	Appendix, p. 81
	Reporting practice	
102-45	Entities included in the consolidated financial statements	Financial Report, p. 122
102-46	Defining report content and topic Boundaries	Introduction, p. 5
102-47	List of material topics	Introduction, p. 6
102-48	Restatements of information	Appendix, p. 80
102-49	Changes in reporting	Appendix, p. 80
102-50	Reporting period	Appendix, p. 80
102-51	Date of most recent report	Appendix, p. 80
102-52	Reporting cycle	Corporate Governance, p. 52

102-53	Contact point for questions regarding the report	Corporate Governance, p. 53
102-54	Claims of reporting in accordance with the GRI Standards	Appendix, p. 80
102-55	GRI content index	Appendix, p. 82
102-56	External assurance	Appendix, p. 80

Topic-Specific Disclosures

GRI Code	Topic	Page	Reason(s) for Omission(s)
GRI 200	Economic topics		
GRI 201: 2016	Economic Performance		
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Economic Performance, p. 9	
201-1	Direct economic value generated and distributed	Financial Report, p. 86	
	Customer Engagement and Support		
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Customer Engagement and Support, p. 54	
	Partnership with Suppliers		
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Partnership with Suppliers, p. 68 – 69	
	Process Efficiency and Short Lead Times		
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Process Efficiency and Short Lead Times, p. 76–77	
	Balanced Investment Portfolio		
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Balanced Investment Portfolio, p. 15	
	Strategic IP Management		
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Strategic IP Management, p. 65	
	Solution Leadership		
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Solution Leadership, p. 62	
	Quality First		
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Quality First, p. 78 – 79	
GRI 300	Environmental topics		
GRI 302: 2016	Energy		
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Energy Efficiency in Operations, p. 72–75	
302-1	Energy consumption within the organization	Energy Efficiency in Operations, p. 73	
302-3	Energy intensity	Energy Efficiency in Operations, p. 74	

GRI 305: 2016	Emissions	
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Energy Efficiency in Operations, p. 74
305-3	Other indirect (Scope 3) GHG emissions	Energy Efficiency in Operations, p. 74
	Digitally Enabled Solutions	
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Digitally Enabled Solutions, p. 64
	High-Performance Solutions for Energy Efficiency and Indoor Air Quality	
GRI 103: 2016 103-1/103-2/103-3	Management Approach	High-Performance Solutions for Energy Efficiency and Indoor Air Quality, p. 59
	Environmental Footprint of the Supply Chain	
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Environmental Footprint of the Supply Chain, p. 70–71
GRI 400	Social topics	
GRI 404: 2016	Training and Education	
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Skill Development and Knowledge Management, p. 34
404-1	Average hours of training per year and employee	Skill Development and Knowledge Management, p. 35
404-2	Programs for upgrading employees skills and transition assistance programs	Skill Development and Knowledge Management, p. 35
404-3	Percentage of employees receiving regular performance and career development reviews	Skill Development and Knowledge Management, p. 35
405: 2016	Diversity and Equal Opportunity	
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Equal Opportunity Employment, p. 38
405-1	Diversity of governance bodies and employees	Equal Opportunity Employment, p. 39
406: 2016	Non-discrimination	
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Equal Opportunity Employment, p. 38
406-1	Incidents of discrimination and corrective actions taken	Equal Opportunity Employment, p. 39
416: 2016	Customer Health and Safety	
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Environmental Footprint of the Supply Chain, p. 71
416-1	Assessments of the health and safety impacts of product and service categories	Environmental Footprint of the Supply Chain, p. 71
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Environmental Footprint of the Supply Chain, p. 71
	Company Values and Culture	
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Company Values and Culture, p. 25
	Employee Empowerment and Engagement	
GRI 103: 2016 103-1/103-2/103-3	Management Approach	Employee Empowerment and Engagement, p. 30–31

Financial Report

- 86** Consolidated Financial Statements
- 90** Notes to the Consolidated Financial Statements
- 128** Financial Statements of BELIMO Holding AG
- 136** Information for Investors
- 138** Five-Year Financial Summary

Consolidated Financial Statements

Consolidated Income Statement

	Note	2019	% ¹⁾	2018 restated ²⁾	% ¹⁾
in CHF 1 000					
Net sales	3	692 680	100.0	642 368	100.0
Other operating income	5	901	0.1	1 257	0.2
Material expenses		- 278 886	- 40.3	- 266 127	- 41.4
Personnel expenses	4	- 188 263	- 27.2	- 171 195	- 26.7
Other operating expenses	5	- 72 208	- 10.4	- 71 304	- 11.1
Depreciation and amortization	13, 14	- 30 355	- 4.4	- 25 160	- 3.9
Earnings before interest and taxes (EBIT)		123 869	17.9	109 839	17.1
Financial income	6	479	0.1	644	0.1
Financial expenses	6	- 2 175	- 0.3	- 1 655	- 0.3
Foreign exchange gain/(loss)	6	- 2 390	- 0.3	- 3 919	- 0.6
Financial result		- 4 086	- 0.6	- 4 930	- 0.8
Earnings before taxes (EBT)		119 783	17.3	104 909	16.3
Income taxes	7	1 320	0.2	- 18 700	- 2.9
Net income		121 103	17.5	86 209	13.4
Attributable to shareholders of BELIMO Holding AG		121 144	17.5	86 209	13.4
Attributable to non-controlling interests		- 41	-	-	-
Earnings per share in CHF	8	197.00		140.22	

There are no options or other instruments that could have a dilutive effect.

¹⁾ in percent of net sales

²⁾ see note 1.3

Consolidated Statement of Comprehensive Income

	Note	2019	2018
in CHF 1 000			
Net income		121 103	86 209
Currency translation adjustment		- 2 567	- 1 603
Tax effect	7	53	- 51
Items that are or may be reclassified subsequently to the income statement		- 2 513	- 1 653
Remeasurement of post-employment benefits	19	16 352	- 7 734
Tax effect	7	- 3 443	1 187
Items that will not be reclassified subsequently to the income statement		12 909	- 6 546
Other comprehensive income, net of tax		10 395	- 8 200
Total comprehensive income		131 499	78 010
Attributable to shareholders of BELIMO Holding AG		131 540	78 010
Attributable to non-controlling interests		- 41	-

Consolidated Balance Sheet

	Note	12.31.2019	12.31.2018 restated ¹⁾	01.01.2018 restated ¹⁾
in CHF 1 000				
Cash and cash equivalents	9	172 563	155 138	113 178
Trade receivables	10	88 638	87 173	83 257
Inventories	11	103 475	97 903	95 132
Other assets	12	9 731	7 793	10 030
Current tax assets		490	274	576
Current assets		374 897	348 281	302 173
Property, plant and equipment	13	190 916	163 119	166 029
Intangible assets	14	13 178	14 893	17 064
Non-current financial assets	15	1 885	1 812	1 596
Non-current employee benefit assets	19	9 003	–	2 466
Deferred tax assets	7	12 123	3 367	2 648
Non-current assets		227 105	183 191	189 803
Assets		602 002	531 472	491 976
Trade payables		15 660	18 409	17 108
Other liabilities	16	46 418	41 297	38 250
Current financial liabilities	17	4 016	1 463	–
Current provisions	18	3 987	4 920	4 345
Current tax liabilities		7 667	5 000	3 778
Current liabilities		77 748	71 089	63 481
Non-current financial liabilities	17	9 698	–	1 515
Non-current provisions	18	1 084	1 226	1 170
Non-current employee benefit liabilities	19	3 950	10 297	3 788
Deferred tax liabilities	7	2 178	11 617	11 323
Non-current liabilities		16 910	23 140	17 796
Liabilities		94 658	94 229	81 277
Equity attributable to shareholders of BELIMO Holding AG	8	507 289	437 243	410 699
Equity attributable to non-controlling interests	8	55	–	–
Shareholders' equity		507 344	437 243	410 699
Liabilities and shareholders' equity		602 002	531 472	491 976

¹⁾ see note 1.3

Consolidated Statement of Changes in Equity

	Share capital	Treasury shares	Capital reserves	Currency translation adjustment	Retained earnings	Attributable to shareholders of BELIMO Holding AG	Attributable to non-controlling interests	Total shareholders' equity
in CHF 1 000								
As at January 1, 2018	615	-262	23 219	-2 935	392 683	413 320	-	413 320
Restatement ¹⁾					-2 621	-2 621	-	-2 621
As at January 1, 2018, restated¹⁾	615	-262	23 219	-2 935	390 062	410 699	-	410 699
Net income					86 209	86 209	-	86 209
Other comprehensive income, net of tax				-1 653	-6 546	-8 200	-	-8 200
Total comprehensive income				-1 653	79 663	78 010	-	78 010
Sale of treasury shares		195	596			791	-	791
Dividends					-52 256	-52 256	-	-52 256
As at December 31, 2018, restated¹⁾	615	-67	23 814	-4 588	417 469	437 243	-	437 243
Net income					121 144	121 144	-41	121 103
Other comprehensive income, net of tax				-2 513	12 909	10 395	-	10 395
Total comprehensive income				-2 513	134 053	131 540	-41	131 499
Equity contribution by non-controlling interests							96	96
Dividends					-61 494	-61 494	-	-61 494
As at December 31, 2019	615	-67	23 814	-7 101	490 028	507 289	55	507 344

¹⁾ see note 1.3

Consolidated Statement of Cash Flows

	Note	2019	2018
in CHF 1 000			
Net income		121 103	86 209
Income taxes	7	-1 320	18 700
Interest result	6	640	-470
Depreciation of property, plant and equipment	13	24 255	19 145
Amortization of intangible assets	14	6 100	6 015
Gain on sale of property, plant and equipment	13	-208	-151
Other non-cash items		634	513
Change in net working capital		-11 638	-8 232
Change in other current receivables and assets		-746	4 378
Change in other current payables and liabilities		5 628	3 609
Change in provisions	18	-1 066	642
Income taxes paid		-17 984	-16 421
Cash flow from operating activities		125 400	113 938
Investments in property, plant and equipment	13	-35 958	-16 160
Investments in intangible assets	14	-4 694	-4 331
Purchase of financial assets		-10 188	-24
Sale of financial assets		10 076	4
Sale of property, plant and equipment		259	306
Interest received	6	356	528
Payment of residual purchase price for acquisition from earlier periods	2	-1 399	-
Cash flow used in investing activities		-41 549	-19 677
Sale of treasury shares	8	-	791
Dividends paid	8	-61 494	-52 256
Interest paid	17	-885	-67
Repayment of lease liabilities	17	-3 576	-
Equity contribution by non-controlling interests	2	96	-
Cash flow used in financing activities		-65 860	-51 533
Currency translation adjustment		-567	-768
Change in cash and cash equivalents		17 425	41 960
Cash and cash equivalents at beginning of period		155 138	113 178
Cash and cash equivalents at end of period	9	172 563	155 138

Notes to the Consolidated Financial Statements

1 General

1.1 Corporate Information

The Belimo Group (hereinafter referred to as “Belimo” or “the Group”) is a leading global manufacturer of innovative electrical actuator solutions, valve systems and sensors for heating, ventilation and air conditioning (HVAC) systems. The shares of BELIMO Holding AG have been traded on the SIX Swiss Exchange since 1995 (BEAN). The registered office is in Hinwil (Switzerland).

1.2 Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

The reporting date for BELIMO Holding AG, all of its subsidiaries and for these consolidated financial statements is December 31, 2019. The consolidated financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand. Due to rounding, amounts presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount. The consolidated financial statements are prepared on the historical cost basis, with the exception of the derivative financial instruments, which are stated at fair value. The consolidated financial statements are published exclusively in English.

The presentation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments in applying accounting policies. This may have an effect on the reported income, expenses, assets, liabilities and contingent liabilities. In the event that such estimates and assumptions made in good faith by management at the time at which the financial statements are prepared subsequently differ from the actual circumstances, the original estimates and assumptions will be adjusted accordingly in the reporting period during which the circumstances change.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the notes (see notes 7 Income Taxes, 13 Property, Plant and Equipment, 17 Financial Liabilities, 18 Provisions and 19 Non-current Employee Benefits).

1.3 Restatements and changes in presentation

In 2019, Belimo conducted a worldwide IAS 19 analysis with focus on long-term employee benefits. As a result of the employee growth in recent years, the defined benefit obligation for jubilee agreements became material. As a consequence the Group decided to recognize a jubilee provision and to correct and restate comparative information, in accordance with IAS 8.42. The opening balance 2018 was amended as shown below.

	01.01.2018 reported	Restatement	01.01.2018 restated
in CHF 1 000			
Deferred tax assets	2 228	420	2 648
Non-current employee benefit liabilities	747	3 041	3 788
Shareholders' equity	413 320	-2 621	410 699

Due to materiality reasons, Belimo decided to leave the jubilee provision in 2018 unchanged. Consequently the restatement did not have any impact on net income and only an immaterial impact on currency translation adjustments in total comprehensive income 2018.

	12.31.2018 reported	Restatement	12.31.2018 restated
in CHF 1 000			
Deferred tax assets	2 947	420	3 367
Non-current employee benefit liabilities	7 258	3 039	10 297
Shareholders' equity	439 862	-2 619	437 243

In order to improve disclosure, Belimo reports net foreign exchange gains or losses separately from financial income and expenses in the consolidated income statement. The comparative figures have been adjusted accordingly.

1.4 Changes to Accounting Policies

Effective new and amended standards and interpretations

Belimo has initially applied IFRS 16 Leases from January 1, 2019. A number of other amended standards and interpretations became also effective in 2019 with no material impact on these consolidated financial statements.

IFRS 16 replaced IAS 17 Leases and IFRIC 4 determining whether an arrangement contains a lease. Under IAS 17, operating lease expenses were recognized on a straight-line basis over the term of the lease. Only timing differences between actual lease payments and the linearized expenses were recognized as assets or liabilities. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, Belimo recognizes right-of-use assets that represent the right to use the underlying asset, and lease liabilities that correspond to the obligation to make lease payments.

In accordance with the transitional provisions, the modified retrospective approach was applied. Comparative information was not restated.

The group used different practical expedients permitted by IFRS 16. It has elected to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by any prepaid or accrued lease payments. Thus, initial direct costs were excluded from the measurement of the right-of-use asset at the date of initial application. Since Belimo recognized the right-of-use asset at the amount equal to the lease liabilities, there was no impact on the retained earnings. Furthermore, leases for which the lease term ended within 12 months of the date of initial application were accounted for in the same way as short-term leases.

The table below outlines the transition between IAS 17 and IFRS 16 on January 1, 2019.

	Transition IAS 17 to IFRS 16
in CHF 1 000	
Operating lease commitments disclosed on December 31, 2018	9 656
Discounting impact using the incremental borrowing rates	- 791
Short-term leases recognized as expenses	- 192
Low-value leases recognized as expenses	- 6
Impact of extension and termination options	4 225
Lease liabilities recognized on January 1, 2019	12 891

The weighted average incremental borrowing rate applied to lease liabilities recognized in the statement of financial position at the date of initial application was 4.4 percent.

In accordance with IFRS 16, the Group has decided to not recognize short-term leases and leases of low-value assets on the balance sheet. To determine the lease term, renewal options on lease contracts are considered on a case-by-case basis following a regular assessment. The borrowing rates used for the measurement of the lease liabilities have been defined based on a base rate depending on the currency and maturity of the underlying leasing contract and a risk premium considering the company as well as asset specific risks.

Following the adoption of IFRS 16, the Group has presented right-of-use of leased assets as a component of property, plant and equipment and the lease liabilities as financial liabilities in the statement of financial position. Cash payments for the principal portion of lease payments as well as for the interest portion have been classified as cash flow used in financing activities. Payments for short-term and low-value leases are part of the cash flow from operating activities.

As of January 1, 2019, the Group has recognized CHF 12.9 million as right-of-use of leased assets and as lease liabilities. In the reporting period, depreciation of right-of-use of leased assets of CHF 3.9 million and interest expenses of CHF 0.6 million were recognized in accordance with IFRS 16. Furthermore, the Group's consolidated statement of cash flow was impacted by a shift of a cash outflow from cash flow from operating activities to cash flow used in financing activities of CHF 4.2 million.

New and amended standards and interpretations issued but not yet effective

A number of new and revised standards and interpretations get effective on January 1, 2020 or later and earlier application is permitted. Belimo has not early adopted these standards.

The impact of the other new and revised standards and interpretations on the consolidated financial statements of Belimo has not yet been systematically analyzed. This means that the expected impact as disclosed at the bottom of the following table merely represents an initial assessment from management.

	Effective date	Planned application
Amendments of Standards		
Amendments to References to Conceptual Framework in IFRS Standards ¹⁾	01.01.2020	2020
Definition of a Business (Amendments to IFRS 3) ¹⁾	01.01.2020	2020
Definition of Material (Amendments to IAS 1 and IAS 8) ¹⁾	01.01.2020	2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) ¹⁾	01.01.2020	2020
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) ¹⁾	01.01.2022	2022

¹⁾ No or no significant impact is expected on the consolidated financial statements of Belimo.

1.5 Basis of Consolidation

Scope of Consolidation

The consolidated financial statements include all companies that are controlled either directly or indirectly by BELIMO Holding AG (subsidiaries). Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the company and is able to affect those returns through its power over the company.

Subsidiaries that are acquired or sold during the course of the year are consolidated with effect from the date on which control commences and deconsolidated with a gain or loss included in the income statement from the date on which control is lost.

Eliminations

Assets, liabilities, income and expenses are recognized on a 100 percent basis using the full consolidation method. Intercompany income and expenses and intercompany receivables and payables are eliminated. Any unrealized profits arising from intercompany transactions are eliminated, affecting net income. Unrealized losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

1.6 Currency Translation

Transactions in Foreign Currency

Transactions in a foreign currency are translated into the functional currency at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Any foreign currency gains or losses resulting from transactions and from the translation of balance sheet items denominated in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign Operations

Financial statements of foreign operations are translated into Swiss francs as follows: for the balance sheet, at the exchange rates at the reporting date; for the income statement, the statement of comprehensive income and the statement of cash flows, at the average exchange rate. Any translation differences arising from the translation of the balance sheets, income statements and the statements of comprehensive income are recognized in other comprehensive income with no effect on the income statement. This also applies to loans that are part of a net investment in a foreign operation. The cumulative amount in the translation reserve is transferred to the income statement at the date of the loss of control over the foreign operation.

	Year-end rates		Average rates	
	2019	2018	2019	2018
in CHF				
CAD	0.75	0.72	0.75	0.76
CNY	0.14	0.14	0.14	0.15
EUR	1.09	1.13	1.12	1.16
PLN	0.26	0.26	0.26	0.27
USD	0.97	0.98	0.99	0.98

2 Changes to the Scope of Consolidation

On January 29, 2019, BELIMO InnoVision AG, a wholly-owned subsidiary of BELIMO Holding AG, was founded. It is located in Hinwil (Switzerland) and will invest in innovative start-ups in the HVAC sector. The company will also enter into strategic partnerships with national and international companies in the future.

On March 28, 2019, BELIMO Automation Deutschland GmbH was founded. The company, fully owned by BELIMO Holding AG, will operate the new service and logistics center in Großröhrsdorf near Dresden (Germany).

On May 31, 2019, BELIMO InnoVision AG participated with a majority interest in the foundation of BEREVA GmbH. This start-up, headquartered in the Veneto region of northeastern Italy, will be active in the development, manufacturing and sale of valves used to control and optimize refrigeration circuits.

In 2017, Belimo acquired all shares of the distribution company BELIMO AB, which is domiciled in Sweden. The contractually agreed retained portion of the purchase price and its accumulated interest of totally CHF 1.5 million was settled in the reporting year.

In the previous year, BELIMO Automation Malaysia SDN. BHD was founded.

3 Segment Reporting

The reportable operating segments are determined using the management approach: external segment reporting is based on the Group's internal organization and management structure, as well as the internal financial reporting to the Chief Operating Decision Maker – the Board of Directors of BELIMO Holding AG.

Sales are measured net of sales tax, credits for returns and discounts and are recognized when control of the goods transfers to the customer. Due to the current business model, the performance obligations are satisfied at a point in time. Generally, sales are recognized upon shipment or upon delivery, as defined in the general terms and conditions and in compliance with generally accepted incoterms. Performance obligations in contracts with customers have a duration of one year or less. Warranty conditions solely provide a customer with assurance that the related product complies with agreed-upon specifications. Consequently, the accounting for the warranty is in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Payment terms are adapted to the local market conditions. For the major part of the revenue recognition payment terms of 1 to 60 days are applied.

Belimo develops, produces and distributes actuator solutions, valve systems and sensors for controlling heating, ventilation and air conditioning systems. All products are made from comparable materials and manufactured using similar processes.

The Group has four reportable operating segments which constitute its strategic divisions. With a view to maintaining a market presence in close proximity to its customers, the three geographical strategic Group divisions "Europe," "Americas" and "AsiaPacific" are run by regional managers. The organization of the strategic Group division "Shared Services" is subdivided and managed centrally as a cost center by the Swiss company. No sales are therefore allocated to this segment.

The activities of the reportable segments are as follows:

Europe, Americas, Asia Pacific. Distribution and sale of Belimo products in the respective market region.

Shared Services. Research and development activities, production, logistics, customizing, the functions finance and administration, strategy and brand management as well as the expenses for the Group Executive Committee and the Board of Directors.

The performance of the geographic segments is measured using the cost-sales ratio (operating expenses, depreciation and amortization as a percentage of sales). Material expenses cannot be reliably allocated to the segments due to the Group's principal structure. As a result of the group-wide application of a principal structure, the central production and sales company in Switzerland is the main risk carrier. The opportunities and risks of the sales companies are limited to their local market risk.

With regard to segment assets, only trade receivables, property, plant and equipment as well as intangible assets are allocated. The liabilities are only reported in full in the internal financial reporting and are not allocated to the reportable segments.

	Europe	Americas	Asia Pacific	Shared Services	Elimination	Total
in CHF 1 000						
2019						
Income statement						
Net sales to third parties	328 777	272 849	91 054	–	–	692 680
Other operating income	–	–	–	558	–	558
Operating expenses	– 46 498	– 38 289	– 19 015	– 173 737	17 067	– 260 472
Depreciation and amortization	– 3 833	– 4 449	– 2 047	– 20 025	–	– 30 355
Segment profit	278 446	230 110	69 992	– 193 204	17 067	402 412
Unallocated other operating income						343
Unallocated material expenses						– 278 886
Unallocated financial result						– 4 086
Earnings before taxes (EBT)						119 783
Cash effective investments in property, plant and equipment and intangible assets	1 953	1 284	3 787	33 627	–	40 652
Balance sheet as at December 31, 2019						
Trade receivables	62 417	34 543	19 408	–	– 27 729	88 638
Property, plant and equipment and intangible assets	13 258	44 162	8 588	138 086	–	204 094
Unallocated assets						309 270
Total assets						602 002
2018						
Income statement						
Net sales to third parties	317 200	242 885	82 283	–	–	642 368
Other operating income	–	–	–	679	–	679
Operating expenses	– 45 402	– 35 487	– 17 777	– 160 456	16 623	– 242 499
Depreciation and amortization	– 2 733	– 3 649	– 482	– 18 296	–	– 25 160
Segment profit	269 065	203 749	64 024	– 178 073	16 623	375 388
Unallocated other operating income						578
Unallocated material expenses						– 266 127
Unallocated financial result						– 4 930
Earnings before taxes (EBT)						104 909
Cash effective investments in property, plant and equipment and intangible assets	1 073	1 243	1 102	17 073	–	20 491
Balance sheet as at December 31, 2018, restated¹⁾						
Trade receivables	66 283	35 192	15 074	–	– 29 376	87 173
Property, plant and equipment and intangible assets	8 389	46 083	2 203	121 336	–	178 012
Unallocated assets, restated ¹⁾						266 287
Total assets, restated¹⁾						531 472

¹⁾ see note 1.3

Net sales growth by market regions was as follows:

	CHF	Local currencies
Europe	3.6%	6.8%
Americas	12.3%	11.0%
Asia Pacific	10.7%	12.7%
Group	7.8%	9.2%

Overall, movements in exchange rates had an effect of –1.4 percentage points on net sales (previous year +1.2 percentage points). Around 36 percent of net sales were denominated in US dollar, 29 percent in euro, 10 percent in Swiss franc and 25 percent in other currencies.

Europe contributed 48 percent (previous year 49 percent), Americas 39 percent (previous year 38 percent) and Asia Pacific 13 percent (previous year 13 percent) to the total net sales.

The net sales by applications were as follows:

	2019	Share	2018	Share
in CHF 1 000				
Air	385 480	56%	365 442	57%
Water	307 200	44%	276 926	43%
Total	692 680	100%	642 368	100%

In local currencies, net sales of air applications grew by 7.1 percent and net sales of water applications increased by 11.9 percent.

The following table shows information on geographic regions:

	Net sales to third parties		Property, plant and equipment, intangible assets	
	2019	2018	12.31.2019	12.31.2018
in CHF 1 000				
Germany	69 781	71 467	12 964	223
Central Eastern Europe	51 197	50 407	477	159
Italy	22 877	20 873	1 181	571
France	22 369	19 608	966	215
Switzerland	21 246	18 801	112 815	110 101
Others	141 308	136 044	10 180	7 221
Europe	328 777	317 200	138 582	118 490
USA	215 818	193 845	54 366	56 462
Canada	46 887	39 445	521	153
Others	10 143	9 596	250	143
Americas	272 849	242 885	55 137	56 757
China	44 575	38 325	3 785	1 466
Others	46 479	43 959	6 590	1 299
Asia Pacific	91 054	82 283	10 375	2 765
Total	692 680	642 368	204 094	178 012

4 Personnel Expenses

In the case of defined contribution plans, the expenses recognized in the income statement correspond to the contributions paid by the employer.

	2019	2018
in CHF 1 000		
Wages and salaries	- 144 719	- 131 139
Social security contributions	- 20 342	- 18 491
Defined benefit expenses	- 9 380	- 9 294
Defined contribution expenses	- 4 067	- 3 635
Other personnel expenses	- 9 754	- 8 636
Total	- 188 263	- 171 195

Other personnel expenses comprise incidental costs of staff recruitment, training and development as well as external staff costs.

5 Other Operating Income and Expenses

	2019	2018
in CHF 1 000		
Own work capitalized	558	679
Other income	343	578
Other operating income	901	1 257

	2019	2018
in CHF 1 000		
Travel and representation	- 10 251	- 9 103
Cost of business premises	- 5 138	- 8 048
Consulting	- 9 032	- 8 076
Marketing	- 8 417	- 8 753
IT	- 8 430	- 7 798
External research and development	- 20 467	- 19 002
Miscellaneous expenses	- 10 472	- 10 525
Other operating expenses	- 72 208	- 71 304

Research and development costs of CHF 50.7 million (previous year CHF 47.2 million) are included mainly in personnel and in external research and development expenses. Thereof, CHF 0.6 million (previous year CHF 0.7 million) were capitalized. Miscellaneous expenses include changes in operating provisions as well as changes in allowances for doubtful trade receivables and freight expenses.

6 Financial Result

The financial result is composed primarily of interest expenses on borrowings and leasing liabilities, interest income, foreign exchange gains and losses, bank charges as well as gains and losses on hedging instruments. Interest income and expenses are recognized in accordance with the effective interest method.

	2019	2018 restated ¹⁾
in CHF 1 000		
Interest income	359	588
Net gain from derivative financial instruments	120	57
Financial income	479	644
Interest expenses	- 1 000	- 118
Other financial expenses (bank charges)	- 1 175	- 1 537
Financial expenses	- 2 175	- 1 655
Foreign exchange gain/(loss)	- 2 390	- 3 919
Total	- 4 086	- 4 930

¹⁾ see note 1.3

7 Income Taxes

Income taxes include current and deferred income taxes. Normally, income taxes are recognized in the income statement unless they relate to an item which is recognized in other comprehensive income or directly in equity.

Current income taxes are determined with regard to taxable profit, based on the tax rates in force as of the reporting date, including tax expenses for previous periods.

Deferred taxes are calculated using the balance sheet liability method on all temporary differences between the tax basis and the IFRS carrying amounts. No deferred taxes are recognized for the following temporary differences: initial recognition of assets or liabilities in a transaction that neither affects taxable nor accounting profit and investments in subsidiaries if it is probable that the temporary differences will not be reversed in the foreseeable future. Deferred tax assets, including the tax benefits from deductible tax losses carried forward, are only recognized if it is probable that the temporary differences or losses carried forward can be offset against future taxable profits.

Estimates are required to determine the total liabilities for current and deferred taxes. There are transactions and calculations for which the final tax assessment is uncertain by the end of the reporting period. Where the actual outcome of final tax assessments or tax audits of such matters differs from the amounts that were initially recognized, such differences may materially impact the income tax and deferred tax positions in the period in which such a determination is made.

Income tax expenses consist of the following:

	2019	2018
in CHF 1 000		
Income taxes relating to current year	- 20 708	- 18 627
Adjustments from previous years	394	690
Current income taxes	- 20 314	- 17 937
Deferred taxes	21 634	- 763
Income tax recognized	1 320	- 18 700

	2019	2018
in CHF 1 000		
Income before taxes	119 783	104 909
Expected tax expenses	- 19 578	- 17 330
applicable tax rate	16.3%	16.5%
Non-deductible expenses	- 434	- 375
Tax-exempt income	26 938	85
Adjustments from previous years	394	690
Non-reclaimable withholding taxes	- 933	- 541
Effect of companies with mixed tax rates	- 371	- 1 285
Change in tax rate	- 4 622	63
Other	- 73	- 7
Income tax recognized	1 320	- 18 700
effective tax rate	- 1.1%	17.8%

On January 1, 2020, the Swiss federal law on the tax reform and AHV financing (TRAF) entered into force. Belimo used to benefit from tax regulations that have been abolished by TRAF. To reduce disadvantages the Canton of Zurich, where Belimo is headquartered, introduced certain provisions in the cantonal tax laws (e.g. patent box, additional R&D deductions) including transitional measures (step-up mechanism or dual rate approach). At Belimo, these transitional measures will compensate the cash effects of the entry costs into the patent box introduced by TRAF. In the financial year 2019, the tax reform impacted income taxes positively by CHF 22.1 million, without affecting cash flow. Meanwhile, in the balance sheet deferred taxes on intangible assets of CHF 26.8 million were recognized. In subsequent periods, these tax assets will be recovered by means of amortization. Overall, the tax burden as per local regulations will remain stable over the next years.

Some Group companies are taxed at different rates depending on the source of income. The effect of these mixed tax rates is presented as a separate item in the reconciliation above. The deferred tax assets and liabilities were attributable to the following balance sheet items:

	12.31.2019			12.31.2018 restated ¹⁾		
	Deferred tax			Deferred tax		
	assets	liabilities	net	assets	liabilities	net
in CHF 1 000						
Receivables	297	-2 670	-2 373	191	-1 416	-1 224
Inventories	390	-4 589	-4 199	483	-2 654	-2 170
Property, plant and equipment	258	-8 552	-8 294	270	-5 993	-5 723
Intangible assets	26 852	-1 504	25 348	-	-1 863	-1 863
Non-current employee benefits	60	-1 896	-1 836	1 504	-	1 504
Current liabilities	525	-	525	420	-	420
Non-current financial liabilities	250	-	250	-	-	-
Provisions	-	-	-	6	-	6
Tax losses carried forward and tax credits	825	-	825	800	-	800
Deferred taxes associated with investments in subsidiaries	-	-300	-300	-	-	-
Total (gross)	29 459	-19 514	9 945	3 675	-11 924	-8 250
Set-off of tax	-17 335	17 335	-	-308	308	-
Total (net)	12 123	-2 178	9 945	3 367	-11 617	-8 250

¹⁾ see note 1.3

The following table summarizes the movements in the net deferred tax position:

	2019	2018 restated ¹⁾
in CHF 1 000		
As at January 1	-8 250	-9 095
Restatement ¹⁾	-	420
As at January 1, restated¹⁾	-8 250	-8 675
Recognized in the income statement	21 634	-763
Recognized in other comprehensive income	-3 443	1 187
Translation differences	4	1
As at December 31	9 945	-8 250

¹⁾ see note 1.3

The Group has CHF 0.8 million (previous year CHF 0.8 million) deferred tax assets relating to utilizable tax losses carried forward and tax credits, thereof CHF 0.2 million expiring after a minimum of 5 years and CHF 0.6 million with no expiry. There were no unrecognized deferred taxes on losses carried forward.

8 Shareholders' Equity and Earnings per Share

Shares are a component of equity, as they are not redeemable and there is no dividend guarantee. Treasury shares are recorded as a deduction from equity. Realized gains or losses on the sale of treasury shares are also recognized in equity as a component of retained earnings. Capital reserves correspond to premiums from capital increases and the gains or from the sale of treasury shares. Currency translation adjustments contain the accumulated foreign exchange differences arising from the translation of the financial statements of foreign Group companies and intercompany loans which form part of a net investment in a foreign operation. Retained earnings include the remeasurement of the post-employment benefits and their tax effect as well as accumulated retained earnings of prior periods.

		2019	2018
Net income attributable to shareholders of BELIMO Holding AG	in CHF 1 000	121 144	86 209
Average outstanding shares	Number	614 943	614 834
Dividend per registered share ¹⁾	in CHF	150	100
Total dividend ¹⁾	in CHF 1 000	92 250	61 500
Earnings per share	in CHF	197.00	140.22

¹⁾ 2019: Proposed by the Board of Directors

The average number of outstanding shares is calculated based on the number of shares issued, less the average number of treasury shares held.

Share Capital

		12.31.2019	12.31.2018
Par value per share	in CHF	1.00	1.00
Outstanding shares	Number	614 943	614 943
Treasury shares	Number	57	57
Total registered shares	Number	615 000	615 000

The share capital of BELIMO Holding AG consists of one class of voting rights.

Treasury Shares

	2019	2018
Number of shares		
As at January 1	57	222
Sales of treasury shares	-	- 165
As at December 31	57	57

Capital Reserves and Retained Earnings

	12.31.2019	12.31.2018 restated ¹⁾
in CHF 1 000		
Capital reserves	23 814	23 814
Retained earnings (incl. CTA)	482 927	412 881
Total	506 741	436 696

¹⁾ see note 1.3

9 Cash and Cash Equivalents

Cash and cash equivalents are measured at amortized cost. While they are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial and therefore no valuation allowance has been recognized.

	12.31.2019	12.31.2018
in CHF 1 000		
Cash	152 563	155 138
Cash equivalents	20 000	–
Total	172 563	155 138

As at December 31, 2019, cash consisted of bank and postal accounts and cash on hand. Cash equivalents included term deposits with a maturity of three months or less.

10 Trade Receivables

Trade receivables are initially recognized at the transaction price. Belimo holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost. Loss allowances are always measured at an amount equal to lifetime expected credit losses. The Group uses an allowance matrix to determine the expected credit loss. The loss rates are based on actual credit loss experience over recent years, amended by current conditions and the Group's view of economic conditions. For specifically identified trade receivables with an objective default evidence individual allowances are recognized. The gross carrying amount of trade receivable assets is written off when the Group has no reasonable expectations of recovering financial assets in their entirety or a portion thereof.

	12.31.2019	12.31.2018
in CHF 1 000		
Trade receivables	90 813	89 557
Allowance	–2 175	–2 385
Total	88 638	87 173

Trade receivables by market region were as follows:

	12.31.2019	12.31.2018
in CHF 1 000		
Europe	34 856	36 982
Americas	34 543	35 192
Asia Pacific	19 240	14 998
Total	88 638	87 173

There were no cluster risks. The receivables in the Americas related mainly to the United States.

Movements in allowance for doubtful trade receivables were as follows:

	2019	2018
in CHF 1 000		
As at January 1	-2 385	-2 361
Increase	-266	-643
Utilization	194	527
Reversals	219	34
Translation differences	63	58
As at December 31	-2 175	-2 385

The aging and allowance of trade receivables were as follows:

	Default rate	12.31.2019		12.31.2018	
		Gross	Allowance	Gross	Allowance
in CHF 1 000					
Not due	0.5%	67 944	-357	63 647	-336
Overdue 1 to 30 days	3.0%	15 028	-451	17 762	-533
Overdue 31 to 60 days	5.0%	4 662	-233	4 684	-234
Overdue 61 to 180 days	10.0%	2 272	-227	2 424	-242
Total trade receivables measured using the provision matrix		89 906	-1 268	88 517	-1 345
Individual allowances	100.0%	907	-907	1 040	-1 040
Total		90 813	-2 175	89 557	-2 385

11 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The net realizable value is the expected average selling price less the expected costs of completion and the estimated costs necessary to make the sale.

Purchased inventories are measured at acquisition cost, internally generated products at cost of production. These latter costs include direct material and production costs and directly attributable overhead expenses. The overhead production expenses are calculated on the basis of normal capacity of production facilities. Inventories are measured on the basis of average prices. Based on a range analysis, items with a slow rate of turnover are written down by 20 to 100 percent.

	12.31.2019	12.31.2018
in CHF 1 000		
Raw materials and consumables	51 471	49 390
Work in progress	352	455
Finished goods	51 652	48 058
Total inventories (net)	103 475	97 903
Allowance on raw materials and consumables	-2 067	-2 752
Allowance on finished goods	-5 383	-5 927
Total allowance	-7 450	-8 679

Finished goods increased by CHF 3.6 million (previous year remained nearly unchanged). The allowance amounted to 6.7 percent (previous year 8.1 percent) of the gross value of inventories.

Movements in allowance were as follows:

	2019	2018
in CHF 1 000		
As at January 1	- 8 679	- 7 956
Increase	- 1 928	- 4 495
Utilization	2 830	3 533
Reversals	269	111
Translation differences	59	129
As at December 31	- 7 450	- 8 679

12 Other Assets

Derivative financial instruments are measured at fair value through profit or loss with any changes therein recognized in the financial result. Other receivables and accruals qualifying as financial instruments are recognized at amortized costs. While they are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial and therefore no valuation allowance has been recognized.

	12.31.2019	12.31.2018
in CHF 1 000		
Non-income tax receivables	5 955	4 283
Advance payments and deferred expenses	3 264	3 192
Fair value of derivative financial instruments	257	121
Other receivables	255	197
Total	9 731	7 793

13 Property, Plant and Equipment

Owned Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Significant parts of an item of property, plant and equipment with different useful lives are accounted for separately. Subsequent expenditure is capitalized if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Expenditure for maintenance and repair is recognized in the income statement. Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, or the shorter lease term.

The estimated useful lives applied by the Group are as follows:

Land, buildings	Land	Unlimited
	Buildings (components with different useful lives)	10–60 years
Tools, machinery	Transportation equipment, tools and machinery, workshop and warehouse facilities	5–9 years
	Tools at suppliers and testing equipment	3–5 years
Furniture, fixtures and movable equipment	Furniture and fixtures	2–8 years
	Leasehold improvements	5–10 years
	Motor vehicles, office machinery and IT equipment	2–5 years

The expected residual value, if not immaterial, is reviewed annually. If there is any impairment indication at the reporting date, the recoverable amount is estimated. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. To determine the value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. An impairment loss is recognized in the income statement, if the carrying amount of an asset or of the cash-generating unit to which the asset belongs exceeds the recoverable amount.

Leased Property, Plant and Equipment

Belimo assesses whether a contract is or contains a lease at inception of the contract. The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets are measured at cost including the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any incentives received, any initial direct costs, and restoration costs. Lease liabilities are initially measured at the present value of the lease payments, discounted by using the incremental borrowing rate.

The incremental borrowing rate used for the measurement of the right-of-use asset and the lease liability have been defined based on a base rate depending on the currency and maturity of the underlying leasing contract as well as a risk premium considering the company combined with asset specific risks.

In accordance with IFRS 16 Belimo does not recognize short-term leases with a leasing period of 12 months or less and leases of low-value assets on the balance sheet.

Land and Buildings: The Group leases land and buildings for its office and warehouse space. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Typically, leases are made for a fixed period of 1–5 years and may include extension options. Management judgement is required to define if an extension option is reasonably certain to be exercised.

Furniture, Fixtures, Movable Equipment: The major part refers to leased cars as well as office equipment, with a contract duration of 3 years on average.

	Land, buildings	Tools, machinery	Furniture, fixtures, movable equipment	Advance payments, assets under con- struction	Total
in CHF 1 000					
Costs					
As at January 1, 2018	186 623	99 630	23 616	2 003	311 872
Additions	3 303	8 847	3 230	780	16 160
Disposals	-22	-3 120	-2 173	-28	-5 344
Reclassifications	643	1 201	81	-1 926	-
Translation differences	509	26	-390	-9	136
As at December 31, 2018	191 055	106 584	24 364	820	322 823
Impact from changes in accounting policies as at January 1, 2019	11 758	-	1 133	-	12 891
Additions	22 693	10 409	5 186	2 591	40 879
Disposals	-654	-2 960	-2 550	-	-6 164
Reclassifications	4	669	148	-821	-
Translation differences	-1 488	-294	-360	-16	-2 158
As at December 31, 2019	223 367	114 409	27 920	2 574	368 270
Accumulated depreciation					
As at January 1, 2018	-52 155	-78 160	-15 528		-145 843
Depreciation	-7 045	-9 133	-2 967		-19 145
Disposals	22	3 078	2 088		5 189
Translation differences	-113	-20	229		95
As at December 31, 2018	-59 292	-84 235	-16 178		-159 704
Depreciation	-10 976	-9 293	-3 985		-24 255
Disposals	444	2 957	2 464		5 865
Translation differences	321	188	230		739
As at December 31, 2019	-69 502	-90 383	-17 469		-177 354
Carrying amounts					
As at January 1, 2018	134 467	21 470	8 088	2 003	166 029
As at December 31, 2018	131 763	22 349	8 186	820	163 119
As at December 31, 2019	153 865	24 026	10 451	2 574	190 916

The additions of CHF 40.9 million consisted of CHF 36.0 million cash effective capital expenditures, CHF 4.6 million non-cash effective additions of right-of-use assets for leases and CHF 0.3 million deferred considerations for investments.

There were no impairment losses. The sale of property, plant and equipment resulted in a gain of CHF 0.2 million (previous year CHF 0.2 million).

Commitments for investments in property, plant and equipment amounted to CHF 4.3 million (previous year CHF 1.7 million).

Additional Disclosures Leased Property, Plant and Equipment

	Land, buildings	Furniture, fixtures, movable equipment	Total
in CHF 1 000			
Impact from changes of accounting policies as at January 1, 2019	11 758	1 133	12 891
Net carrying amount as at December 31, 2019	14 572	1 008	15 579
Additions to the right-of-use assets 2019	6 642	568	7 211
Depreciation 2019	-3 263	-652	-3 915

The total cash outflow for lease payments was as follows:

	2019
in CHF 1 000	
Repayment of lease liabilities	-3 576
Interest paid for lease liabilities	-586
Payments for short-term leases and for leases of low-value assets	-418
Total	-4 580

The portfolio of short-term leases and leases of low-value assets to which Belimo is committed at the end of the reporting period is similar to the portfolio of the reporting period.

The contractual maturities of the lease liabilities are disclosed in note 20.3.

14 Intangible Assets

The Group's intangible assets comprise acquired software, acquired non-contractual customer relationships, as well as internally generated intangible assets. Intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. They are amortized on a straight-line basis over their estimated useful lives from the time at which they become available for use.

The estimated useful lives applied by the Group are as follows:

Software, other intangible assets	2-5 years
Customer relationships	3-9 years
Internally generated intangible assets	2-5 years

Internally generated intangible assets include capitalized development costs. Development costs incurred to obtain new or substantially improved products and processes are capitalized if the resulting products and processes are technically and commercially feasible and if it is probable that they will generate future economic benefits. In addition, the Group must intend and have sufficient resources available to complete the development and to use or sell the asset. Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs of projects that have not yet been completed are not amortized but subject to an annual impairment test. Research costs incurred to gain new basic or technological knowledge and understanding are recognized in the income statement.

Subsequent expenditure in intangible assets is capitalized if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses are recognized in the income statement when they are incurred.

The carrying amounts of intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. The impairment process is similar to the one described in note 13 Property, Plant and Equipment.

	Software, other intan- gible assets	Customer relation- ships	Internally generated intangible assets	Advance payments	Total
in CHF 1 000					
Costs					
As at January 1, 2018	22 593	14 191	8 265	676	45 726
Additions	3 315	–	679	337	4 331
Disposals	–317	–	–3 701	–	–4 018
Reclassifications	631	–	–	–631	–
Translation differences	15	–751	–	1	–736
As at December 31, 2018	26 237	13 440	5 243	383	45 304
Additions	2 761	–	558	1 375	4 694
Disposals	–801	–317	–341	–	–1 459
Reclassifications	131	–	–	–131	–
Translation differences	–42	–606	–	–2	–649
As at December 31, 2019	28 287	12 517	5 460	1 625	47 889
Accumulated amortization					
As at January 1, 2018	–18 478	–5 596	–4 588		–28 662
Amortization	–3 046	–1 793	–1 176		–6 015
Disposals	317	–	3 701		4 018
Translation differences	–12	260	–		248
As at December 31, 2018	–21 219	–7 129	–2 063		–30 411
Amortization	–3 474	–1 600	–1 026		–6 100
Disposals	801	317	341		1 459
Translation differences	38	303	–		341
As at December 31, 2019	–23 855	–8 108	–2 748		–34 711
Carrying amounts					
As at January 1, 2018	4 116	8 595	3 677	676	17 064
As at December 31, 2018	5 018	6 311	3 180	383	14 893
As at December 31, 2019	4 432	4 409	2 712	1 625	13 178

CHF 0.6 million (previous year CHF 0.1 million) of internally generated intangible assets (capitalized development costs) are not yet available for use and have not been amortized yet.

The conducted impairment tests did not show any need for impairment.

Commitments for investments in intangible assets amounted to CHF 4.2 million (previous year CHF 1.8 million).

15 Non-current Financial Assets

Financial assets are measured at amortized costs. While they are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial and therefore no valuation allowance has been recognized.

Non-current financial assets primarily comprise deposits relating to lease agreements for the business premises of various Group companies as well as loans to finance Belimo distribution companies.

16 Other Liabilities

Financial instruments other than derivatives included in other liabilities are recognized at amortized costs. Derivative financial instruments are measured at fair value through profit and loss, with any changes therein recognized in the financial result.

	12.31.2019	12.31.2018
in CHF 1 000		
Liabilities to employees	20 750	17 516
Accrued volume rebates to customers	13 175	11 952
Non-income tax payables	5 183	4 941
Social security liabilities	2 779	2 350
Fair value of derivative financial instruments	17	1
Other liabilities and accrued expenses	4 514	4 536
Total	46 418	41 297

17 Financial Liabilities

Financial liabilities are recognized at amortized costs. Lease liabilities are initially measured at the present value of the lease payments. Management judgement is required to determine the lease liabilities. Further details about lease accounting is described in note 13 Property, Plant and Equipment.

The changes in liabilities arising from financing activities are as follows:

	Lease liabilities	Other loans and borrowings
in CHF 1 000		
As at January 1, 2018	–	1 515
Interest expenses	–	42
Translation differences	–	–94
Non-cash effective movements	–	–52
As at December 31, 2018	–	1 463
Interest paid	– 586	– 89
Repayments	– 3 576	–
Cash flow used in financing activities	– 4 162	– 89
Payment of residual purchase price for acquisition from earlier periods	–	– 1 399
Cash flow used in investing activities	–	– 1 399
Impact from changes in accounting policies as at January 1, 2019	12 891	–
Non-cash effective leasing movements	4 394	–
Deferred payments for investments in property, plant and equipment	–	279
Interest expenses	586	25
Translation differences	– 267	– 7
Non-cash effective movements	17 604	296
As at December 31, 2019	13 442	272

Interest paid not related to financial liabilities and therefore not included in the table above amounted to CHF 0.2 million (previous year CHF 0.1 million).

18 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, an outflow of resources embodying economic benefits is probable and the amount of the obligation can be reliably estimated. They are discounted if the effect is material.

Provisions are measured at the reporting date based on the best estimate of the future outflow of economic benefits. Depending on the development and outcome of the events, claims may arise which are lower or higher than the recognized provision or which are not or only partially covered by a corresponding insurance benefit. The actual payments may therefore differ from the provisions.

	Warranties	Others	Total 2019	Total 2018
in CHF 1 000				
As at January 1	5 755	391	6 146	5 515
Increase	2 742	–	2 742	4 810
Utilization	–2 791	–100	–2 891	–3 418
Reversals	–901	–16	–917	–750
Translation differences	–	–10	–10	–10
As at December 31	4 805	266	5 071	6 146
of which current provisions	3 987	–	3 987	4 920
of which non-current provisions	818	266	1 084	1 226

Provisions for warranties were calculated on the basis of returns in the past and generally cover a warranty period of five years.

19 Non-current Employee Benefits

The present value of the defined benefit obligation and the fair value of the plan assets are determined annually by independent actuaries for each plan and are recognized as a net defined benefit asset/liability. The present value of the defined benefit obligation is calculated using the projected unit credit method. The discount rate is based on the interest rate of high quality corporate bonds with terms approximating to the terms of the related defined benefit obligation.

Defined benefit expenses recognized in the income statement include current service costs (service costs in the reporting period) and past service costs (gains/losses from plan amendments and curtailments). The net interest result (multiplication of the net defined benefit asset/liability with the discount rate) is recognized in the financial result. Remeasurement of the net defined benefit asset/liability which comprise actuarial gains and losses on the defined benefit obligation and the return on plan assets, excluding amounts included in the net interest result are recognized in other comprehensive income and are not reclassified subsequently to the income statement. Asset surpluses are considered only to the extent of possible future reimbursement or reduction of contributions in accordance with IFRIC 14.

The calculation of the net defined benefit asset/liability is based on partially long-term actuarial assumptions. These can differ from the actual future results. The discount rate and the life expectancy are material assumptions for the actuarial calculation.

	12.31.2019	12.31.2018 restated ¹⁾
in CHF 1 000		
Post-employment benefits	9 003	–
Non-current employee benefit assets	9 003	–
Post-employment benefits	581	7 258
Other non-current employee benefits	3 369	3 039
Non-current employee benefit liabilities	3 950	10 297

¹⁾ see note 1.3

Other non-current employee benefits mainly include jubilee provisions.

19.1 Post-Employment Benefits

In addition to state social security schemes, some Group companies offer additional post-employment benefit plans, covering approximately half of all employees. Under some of these post-employment benefit plans, employees must make contributions, which are supplemented by corresponding employer contributions. The funding is made in accordance with local legal and fiscal requirements. Employees receive benefits in the event of death, disability or retirement. The most significant post-employment benefit plans exist in Switzerland, accounting for 99.8 percent of the defined benefit obligation and 100 percent of the plan assets.

Post-Employment Benefit Plan of BELIMO Automation AG

Swiss pension schemes are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and their implementing regulations. The BVG defines the minimum insured salary, the minimum retirement credits, as well as the interest rate applied to these credits and the conversion rate. On the basis of these legal provisions and the plan structure, the employer is exposed to actuarial risks such as investment risk, interest rate risk and the risk of disability, as well as the risk of longevity. The employee and employer contributions are defined by the board of trustees. In the case of a statutory underfunding, measures for its elimination must be taken. Possible measures could be an adjustment to the conversion rate or restructuring contributions from both the employer and the employees.

The Swiss pension plan of Belimo is organized via an autonomous foundation. The plan is classified as a defined benefit plan in accordance with IAS 19 and as a defined contribution plan in accordance with the BVG. The most senior management body is the board of trustees, which is composed of an equal number of employee and employer representatives. It is legally obliged to act in the interests of the plan participants. The board of trustees is responsible for defining the investment strategy, effecting changes to the post-employment benefit plan regulations and determining the funding of pension plan benefits. The investment strategy is reviewed at least once a year. An additional post-employment benefit plan at a collective foundation in Switzerland exists for the Group Executive Committee.

Employer contributions to the pension scheme are defined in the applicable regulations as a fixed percentage of the insured salaries and include both savings and risk components. Retirement benefits are determined on the basis of the retirement assets held at the time of retirement. The insured individual can choose between a life-long annuity and a lump-sum payment. The annuity is calculated by multiplying the retirement savings capital by the conversion rate as defined in the regulations. The annual retirement contributions and interest thereon are credited to the retirement savings capital. When employees leave the company, their retirement savings capital is transferred to the pension scheme of the new employer or a vested benefits plan.

Post-Employment Benefits Development

In the reporting year as well as in the previous year, there were no amendments to the plan.

The net defined benefit asset/liability relates to funded and unfunded plans as follows:

	12.31.2019	12.31.2018
in CHF 1 000		
Present value of funded obligations	- 285 855	- 255 583
Fair values of plan assets	294 858	248 993
Surplus/(deficit) of funded plans	9 003	- 6 591
Present value of unfunded obligations	- 581	- 668
Total surplus/(deficit) of defined benefit pension plans	8 422	- 7 258
of which recognized as non-current asset	9 003	-
of which recognized as non-current liability	- 581	- 7 258

In 2019, the return on plan assets of CHF 35.4 million (previous year negative CHF 14.1 million) resulted in a surplus of CHF 9.0 million for the Swiss pension plan. The asset ceiling, being the present value of any economic benefits available in the form of reductions in future contributions to the Swiss pension plan, exceeded the surplus. Consequently, the surplus was fully recognized as non-current asset as at December 31, 2019.

The movements in the net defined benefit asset/liability were as follows:

	2019			2018		
	Defined benefit obligations	Fair value of plan assets	Net defined benefit asset/(liability)	Defined benefit obligations	Fair value of plan assets	Net defined benefit asset/(liability)
in CHF 1 000						
As at January 1	-256 251	248 993	-7 258	-251 975	253 694	1 719
Movements included in the income statement						
Current service costs	-9 380		-9 380	-9 294		-9 294
Interest result (net)	-2 396	2 392	-4	-1 618	1 670	52
Total movements included in the income statement	-11 776	2 392	-9 385	-10 912	1 670	-9 242
Movements included in other comprehensive income						
Change in financial assumptions	-19 952		-19 952	10 201		10 201
Experience adjustments	3 250		3 250	-2 101		-2 101
Return on plan assets (excluding interest income)		33 054	33 054		-15 834	-15 834
Total remeasurement included in other comprehensive income	-16 702	33 054	16 352	8 100	-15 834	-7 734
Translation differences	24		24	26		26
Total movements included in other comprehensive income	-16 678	33 054	16 376	8 126	-15 834	-7 707
Other movements						
Employer contributions		8 615	8 615		7 893	7 893
Employee contributions	-6 377	6 377		-5 735	5 735	
Benefits paid from plan assets	4 572	-4 572		4 165	-4 165	
Benefits paid by the employer	74		74	79		79
Total other movements	-1 730	10 420	8 689	-1 490	9 462	7 972
As at December 31	-286 436	294 859	8 422	-256 251	248 993	-7 258

The experience-based adjustments to pension obligations resulted in an actuarial gain of CHF 3.3 million (previous year loss of CHF 2.1 million) on the plan's projected benefit obligations.

The cash flow for annuity payments and other obligations can be planned reliably. The weighted average duration of the defined benefit obligations is 20.7 years (previous year 16.4 years). The investment strategy ensures the availability of liquidity at all times.

Investment Portfolio

The major categories of plan assets were as follows:

	12.31.2019	12.31.2018
Shares	33.0%	32.4%
Bonds	46.6%	47.3%
Real estate	17.7%	17.6%
Cash and cash equivalents	1.6%	1.3%
Assets held by insurance company	1.1%	1.4%
Total	100.0%	100.0%

The shares and bonds have quoted market prices on an active market. Real estate includes listed real estate funds and shares of real estate companies investing in residential and office properties. The Group does not use any pension scheme assets.

The expected employer contributions for 2020 amount to CHF 8.8 million.

Actuarial Assumptions and Sensitivity Analysis

The following were the principal actuarial assumptions applied for the calculation of the post-employment benefits:

	12.31.2019	12.31.2018
Discount rate	0.30%	0.95%
Interest rate used in projecting retirement benefits	1.00%	1.75%
Expected salary increases	2.00%	2.00%
Expected pension increases	0.00%	0.00%
Life expectancy as at age of 65 in years: male/female	22.72/24.76	22.61/24.65

The following sensitivity analysis shows the impact of a reasonably possible change in the principal actuarial assumptions on the present value of the defined benefit obligations at the reporting date. Each change was analyzed separately. Interdependencies were not taken into account.

	12.31.2019	12.31.2018
Increase (+)/decrease (-) of the present value of defined benefit obligations		
Discount rate		
Increase by 25 basis points	-3.2%	-3.0%
Decrease by 25 basis points	3.4%	3.2%
Interest rate used in projecting retirement benefits		
Increase by 25 basis points	0.4%	0.4%
Decrease by 25 basis points	-0.4%	-0.4%
Expected salary increases		
Increase by 50 basis points	0.9%	0.8%
Decrease by 50 basis points	-0.9%	-0.9%
Life expectancy		
Increase by 1 year	2.1%	2.0%
Decrease by 1 year	-2.1%	-2.0%

20 Financial Risk Management

20.1 General

Due to the nature of its activities, Belimo is exposed to a number of financial risks: credit risk, market risk (foreign currency and interest rate risk) and liquidity risk.

Financial risk management is based on guidelines issued by the Board of Directors concerning the objectives, principles, tasks and responsibilities of financial management. The Board of Directors has assigned the Group Treasury to monitor financial risks. Group Treasury regularly reports to the Group Executive Committee and the Board of Directors on existing risks.

The risk management policies are established to identify and to analyze the risks to which the Group is exposed, to define appropriate limits, to establish controls and to monitor the risks and compliance with limits. Risk management policies and processes are reviewed regularly to reflect changes in market conditions and in the Group's activities.

20.2 Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit risk of Belimo mainly arises from trade receivables and cash and cash equivalents.

Belimo invests its cash and cash equivalents worldwide in deposit accounts held mainly with major, creditworthy Swiss, German and English banks. These deposits generally have terms of less than three months. Transactions involving derivative financial instruments are also entered into only with major financial institutions, and Belimo does not have significant open positions with any of these.

The credit risk from trade receivables is limited, since the Group's customer base is broad and spread over a variety of geographical areas. Credit risk is mainly influenced by the specific characteristics of each individual customer. The risk assessment includes an analysis of the creditworthiness, taking into account a variety of factors such as credit ratings or payment history. Credit limits are set according to regional aspects. Certain new customers are only supplied against payment in advance. The maximum default risk is the carrying amount of the individual assets as of the reporting date (see table in note 20.5 Categories of Financial Instruments). There are no guarantees or similar obligations that could lead to an increase in the risk beyond the carrying amounts.

20.3 Liquidity Risk

Liquidity risk is the risk that Belimo will not be able to meet its financial obligations as they fall due. It is the aim of Belimo to have sufficient liquidity and unused credit lines available at all times so that it can meet its financial obligations when due, both under normal and stressed conditions. Liquidity is centrally managed and controlled by Group Treasury. The subsidiaries are adequately financed by intercompany loans to meet their ongoing commitments.

Belimo can draw down loans at fixed or floating rates for various terms, based on its short- and medium-term liquidity needs. Belimo aims to preserve maximum flexibility in its liquidity planning through flexible use of the general credit lines and by staggering the maturity dates of the individual amounts.

Belimo has concluded the following lines of credit: Committed credit lines of CHF 40.0 million (not used as of December 31, 2019) and uncommitted credit lines of CHF 27.0 million (not used as of December 31, 2019).

At the reporting date, the contractual maturities of the financial liabilities were as follows:

	Less than 1 year	1–5 years	More than 5 years	Total
in CHF 1 000				
As at December 31, 2019				
Trade payables	15 660	–	–	15 660
Lease liabilities	3 914	8 963	2 037	14 914
Financial liabilities	190	–	81	272
Other liabilities qualifying as financial instruments	17 689	–	–	17 689
Derivative financial instruments	17	–	–	17
Financial liabilities	37 470	8 963	2 118	48 552
As at December 31, 2018				
Trade payables	18 409	–	–	18 409
Financial liabilities	1 463	–	–	1 463
Other liabilities qualifying as financial instruments	16 488	–	–	16 488
Derivative financial instruments	1	–	–	1
Financial liabilities	36 362	–	–	36 362

20.4 Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will have an impact on the Group's income or the value of the financial instruments held by the Group. Monitoring and controlling these risks ensures that the exposure does not exceed a certain level.

Foreign Currency Risk

The Group's international operations expose it to foreign currency risks. These risks arise from transactions that are denominated in currencies other than the functional currency of the respective Group companies (transaction risk) as well as from investments in foreign subsidiaries (translation risk).

In order to limit the transaction risk, Belimo primarily aims to achieve natural hedging by matching cash inflows and outflows in a specific currency as far as possible. Invoices between Group companies are mainly denominated in the currency of the company receiving the invoice. Foreign Group companies procure almost all their goods from the Swiss central production and distribution company BELIMO Automation AG and invoice their sales to third parties mainly in local currency. Foreign currency risks thus almost exclusively affect the Swiss company, which facilitates the management of these risks by using forward contracts.

The following table shows the main foreign exchange risk exposure for financial instruments whose currency differ from the functional currency of the Group company holding them.

	12.31.2019			12.31.2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
in CHF 1 000						
CAD	10 635	-3	10 632	9 501	-	9 501
CHF	2 728	-15 903	-13 175	2 345	-12 589	-10 244
EUR	20 336	-3 989	16 347	24 878	-6 033	18 846
PLN	8 728	-	8 728	10 837	-	10 837
USD	25 367	-5 523	19 844	35 426	-6 796	28 630
Other	20 299	-1 050	19 250	19 380	-2 559	16 821
Total	88 093	-26 467	61 625	102 366	-27 977	74 389

The currency-related sensitivity of these currencies is shown in the following table:

		12.31.2019		12.31.2018	
		Exchange		Exchange	
		gain	loss	gain	loss
in CHF 1 000					
CAD	+/- 5%	385	-417	475	-475
CHF	-/+ 5%	659	-659	513	-513
EUR	+/- 5%	817	-817	618	-590
PLN	+/- 5%	436	-436	542	-542
USD	+/- 5%	701	-219	817	-719
Total		2 999	-2 549	2 965	-2 839

This analysis assumes that all other variables are held constant and takes into account hedging transactions. In the previous year the same assumptions were applied. Due to materiality reasons, Belimo decided to not disclose the exposure and sensitivity for HKD and GBP anymore.

At the reporting date, the following foreign currency hedging instruments were held:

	12.31.2019	12.31.2018
in CHF 1 000		
Foreign currency hedging instruments		
in CAD	2 593	-
in EUR	-	6 772
in USD	10 886	13 318
Total forward foreign exchange contracts	13 479	20 090
Fair values		
positive	257	121
negative	-17	-1
Total fair values	240	120

Forward foreign exchange contracts are the only financial instruments held by Belimo that are measured at fair value. In the fair value hierarchy according to IFRS 13, these measurements are allocated to level 2. They are not based on quoted prices in active markets, but are derived directly or indirectly from observable inputs.

The positive fair values are included in other assets, the negative fair values in other liabilities. The changes in fair values recognized in the income statement are included in the financial result (see note 6 Financial Result). The foreign currency hedging instruments as at December 31, 2019, mature in 44 days or less.

Interest Rate Risk

The interest rate risk includes the risk that changes in interest rates have an impact on future cash flows (cash flow interest rate risk) and the risk that changes in interest rates affect the fair value of financial instruments (fair value interest rate risk). The interest-bearing financial assets and liabilities held by the Group mainly relate to cash, cash equivalents and lease liabilities. Therefore, Belimo has no material exposure to a cash flow interest rate risk.

20.5 Categories of Financial Instruments

The following table shows the carrying amounts of all financial instruments by category:

	Carrying amounts	
	12.31.2019	12.31.2018
in CHF 1 000		
Financial assets held to collect measured at amortized cost		
Cash and cash equivalents	172 563	155 138
Trade receivables	88 638	87 173
Other receivables	255	197
Financial assets	1 885	1 812
Total	263 341	244 319
Financial assets measured at fair value through profit or loss		
Fair value of derivative financial instruments	257	121
Total	257	121
Financial liabilities measured at amortized cost		
Current financial liabilities	4 016	1 463
Trade payables	15 660	18 409
Non-current financial liabilities	9 698	–
Other liabilities and accrued expenses qualifying as financial instruments	17 689	16 488
Total	47 063	36 360
Financial liabilities measured at fair value through profit or loss		
Fair value of derivative financial instruments	17	1
Total	17	1

For financial assets and financial liabilities not measured at fair value in the table above the carrying amount is a reasonable approximation of the fair value.

20.6 Capital Management

Belimo aims to maintain an equity ratio that is in line with its strategy and stable over time, in order to secure the confidence of investors, creditors and other market players and strengthen the future development of its business activities. This entails refinancing that is adapted to the asset structure, and an equity-to-liability ratio that is adequate to the level of risk.

The Board of Directors monitors the shareholder structure and the return on equity. The company strives for a diversified and international shareholder base. The return on equity (defined as net income as a proportion of the average equity held) was 25.6 percent as at December 31, 2019 (previous year 20.3 percent). In 2019, it was impacted substantially by the Swiss tax reform (see note 7 Income Taxes). The objective is to maintain or increase this ratio. Furthermore, the Board of Directors strives to achieve a continuous payout ratio. However, it may diverge from this policy based on the economic outlook at any particular time or because of planned future investment activities. In the past five years, the payout ratio has been between 66.1 and 76.1 percent.

Belimo can buy or sell treasury shares on the market. Its current holdings of treasury shares are not earmarked for any specific purpose and can be sold on the market at any time.

21 Contingent Liabilities

There were no contingent liabilities as at December 31, 2019.

22 Related Parties

Related parties include the members of the Group Executive Committee and the Board of Directors as well as individuals or companies related to them (see corporate governance, pages 42 to 53) and the Group's post-employment benefit plans.

The remuneration of the Board of Directors and Group Executive Committee consists of the following (see remuneration report, pages 20 to 23):

	2019	2018
in CHF 1 000		
Short-term employee benefits	4 727	4 394
Post-employment benefits	790	694
Total	5 517	5 088

Breakdown of remuneration by executive and non-executive members:

	2019	2018
in CHF 1 000		
Board of Directors (non-executive members)	808	888
Group Executive Committee (executive members)	4 709	4 200
Total	5 517	5 088

In total, 12 410 shares were held by related parties (previous year 6 360 shares). No shares were granted to related parties during the reporting period.

23 Subsidiaries

BELIMO Holding AG held the following subsidiaries:

Company, place of incorporation	Country	Currency	Share Capital	Activities	Group interest	
			in 1 000		12.31.2019	12.31.2018
Europe						
BELIMO Automation AG, Hinwil	CH	CHF	500	P, D, R&D	100%	100%
BELIMO InnoVision AG, Hinwil	CH	CHF	1 000	H	100%	¹⁾
BELIMO Stellantriebe Vertriebs GmbH, Stuttgart	DE	EUR	205	D	100%	100%
BELIMO Automation Deutschland GmbH, Großröhrsdorf	DE	EUR	4 050	P, R&D	100%	²⁾
BELIMO Automation Handelsgesellschaft m.b.H., Vienna	AT	EUR	36	D	100%	100%
BELIMO Silowniki S.A., Warsaw	PL	PLN	500	D	100%	100%
BELIMO Servomotoren B.V., Vaassen	NL	EUR	18	D	100%	100%
BELIMO Automation UK Ltd., Shepperton	GB	GBP	0.1	D	100%	100%
BELIMO Automation Norge A/S, Oslo	NO	NOK	501	D	100%	100%
BELIMO Finland Oy, Helsinki	FI	EUR	100	D	100%	100%
Belimo AB, Nacka	SE	SEK	1 000	D	100%	100%
BELIMO SARL, Courtry	FR	EUR	80	D	100%	100%
BELIMO Ibérica de Servomotores S.A., Madrid	ES	EUR	301	D	100%	100%
BELIMO Italia S.r.l., Grassobbio	IT	EUR	47	D	100%	100%
BEREVA S.r.l., Ora ⁴⁾	IT	EUR	500	D, R&D	83%	³⁾
BELIMO Automation FZE, Dubai	AE	USD	273	D	100%	100%
Belimo Turkey Otomasyon A.Ş., Istanbul	TR	TRY	1 000	D	100%	100%
Americas						
BELIMO Aircontrols (USA), Inc., Danbury	US	USD	200	D, H	100%	100%
BELIMO Customization (USA), Inc., Danbury ⁵⁾	US	USD	45	P	100%	100%
BELIMO Technology (USA), Inc., Danbury ⁵⁾	US	USD	30	R&D	100%	100%
BELIMO Aircontrols (CAN), Inc., Mississauga	CA	CAD	95	D	100%	100%
BELIMO Brasil – Comércio de Automação Ltda., São Paulo	BR	BRL	6 718	D	100%	100%
Asia Pacific						
BELIMO Actuators Ltd., Hong Kong	HK	HKD	10	D	100%	100%
BELIMO Actuators Pty. Ltd., Mulgrave, Melbourne	AU	AUD	10	D	100%	100%
BELIMO Actuators (Shanghai) Trading Ltd., Shanghai	CN	CNY	19 555	I	100%	100%
BELIMO Automation (Shanghai) Co., Ltd., Shanghai	CN	CNY	765	P, D	100%	100%
BELIMO Actuators (India) Pve Ltd., Mumbai	IN	INR	1 096	D	100%	100%
BELIMO Automation Malaysia SDN. BHD., Kuala Lumpur	MY	MYR	1 900	D	100%	100%

¹⁾ Incorporated on January 29, 2019

²⁾ Incorporated on March 28, 2019

³⁾ Incorporated on May 31, 2019

⁴⁾ Investment held by BELIMO InnoVision

⁵⁾ Investment held by BELIMO Aircontrols (USA)

H = Holding company

P = Production

D = Distribution

R&D = Research and development

I = Inactive

24 Events after the Reporting Date

The consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2020. They are subject to approval by the Annual General Meeting on March 30, 2020.

No events have occurred up to March 6, 2020, which would necessitate adjustments to the carrying amounts of the Group's assets or liabilities, or which require additional disclosure.

Statutory Auditor's Report

To the General Meeting of BELIMO Holding AG, Hinwil

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of BELIMO Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 86 to 123) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) 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, as well as the IESBA Code of Ethics for Professional Accountants, 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.

Key Audit Matters



Inventory valuation



Revenue recognition

Key audit matters are those matters that, in our professional judgment, 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.



Inventory valuation

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to CHF 103.5 Mio as at 31 December 2019. The valuation of self-made products is underlying management judgements with regards to planned production capacities which impacts standard costs.

The provision for slow moving items is set up based on historical experience and management's judgement on reversals of such provisions based on projected future sales and usages of such items. This judgement directly affects the carrying value of inventories.

Our response

Our audit procedures in this area included, amongst others:

- We challenged the Group's calculation of production costs for self-made products. This includes the allocation of overhead production costs by comparing the parameters used for the calculation to underlying actual data and an evaluation of underlying labour costs by comparing actual rates to budget rates and the deviations thereof.
- We evaluated the Group's historical experience on slow moving inventory items and compared them to the amounts used for the calculation of the slow moving provision and evaluated consistency of application.
- We evaluated the Group's controls on profit margins by sample testing key controls for operating effectiveness. We have discussed such analyses with management.

For further information on inventory valuation refer to the following:

- Note 11 to the consolidated financial statements



Revenue recognition

Key Audit Matter

Revenue is the basis to evaluate the course of business of the Group and is thus a focus area of internal target setting and external third party expectations. These expectations create potential pressure on management to achieve the set targets, which leads to an increased risk in revenue recognition. The correct application of the accrual principle comprises significant risks in revenue recognition.

Our response

We have analysed the processes set up to ensure a correct application of the accrual principle. We have identified internal controls with regards to revenue recognition and have tested operating effectiveness of selected controls applying a sampling method. Furthermore, we have, amongst others, performed the following audit procedures:

- Evaluation of the accrual principle as of 31 December 2019 by comparing invoices to delivery papers and evaluating incoterms.
- Evaluation of profit margins and deviation analyses for significant product groups and geographical markets, identifying deviations to prior year and to our expectations. We have discussed such analyses with management.
- Assessing completeness and accuracy of recognition of revenue deductions by evaluating credit notes issued in 2020 on the one hand, and by applying retrospective procedures evaluating charge-backs actually paid out compared to prior year on the other hand.

For further information on revenue recognition refer to the following:

- Note 3 to the consolidated financial statements

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the Annual Report. The other information comprises all information included in the Annual Report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility 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 IFRS 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, ISAs 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.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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.

KPMG AG



Reto Benz
Licensed Audit Expert
Auditor in Charge



Reto Kaufmann
Licensed Audit Expert

Zurich, 6 March 2020

Financial Statements of BELIMO Holding AG

Income Statement

	Note	2019	2018
in CHF 1 000			
Dividend income – Group companies		75 248	64 181
License fees – Group companies		8 149	7 456
Other financial income	2.1	4 709	8 081
Revenue		88 105	79 718
Personnel expenses		– 926	– 911
Other operating expenses		– 812	– 748
Financial expenses	2.1	– 947	– 69
Impairment loss		– 555	–
Direct taxes		– 1 450	– 1 694
Expenses		– 4 691	– 3 421
Net income		83 414	76 297

Balance Sheet

	Note	12.31.2019	12.31.2018
in CHF 1 000			
Cash and cash equivalents		113 203	81 327
Other current receivables – Group companies	2.2	1 047	15 665
Other current receivables – Third parties		277	154
Accrued income and prepaid expenses		14	–
Current assets		114 542	97 147
Financial assets – Group companies		145 759	136 449
Financial assets – Third parties		–	50
Investments – Group companies	2.3	65 903	56 131
Non-current assets		211 662	192 630
Assets		326 204	289 777
Current interest-bearing liabilities – Third parties	2.4	–	1 463
Other current liabilities – Group companies	2.2	16 253	–
Other current liabilities – Third parties		29	10
Deferred income and accrued expenses		828	1 030
Current liabilities		17 110	2 503
Provisions		–	100
Non-current liabilities		–	100
Liabilities		17 110	2 603
Share capital		615	615
Legal capital reserves		9 164	9 164
Legal retained earnings		580	580
Voluntary retained earnings		298 803	276 883
Treasury shares	2.5	– 67	– 67
Shareholders' equity		309 095	287 174
Liabilities and shareholders' equity		326 204	289 777

Notes to the Financial Statements

1 Accounting Policies

1.1 General Information

The financial statements of BELIMO Holding AG, Hinwil (Switzerland), are prepared according to the policies of the Swiss Law on Accounting and Financial Reporting. While the consolidated financial statements provide information regarding the economic situation of the Group as a whole, the information contained in these financial statements refers solely to the parent company.

These financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand. Due to rounding, amounts presented throughout this report may not add up precisely to the totals provided.

1.2 Financial Assets

Financial assets include long-term loans. Loans denominated in foreign currencies are translated at the rate at the reporting date, whereby unrealized losses are fully recognized, and unrealized gains are only recorded to the extent of previous losses.

1.3 Treasury Shares

At the acquisition date, treasury shares are recognized at acquisition cost and deducted from shareholders' equity. In case of a resale, the gain or loss is recognized in the income statement as financial income or financial expense.

1.4 Foregoing a Statement of Cash Flows and Additional Disclosures in the Notes

As BELIMO Holding AG has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to refrain from presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a statement of cash flows in accordance with the law.

2 Information on Items in the Income Statement and Balance Sheet

2.1 Other Financial Income and Financial Expenses

Other financial income mainly contains interest income on loans to Group companies.

In 2019, net foreign exchange losses of CHF 0.8 million were recognized as financial expenses, whereas in 2018 net foreign exchange gains of CHF 3.0 million were recorded as other financial income.

2.2 Other current Receivables and Liabilities – Group Companies

As at December 31, 2019, BELIMO Holding AG owed BELIMO Automation AG CHF 16.3 million (previous year other current receivables of CHF 14.8 million).

2.3 Investments – Group Companies

Information on the investments held, directly and indirectly, by BELIMO Holding AG is given in the list of group companies on page 122 of the Annual Report.

2.4 Current Interest-Bearing Liabilities

The deferred consideration of the purchase price of Belimo AB, Sweden, acquired in 2017, and accrued interest thereon was paid in 2019.

2.5 Treasury Shares

	2019		2018	
	Number of shares	Value in CHF 1 000	Number of shares	Value in CHF 1 000
As at January 1	57	67	222	262
Sale	–	–	– 165	– 195
As at December 31	57	67	57	67

In the reporting year, no treasury shares were sold (previous year 165 shares at an average selling price of CHF 4 838).

3 Other Information

3.1 Full-Time Equivalents

BELIMO Holding AG does not have any employees.

3.2 Covenants, Contingent Liabilities and Collaterals for Third-Party Liabilities

The framework agreements with a credit limit of CHF 67 million in total (on which either BELIMO Holding AG or BELIMO Automation AG may draw) are not subject to any covenants.

There were no contingent liabilities as at December 31, 2019.

The company is part of the Belimo value-added tax group in Switzerland and is jointly and severally liable for its value-added tax liabilities to the tax authorities.

3.3 Shares held by the Members of the Board of Directors and the Group Executive Committee

The following shares were held by the members of the Board of Directors and the Group Executive Committee as well as their related parties.

	12.31.2019	12.31.2018
Number of shares		
Board of Directors		
Prof. Adrian Altenburger	50	50
Patrick Burkhalter	3 565	3 565
Sandra Emme	20	20
Martin Hess ¹⁾	–	420
Urban Linsi ^{1),2)}	8 010	–
Prof. em. Dr. Hans Peter Wehrli ¹⁾	–	1 300
Dr. Martin Zwysig	25	25
Total Board of Directors	11 670	5 380
Group Executive Committee		
Lukas Eigenmann	175	200
James W. Furlong	60	60
Peter Schmidlin	403	630
Louis Scheidegger ¹⁾	32	–
Beat Trutmann ¹⁾	–	20
Lars van der Haegen	70	70
Total Group Executive Committee	740	980

¹⁾ No related party at the corresponding reporting date (see corporate governance, pages 42 to 53).

²⁾ Urban Linsi is a member of the registered shareholder group Linsi, which holds a total of 118 580 voting shares.

No shares or options were granted to the members of the Board of Directors or Group Executive Committee and none of the members held conversion or option rights.

3.4 Significant Shareholders

The following shareholders and shareholder groups owned more than five percent of the voting rights:

	12.31.2019	12.31.2018
The Capital Group Companies, Inc. ¹⁾	5.21%	–
Group Linsi	19.28%	19.28%

¹⁾ Not above five percent at the corresponding reporting date.

3.5 Events after the Reporting Date

No events have occurred, which would necessitate adjustments to the carrying amounts in these financial statements or would need to be disclosed here.

Appropriation of Available Earnings

	12.31.2019
in CHF 1 000	
Balance carried forward from previous year	215 389
Net income	83 414
Available earnings	298 803
Proposed appropriation of available earnings by the Board of Directors	
Dividend of CHF 150.00 per share ¹⁾	- 92 250
Balance carried forward	206 553

¹⁾ Shares held by BELIMO Holding AG at the time of dividend distribution are not entitled to dividends.

The Board of Directors proposes to the 2020 Annual General Meeting a dividend of CHF 150.00 per share.

The dividend is expected to be paid on April 3, 2020.



Statutory Auditor's Report

To the General Meeting of BELIMO Holding AG, Hinwil

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BELIMO Holding AG, which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 128 to 133) for the year ended 31 December 2019 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.

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 judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility 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 either intends 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.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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 available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG



Reto Benz
Licensed Audit Expert
Auditor in Charge



Reto Kaufmann
Licensed Audit Expert

Zurich, 6 March 2020

KPMG AG, Raffelstrasse 28, PO Box, CH-8045 Zurich

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Information for Investors

Stock Market Information from 2015 to 2019

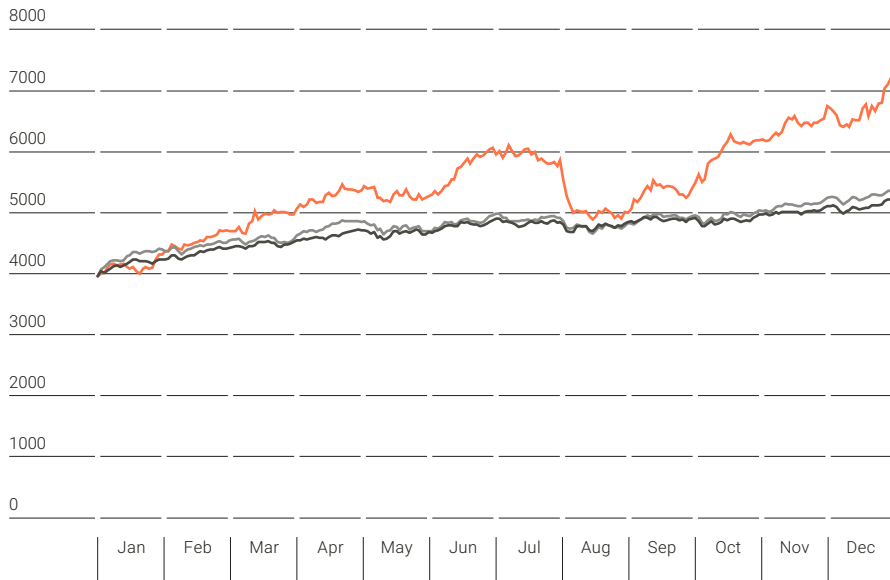
	2019	2018 restated ¹⁾	2017	2016	2015
Share capital					
Number of registered shares as at December 31	615 000	615 000	615 000	615 000	615 000
Average number of outstanding shares	614 943	614 834	614 691	614 493	614 407
Information per average outstanding share					
Earnings, in CHF	197	140	126	114	92
Cash flow from operating activities, in CHF	204	185	134	147	115
Operating income (EBIT), in CHF	201	179	151	142	121
Shareholders' equity, in CHF	825	711	673	600	548
Information per registered share					
Dividend, in CHF (as proposed by the Board of Directors for next year)	150	100	85	75	65
Return on dividend as at December 31, in percent	2.1%	2.5%	2.0%	2.4%	2.7%
Payout ratio, in percent of net income attributable to Belimo shareholders	76.1%	71.3%	67.5%	66.1%	71.1%
Price-earnings ratio as at December 31	37.0	28.1	33.9	27.1	26.8
Stock market prices in CHF					
High	7 300	4 995	4 380	3 408	2 458
Low	3 930	3 750	3 021	2 221	1 950
Year-end	7 290	3 940	4 266	3 078	2 450
Market capitalization in CHF million					
High	4 490	3 072	2 694	2 096	1 512
Low	2 417	2 306	1 858	1 366	1 199
Year-end	4 483	2 423	2 624	1 893	1 507
In percent of shareholders' equity as at December 31	884%	554%	634%	513%	447%
Average daily trading volume					
In number of shares	935	424	331	356	566

¹⁾ see note 1.3

Alternative performance measures that are not defined or specified in IFRS, are described under the following link:
www.belimo.com/financial-summary

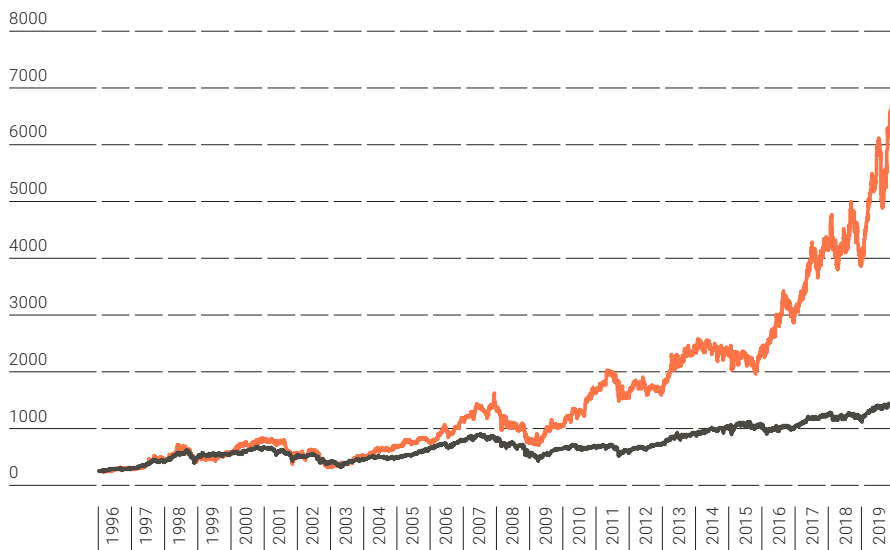
Performance since January 1, 2019

in CHF



Performance since IPO

in CHF



- Belimo Registered Share (ISIN: CH0001503199)
- SMCI (Swiss Middle Cap Index), adjusted
- SPI (Swiss Performance Index), adjusted

Five-Year Financial Summary

Five-Year Summary of the Belimo Group

	2019	2018 restated ¹⁾	2017	2016	2015
in CHF 1 000 (unless indicated otherwise)					
Income statement					
Net sales	692 680	642 368	579 853	533 650	493 299
Operating income (EBITDA) in percent of net sales	154 224 22.3%	134 999 21.0%	117 388 20.2%	110 280 20.7%	95 818 19.4%
Operating income (EBIT) in percent of net sales	123 869 17.9%	109 839 17.1%	92 621 16.0%	86 964 16.3%	74 630 15.1%
Personnel expenses in percent of net sales	188 263 27.2%	171 195 26.7%	157 877 27.2%	146 354 27.4%	139 573 28.3%
Research and development in percent of net sales	50 683 7.3%	47 248 7.4%	44 423 7.7%	37 721 7.1%	34 653 7.0%
Operating expenses in percent of net sales	260 471 37.6%	242 499 37.8%	224 952 38.8%	204 341 38.3%	192 877 39.1%
Depreciation and amortization in percent of net sales	30 355 4.4%	25 160 3.9%	24 767 4.3%	23 315 4.4%	21 188 4.3%
Net income in percent of net sales	121 103 17.5%	86 209 13.4%	77 490 13.4%	69 753 13.1%	56 229 11.4%
Cash flow					
Cash flow from operating activities in percent of net sales	125 400 18.1%	113 938 17.7%	82 318 14.2%	90 282 16.9%	70 371 14.3%
Free cash flow in percent of net sales	83 852 12.1%	94 261 14.7%	54 857 9.5%	75 151 14.1%	37 038 7.5%
Investments in property, plant and equipment and intangible assets	40 652	20 491	24 919	15 796	34 031
Dividend distribution	61 494	52 256	46 092	39 937	39 936
Balance sheet					
Total assets	602 002	531 472	491 886	451 869	413 041
Cash and cash equivalents in percent of total assets	172 563 28.7%	155 138 29.2%	113 178 23.0%	103 670 22.9%	67 687 16.4%
Current assets in percent of total assets	374 897 62.3%	348 281 65.5%	302 503 61.5%	267 012 59.1%	224 542 54.4%
Net working capital in percent of net sales	176 453 25.5%	166 667 25.9%	161 610 27.9%	138 240 25.9%	134 429 27.3%
Non-current assets in percent of total assets	227 105 37.7%	183 191 34.5%	189 383 38.5%	184 857 40.9%	188 499 45.6%
Current liabilities in percent of total assets	77 748 12.9%	71 089 13.4%	63 481 12.9%	53 536 11.8%	47 470 11.5%
Non-current liabilities in percent of total assets	16 910 2.8%	23 140 4.4%	14 755 3.0%	29 368 6.5%	28 615 6.9%
Shareholders' equity in percent of total assets	507 344 84.3%	437 243 82.3%	413 650 84.1%	368 965 81.7%	336 956 81.6%
Key figures					
Net sales year-on-year growth, in percent	7.8%	10.8%	8.7%	8.2%	-0.1%
Net sales in local currencies year-on-year growth, in percent	9.2%	9.6%	8.2%	6.8%	3.6%
Return on equity (ROE), in percent	25.6%	20.3%	19.8%	19.8%	17.2%
Return on invested capital (ROIC), in percent	27.8%	27.8%	23.4%	23.8%	20.8%
Quick ratio, in percent	344.3%	347.6%	321.2%	342.1%	297.6%
Days sales outstanding (DSO)	54.9	55.8	56.3	55.0	55.4
Inventory period (DIO)	145	144	145	145	152
Equity-to-fixed-assets ratio, in percent	230.8%	251.3%	226.2%	215.5%	193.9%
Number of employees (FTEs, yearly average)	1 712	1 591	1 483	1 416	1 387
Net sales per employee	405	404	391	377	356
Actuators shipped, in million items	7.2	6.7	6.3	5.9	5.6

¹⁾ see note 1.3

Alternative performance measures that are not defined or specified in IFRS, are described under the following link:
www.belimo.com/financial-summary

Publications and Agenda

Publication of Annual Report 2019 / Media and Financial Analysts Conference	March 9, 2020
Annual General Meeting 2020	March 30, 2020
Dividend Payment	April 3, 2020
Publication of Semiannual Report 2020	August 3, 2020
Publication of Sales 2020	January 21, 2021
Publication of Annual Report 2020 / Media and Financial Analysts Conference	March 8, 2021
Annual General Meeting 2021	March 29, 2021

Credits

Concept/Editing: BELIMO Holding AG, Hinwil (Switzerland)
Design/Realization: Greuter Stähli Grafik, Zurich (Switzerland)
Consultant on sustainability and GRI reporting: Sustainserv GmbH, Zurich (Switzerland) and Boston (Massachusetts, USA)

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