

**SULZER**



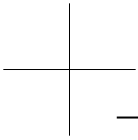
**United Nations  
Global  
Compact**

Communication on  
progress 2022



# **Sustainable flow-control innovation**

Sulzer is a global leader in fluid engineering, with two centuries of experience developing innovative products and services that drive sustainable progress — and help our customers build a better world.



---

<b>Introduction</b>	→	4	Introductory letter from Frederic Lalanne, CEO
---------------------	---	---	--

---

<b>1 Human rights</b>	→	9	Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights.
		18	Principle 2 Businesses should make sure they are not complicit in human rights abuses.

---

<b>2 Labor</b>	→	22	Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
		22	Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labor.
		22	Principle 5 Businesses should uphold the effective abolition of child labor.
		23	Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.

---

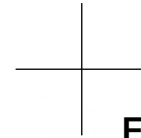
<b>3 Environment</b>	→	29	Principle 7 Businesses should support a precautionary approach to environmental challenges.
		31	Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility.
		32	Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.

---

<b>4 Anti-corruption</b>	→	35	Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.
--------------------------	---	----	--

+

**“At Sulzer, we have the expertise to address the most pressing environmental challenges facing the planet.”**



**Frederic Lalanne,  
CEO Sulzer Group**

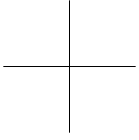


# Our solutions are enabling the transition to a sustainable future

At Sulzer we have the expertise to address some of the most pressing environmental challenges on the planet. Our technologies are helping companies and industries worldwide to create a sustainable future through the circular economy, carbon capture and storage, renewable fuels and materials, recycling, water management and novel techniques for energy production.

According to Worldwater.org, a non-profit organization aimed at raising the awareness of water scarcity, 2.4 billion people are currently living in water scarce areas and this number will increase to 3 billion in 2030. Through our water business, we offer solutions that cater for the entire water life cycle, from collection and treatment to transport to some of the most remote and arid places on the planet. Along with our expertise in water desalination and hydropower generation, we have the tools the planet needs to protect and secure this most valuable natural resource, meeting the needs of growing populations.

We have also set ourselves an ambitious target to minimize our environmental impact, committing to reduce our carbon footprint by 30% by 2030 and become carbon-neutral by 2050. We made a major shift in 2021 towards non fossil energies, allowing us, with other measures, to reduce our greenhouse gas emissions by 25%. We have identified the key drivers of our carbon footprint in all critical areas – energy, water, waste and emissions – and we have monitoring and measurement processes in place today along with a proven track record of footprint minimization.

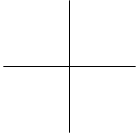


To achieve these goals, we need engaged employees. They need to be safe and know that they are listened to, and we need to provide them with an inclusive and engaging work environment. We need them to be connected to their local communities. And we need them fully mobilized.

In 2017, we started a health and wellbeing initiative called Sulzer in Motion. From 100 participants for the first edition, we were pleased to see that more than 4'000 employees signed up for this initiative in May 2021. And to add an extra incentive for our employees to prioritize their wellbeing, for each employee who participated we made a donation to UNICEF, resulting in a total of almost CHF 250'000.

Our engagement level, measured by Towers Willis in our yearly global employee survey, once again increased by one point in 2021 to reach 86%, four points above the manufacturing norm of 2'300'000. In addition, our Forbes World's Best Employers 2021 certificate, along with our Top Employers for Switzerland award gained in 2021, give us confidence in our ability to mobilize our community of dedicated employees around the globe to fully deploy our sustainable agenda.

Sulzer also has a robust and rigorous approach to guarding against corruption within its operations as well as relationships with business partners. In 2021, we delivered 22'000 compliance e-learning courses to employees, ensuring that we govern according to best practices. Our dedicated compliance officers conduct thorough reviews of our customers and suppliers before we engage in any collaboration.



With regards to human rights, Sulzer started in-depth work on identifying its salient issues across the value chain, involving various disciplines such as legal, risk management, procurement and sustainability teams. We have also initiated a review of our supply chain due diligence process to upgrade it, namely in the field of human rights, such as child and forced labor.

With our integrated ESG strategy, our commitments to minimizing our environmental impact and enabling a low-carbon society through our solutions, as well as our initiatives dedicated to our employees and local communities, Sulzer continues to do its part to contribute to the UN Sustainable Development Goals. We are proud to confirm our active participation in the United Nations Global Compact initiative and remain committed to the principles of responsible business conduct.

Sincerely,

Frederic Lalanne  
Chief Executive Officer



# Human rights

# 1





# About this document

Sulzer takes part in the United Nations Global Compact (UNGC) initiative. The UNGC is a strategic policy initiative. With their membership, corporations express their commitment to align their operations and strategies with ten universally accepted principles of responsible business conduct. The multi-stakeholder platform aims to team up actors from the business environment, civil and labor society and United Nations agencies. The UNGC seeks to build cooperation and promote partnership between business and actors. In this way, it supports corporations in respecting and supporting a set of core values in the areas of human rights, labor standards, the environment and anti-corruption.

One way an organization can communicate its commitment to the UNGC organization and society is to submit a Communication on Progress (CoP) report once a year. In 2022, Sulzer is submitting its updated CoP report to demonstrate the company's ongoing accountability to the UNGC's Ten Principles of Responsible Business Conduct.

## Reporting period and scope

The data in this report refers to calendar year 2021 (January 1 to December 31) and includes the data of the former Sulzer Applicator Systems (APS) Division until the end of the calendar year. From 2022 onwards, the data will be split as per calendar year. The data for environmental factors refers to the period of October 1, 2020, to September 30, 2021.

---

## Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights.



# Management Approach

## **Sustainable Sulzer: new strategy launched in 2021**

In 2021, under the leadership of our newly appointed Chief Sustainability Officer, Armand Sohet, we launched a comprehensive new sustainability strategy: Sustainable Sulzer. The overall management approach is to set a lean direction and framework with clear objectives and measurable KPIs. The plan is composed of four pillars: Minimize, Enable, Engage and Govern. The first three pillars encompass all of Sulzer's action spheres, while the fourth pillar, Govern, is assigned to the action sphere of the Board of Directors and the Executive Management of Sulzer. Each of the four pillars consists of four subsegments, or fields of action.

At Sulzer, the chairperson of the Board of Directors is ultimately accountable for company performance and behavior. Various Board committees define, orientate, and control the company performance. The Board of Directors and its Strategy and Sustainability Committee (SSC) ensure that Sulzer's solutions contribute to protecting the environment, that people and communities are safe, and that suitable management processes and systems are in place.

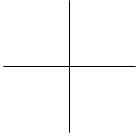
The executive management is accountable for the results.

## **Integrated sustainability governance**

Since the inception of the Sulzer sustainability strategy in 2021, sustainability is included in every aspect of our business processes. It is operationalized through dedicated multi-year programs aiming at driving continuous improvement, delivering operational excellence and monitoring our sustainability performance. Our sustainability performance is regularly reviewed by management and is part of the Sulzer standard business review process.

The Board of Directors is responsible for steering Sulzer's sustainability efforts. The Board ensures that Sulzer's solutions contribute to protecting the environment, people and communities, and that suitable management processes and systems are in place.

The Strategy and Sustainability Committee advises the Board of Directors on strategic matters (such as material acquisitions, divestitures, alliances and joint ventures), strategic planning, and definition of development priorities and Sulzer's sustainability efforts. The Committee meets twice to three times a year and oversees how sustainability policies and programs support business goals and aspirations. Read more on the Board and the Strategy and Sustainability Committee in the Governance chapter of the [Sulzer 2021 sustainability report](#). The CEO takes part in all Committee meetings. Depending on the topic, other members of the Executive Committee are also invited.



At the level of the Executive Committee, the Chief Human Resources Officer and Chief Sustainability Officer (CHRO–CSO; referred to as CSO in the context of this report) is responsible for the development and operational deployment of the sustainability strategy. The CSO is supported by a full-time Group Head Environment, Safety and Health and a dedicated organization involving different working groups within the Divisions.

### **ESG in executive pay**

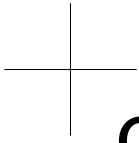
The bonus rewards the financial performance of the company and/or its businesses, as well as the achievement of individual performance objectives over one calendar year. Performance objectives are defined at the beginning of the year during annual target setting. Achievement is assessed against each of those objectives after year-end and directly influences the variable incentive payouts.

Each Executive Committee member is given different personal objectives for each of the four individual performance categories (“Cost-effectiveness”, “Growth initiatives”, “Faster and better” and “ESG”).

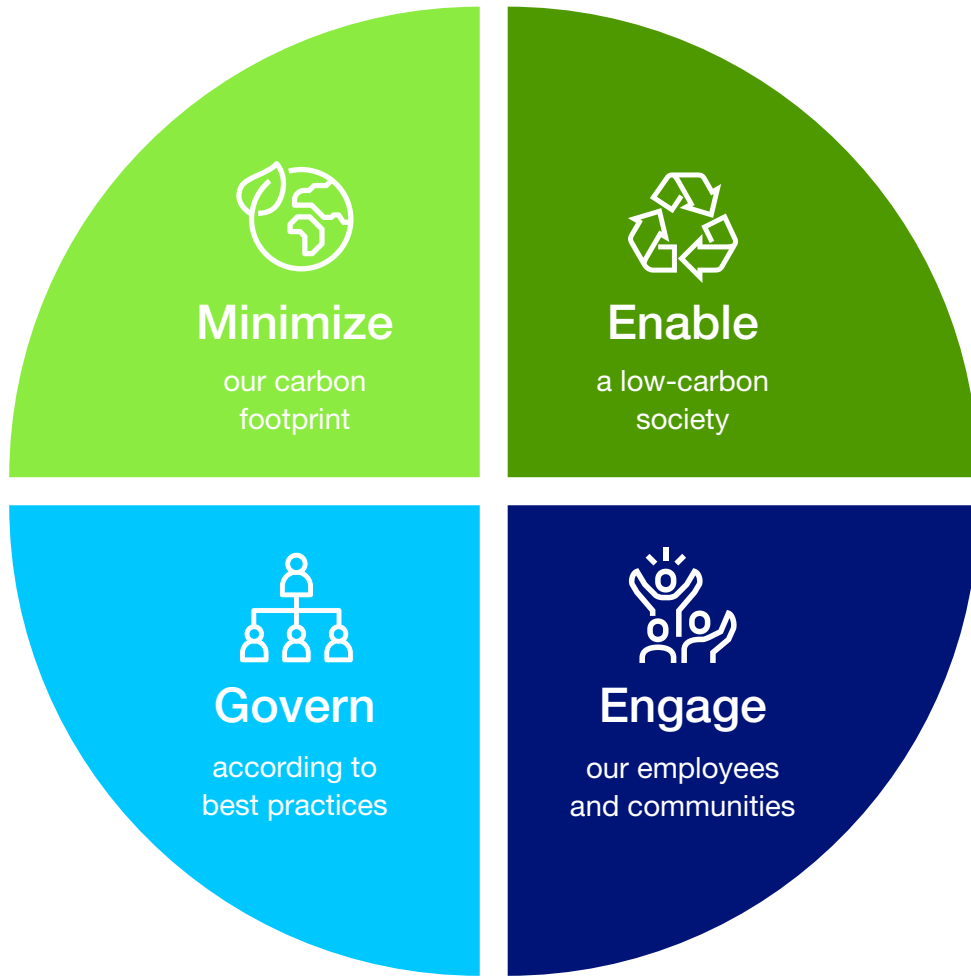
ESG factors include objectives linked to improvements in the areas of health and safety, environmental protection, employee and community engagement, and efforts in R&D for more efficient or sustainable products such as eco-packaging, biopolymers or energy-efficient pumps.

### **Identification of material topics**

The Sustainable Sulzer strategy includes 16 fields of actions that are material to the company. The strategy strongly builds on feedbacks from central stakeholder groups such as employees and investors. Additionally, a full materiality analysis process was started in 2021, engaging with all stakeholder groups with the aim of supporting our engagement policy (see Engage chapter of the Sulzer 202312 sustainability report). The final materiality analysis with systematic inputs by all stakeholders will be completed in 2022. This report gives a first insight into the process.



# Our four-pillar sustainability approach



---

## Minimize

Energy consumption  
Greenhouse gas emissions  
Waste  
Water consumption

---

## Enable

Efficiency  
Water  
Low-carbon  
Circularity

---

## Engage

Include  
Mobilize  
Protect  
Listen

---

## Govern

Compensation  
Behavior  
Control  
Board



# ESG risks included in Sulzer risk management

ESG assessments are conducted for business projects with possible environmental, social and governance risks, in countries with significant exposure to human rights violations and corruption. Within Sulzer, we follow a zero-tolerance strategy related to human rights violation such as child labor, forced labor and corruption. Projects that may have a negative impact on the natural environment (i.e. pollution, water or soil contamination, hazardous waste) or on human rights undergo corresponding in-house assessments.

At Sulzer, ESG risks include but are not limited to the following:

Risk	Risk exposure	Main loss controls
Environment, Social and Governance (ESG)	ESG-related regulations could change. Stakeholder expectations related to ESG commitments could change. Not meeting regulatory requirements could result in fines, limit access to financing, impact banking channels and result in loss of business and reputational damage.	<ul style="list-style-type: none"> <li>• Board Strategy and Sustainability Committee extended to cover ESG and sustainability</li> <li>• Setting of clear ESG-related objectives and progress tracking</li> <li>• ESG initiatives driven by EC, including different group and business functions covering regulatory requirements and supply chain due diligence</li> <li>• ESG assessments in business projects</li> </ul>
Attraction and retention	Failure to attract, retain and develop people could lead to a lack of critical skills and knowledge, hindering both daily operations and growth potential.	<ul style="list-style-type: none"> <li>• Ensuring that Sulzer's people and performance efforts are anchored to the company's values and behavior</li> <li>• Ongoing feedback through employee opinion survey "Voice of Sulzer"</li> <li>• Robust internal communications strategy</li> <li>• Ongoing engagement in workshops and collaborative activities</li> <li>• Visibility and access to development experiences and opportunities</li> <li>• Consistent approach to salary grading and benchmarking</li> </ul>
Health and safety	An unsafe working environment could lead to harm to people, reputational damage, fines and liability claims, and could have a serious economic impact.	<ul style="list-style-type: none"> <li>• Health and safety directives, guidelines, programs (e.g. Safe Behavior Program) and training</li> <li>• OHSAS 18001 and ISO 45001 certifications</li> <li>• Monthly health and safety checks and regular audits, systematic risk assessments</li> <li>• Global network of health and safety officers</li> <li>• Immediate implementation of COVID-19 preventive measures in all legal entities and workplaces</li> </ul>
Environmental	Environmental damage could lead to harm to people and nature, reputational damage, fines and liability claims, and could have a serious economic impact.	<ul style="list-style-type: none"> <li>• Mitigation in comprehensive environmental due diligence projects for acquisitions and divestitures</li> <li>• Elimination of environmentally damaging substances through Prohibited Substances List</li> <li>• Sulzer sustainability strategy that defines key targets in view of climate change</li> </ul>



# Next level collaboration

In 2022, Sulzer will continue developing employees' engagement and cross collaboration through dedicated working groups:

## **Human rights due diligence working group**

Already in 2020, Sulzer created a multi-disciplinary working group dedicated to addressing the various regulations in the field of human rights due diligence with a focus on the implementation of the requirements of the Swiss Responsible Business Initiative (Konzernverantwortungs-Initiative) and under consideration of other global standards (e.g., UNGC guiding principles on business and human rights, OECD guidelines for multinational enterprises, ILO standards) and laws with a similar thrust. The aim is to build a robust framework to respect human rights and remedy violations within Sulzer's own organization and its supply chain.

## **Carbon footprint working group**

Within Sulzer, a separate working group was founded in July 2021. The corresponding work approach of the group for each topic is discussed in more detail in the Minimize chapter of this report. The "Sulzer carbon footprint reduction" group consists of representatives encompassing a variety of Sulzer actors, such as, but not limited to, Group and Division ESH functions, Group Real Estate, Operations and selected talents at site level.

## **Waste taskforce**

In 2022, Sulzer will create a taskforce for waste management with the aim of setting new waste standards, gathering good practices and training relevant people in the organization to better map the waste streams and identify areas for improvement. The goal will be to eliminate waste and identify environmentally friendly solutions for end-of-life, along with laying the groundwork for our broader circular economy strategy. We do that because we understand that our impact on nature can be minimized: upstream as it means less resource consumption and downstream as it lowers air, soil and water pollution, and reduces the energy consumption required for their treatment.



# Business partners' inclusion

## Suppliers

Sulzer acts at multiple levels and starts with its supply chain with a selection process that includes sustainability criteria and contractual clauses referring to the Code of Business Conduct. Suppliers are regularly assessed and, for the focus group, audited, leading to jointly agreed development plans. The sustainability questionnaire covers not only environmental items but also ESG critical questions. This ensures that at the selection stage, suppliers are assessed against the Sulzer minimum ESG requirements. Non-compliant answers lead to further assessment and clarifications with the supplier prior to making a final decision.

## Customers

Sulzer interfaces with customers and multiple other business actors. Being part of such an ecosystem and making it successful in the long run requires not only a customer focus but also the creation of strong partnerships that are built on trust and sound business practices such as anti-corruption.

From a customer perspective, there is a dual influence. Indeed, Sulzer is often assessed and requested to provide evidence of its ESG processes and performance. Although customers have their own assessments, the main questions relate to occupational safety and greenhouse gas emissions. We leveraged our experience in interfacing customers by consolidating their requests and providing references. As the ESG maturity of companies varies, Sulzer also shares its good practices with its customers, namely in the field of Environment, Health & Safety. This benefits not only Sulzer people, who are able to operate in safe environments, but also the customers, who can learn about different practices.

## Other partners

In addition, Sulzer reviews its customers and business partners using its due diligence process as stated in our trade control and intermediaries' directives. This allows verification that the business relationship will not infringe any regulations and is compliant with applicable laws (e.g., anti-fraud, anti-corruption).

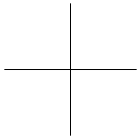
Sulzer is active in providing representation in numerous industry standards, trade associations and legislative initiatives through technical advisory groups. We engage regularly with industry associations, standard setters and NGOs to stay tuned when it comes to evolution and also to influence the sustainability agenda and promote our strategy.










In 2021, Sulzer worked closely with Swiss industry associations with the aim of clarifying expectations arising from the RBI (Responsible Business Initiative) – this Swiss federal counterproposal entered into force after the referendum on November 29, 2020. We also monitor similar regulatory evolution, such as in Germany or France, to comply with their due diligence requirements.

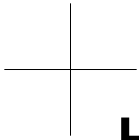
# Supporting the UN sustainable development goals

SDG	Sulzer impact	Sphere of action
 <p>4 QUALITY EDUCATION</p>	Direct	Engage: mobilize, include
 <p>6 CLEAN WATER AND SANITATION</p>	Direct	Minimize: water consumption, Enable: water treatment
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Direct	Engage: protect, listen Governance: behavior, control
 <p>10 REDUCED INEQUALITIES</p>	Direct	Engage: protect, mobilize Governance: behavior, compensation
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Direct	Minimize: energy consumption, greenhouse gas emissions, waste, water consumption
 <p>13 CLIMATE ACTION</p>	Direct	Minimize: energy consumption, greenhouse gas emissions Enable: low-carbon society
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Direct	Governance: board, control, behavior
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	Direct	Governance: behavior Sulzer supports all SDGs through partnership and through the UN Global Compact





<b>SDG</b>	<b>Sulzer impact</b>	<b>Sphere of action</b>
	<b>Indirect</b>	<b>Through Goals 4 and 10</b>
	<b>Indirect</b>	<b>Through Goal 10</b>
	<b>Indirect</b>	<b>Through Goals 6, 8, 10, 12 and 13</b>
	<b>Indirect</b>	<b>Through Goal 10</b>
	<b>Indirect</b>	<b>Through Goal 8 and 12</b>
	<b>Indirect</b>	<b>Through Goal 13</b>
	<b>Indirect</b>	<b>Through Goals 6, 8, 12 and 13</b>
	<b>Indirect</b>	<b>Through Goals 6, 12 and 13</b>
	<b>Indirect</b>	<b>Through Goal 6, 12 and 13</b>



# Human rights

Sulzer's comprehensive compliance program focuses on prevention, detection and response. As part of this program, the company supports and prioritizes the protection of internationally proclaimed human rights throughout its value chain.

At Sulzer, social compliance relies on the company's values, its Code of Business Conduct and an efficient social compliance system. The Sulzer values – Customer Partnership, Operational Excellence and Committed People – act as an inner compass and guide all activities.

Sulzer has high expectations about its employees' standards of behavior. Upon joining the company, each employee must sign the comprehensive Code of Business Conduct. It features topics such as:

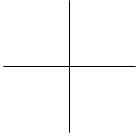
- Basic principles (including human rights)
- Accuracy and completeness of records
- Antitrust and unfair competition
- Conflicts of interest
- Employment issues
- Anti-corruption, anti-bribery, business accommodations
- Cooperation with third parties
- International trade restrictions and boycotts
- Fraud and theft
- Insider trading
- Environment, safety and health

The Code of Business Conduct is compliant with the Ten Principles of the UNGC. It calls on employees to protect proclaimed human rights internationally. Sulzer refrains from cooperating with business partners who violate fundamental human rights, such as using forced and compulsory labor or child labor. Internal directives and guidelines as well as regular audits support the implementation of the Code. Group Compliance Officers around the world with solid reporting lines to HQ compliance deal with potential code violations, give advice on compliance matters and provide compliance training.

---

## Principle 2

Businesses should make sure they are not complicit in human rights abuses.



### **Building up a strong ethical and compliance culture**

Sulzer puts a high priority on conducting its business with integrity, in compliance with all applicable laws and internal rules (“a clean deal or no deal”) and on accepting only reasonable risks. The company follows a “zero tolerance” compliance approach. The Board of Directors and the Executive Committee are convinced that compliant and ethical behavior in all aspects and on all levels is a precondition for successful and sustainable business. The ethical tone is set at the top, carried through to the middle and is transmitted to the entire organization. Sulzer also fosters a speak-up culture and encourages employees to address potentially non-compliant behaviors. Retaliation against good faith whistleblowers will not be tolerated.

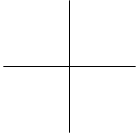
Sulzer has established and implemented a comprehensive, value- and risk-based compliance program that focuses on prevention, detection and response. Its main elements include the regular assessment of risks and the adherence to the Code of Business Conduct. Further, Sulzer has defined internal rules that discuss boundaries, define processes and provide guidance and decision support. Sulzer continuously strives to digitalize and automate its compliance processes to further enhance the compliance system and to increase effectiveness and efficiency.

The company’s centrally steered compliance organization includes the Headquarters Group Compliance officers and consists of 58 local compliance officers in the Sulzer Group legal entities. They ensure effective communication, provide support, and assist in compliance investigations. In meetings, training sessions and through phone conferences, they exchange knowledge and best practices. The compliance program is continually reviewed and updated. In 2021, the majority of the local classroom compliance trainings were replaced with interactive webinars conducted by Group Compliance.

### **Fostering a sustainable supply chain**

Sulzer is committed to ensuring socially responsible sourcing across its supply chain. We collaborate with suppliers who share our values of quality, sustainability, social responsibility and excellence. The values of the UN Global Compact are reflected in our Supplier Code of Business Conduct, and form part of our expectations for all companies that we work with. These values serve as a reference point for upholding fundamental human rights, working conditions, prohibition of child labor, occupational health and safety, business ethics and environmental law throughout our supply chain.

We monitor the sustainability practices of our suppliers. Our Global Supplier Qualification Process for potential and existing suppliers allows the systematic identification, selection, auditing, verification and development of suppliers based on quality and sustainable supply chain practices and performance. Initiated in 2021 and live in 2022 is our ESG (Environment, Social, Governance) supplier qualification questionnaire, a foundation of our ESG due diligence process.



All new Sulzer suppliers are required to complete the ESG questionnaire, which is followed up on with an on-site assessment based on commodity importance and country level risk.

Sulzer's sourcing practices include the regular assessment of its existing suppliers and market risks. This may include, particularly where a higher risk is identified, on-site visits and audit by internal sourcing personnel. In case of non-compliance, either the supplier is not qualified, or a corrective action plan is implemented before the relationship is continued. Our procedures examine procurement spend in countries identified as having high risk, allowing us to efficiently focus our due diligence and examinations.

Sulzer also complies with national initiatives aimed at reducing human trafficking and forced labor such as the California Transparency in Supply Chains Act, the Modern Slavery Act of 2015. The legal entity statements are available on Sulzer.com

During the financial year of 2021, there have been no reports or findings of the presence of modern slavery or human trafficking in our supply chain.

### **Prohibiting unsustainable substances**

Sulzer complies with regulations such as REACH, RoHS and the Toxic Substances Control Act aimed at changing manufacturing processes and components to reduce health and environmental concerns. Sulzer maintains a Prohibited Substances List which defines chemical substances whose use or storage is prohibited within Sulzer and in products received from or sold to customers. This prohibition applies even when local or national laws permit use of these substances.

Sulzer also prohibits the use of mineral substances ("Conflict Minerals") that are known to have originated from conflict-affected and high-risk areas. These are areas where extraction, transport, trade, and handling of tin, tantalum, tungsten and gold may be carried out in contravention of fundamental human and labor rights and under abuse of child labor, or where the purchase of these substances may provide direct or indirect support to non-state armed groups, or enable exploitive or fraudulent activities.

Sulzer suppliers' ESG questionnaire includes a dedicated section to identify the use of conflict minerals. Despite being below the threshold set by the regulations, these minerals can be found in motors, drives, controls or stainless-steel castings.

---

Please find further information here:

[www.sulzer.com/sustainability](http://www.sulzer.com/sustainability)

[Sulzer Annual Report 2021](#)

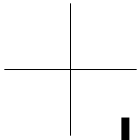
[Sulzer Sustainability Report 2021](#)

[Sulzer Code of Business Conduct](#)



**Labor**

**2**



# Labor

We understand social responsibility as building on the strength and diversity of our people and actively supporting local communities. Our deeply rooted safety culture as well as dedicated programs help us establish a safe working environment. Guided by our Code of Business Conduct, we take action to ensure a nondiscriminatory, collaborative and positive work environment, setting high standards for ethical conduct.

Sulzer wants to create stable and open relations with social partners and overall its stakeholders based on trust. The company respects the right to freedom of association and collective bargaining for all its employees, evidenced by the joint health & safety committees and work councils operating in multiple countries.

Over years, Sulzer has had an active engagement and long lasting and trusting relationship with the European Works Council, covering the regulatory requirements and sharing sustainability related information and perspectives, building additional cross-collaboration.

Representatives of employees are neither favored nor discriminated. As far as national legislation allows, Sulzer promotes this fundamental right through its own Code of Business Conduct.

## **Eliminating all forms of forced and compulsory labor**

Sulzer applies international regulatory frameworks such as the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the United Nations' Universal Declaration of Human Rights and its protocols, the UN Global Compact (UNGC) and the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work of 1998.

By signing Sulzer's Code of Business Conduct, Sulzer and all its employees commit that they will comply "with all employment and labor laws including those related to the elimination of all forms of forced and compulsory labor (including child labor) and the prohibition against all forms of discrimination in employment under applicable laws." Every member of the Sulzer Management Group (approximately 150 managers), the heads of the operating companies, the headquarters, regional and local compliance officers as well as the legal entity controllers must reconfirm this compliance commitment in writing annually. The company's integrated and comprehensive risk and compliance mechanisms can confirm that there were no identified risks for forced and/or compulsory labor incidents or child labor incidents in 2021.

---

## Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

---

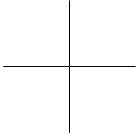
## Principle 4

Businesses should uphold the elimination of all forms of forced and compulsory labor.

---

## Principle 5

Businesses should uphold the effective abolition of child labor.



In 2021, Sulzer created a multi-disciplinary team to assess its human rights salient issues following the UNGC standards and concluded in 2022.

At Sulzer, our company human rights salient issues are:

→ **Child labor:**

- Rights of protection for the child,
- Right to education,

→ **Forced labor:**

- Right not to be subjected to slavery, servitude or forced labor,
- Right to freedom of movement,

→ **Health & safety:**

- Right to life,
- Right to enjoy just and favorable conditions of work,
- Right to health.

This, associated with the newly designed ESG due diligence process, enables Sulzer to anticipate the forthcoming Swiss regulation on responsible businesses and answer similar ones originating from various countries.

### **Supporting gender diversity in the industry**

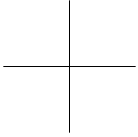
Sulzer has a long and continuing tradition of providing internship, apprenticeship and university support programs for students in many countries. In 2019, the company launched the [Sulzer Scholarship for Women in Science and Engineering \(WISE\)](#), aimed at increasing the participation of women in the science and engineering professions. Reflecting Sulzer's presence and the unique requirements of the countries, the company has awarded 15 scholarships to deserving candidates in South Africa, Indonesia, China and India. Sulzer maintains close contact with all the beneficiaries and continues to support them along their journey. Learn more about our WISE program at <https://www.sulzer.com/en/shared/stories/strengthening-the-self-confidence-of-young-talents>.

At Sulzer, diverse teams with more than 80 nationalities and people of all ages work closely together for the success of the company. In 2021, approximately 20% of the total workforce were women, a number Sulzer strives to increase steadily. At the Board level, 25% of the Directors are female.

---

## **Principle 6**

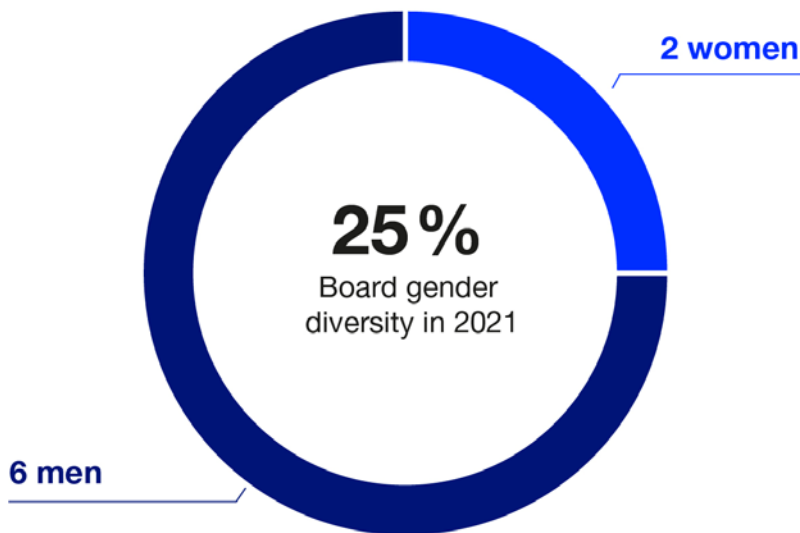
Businesses should uphold the elimination of discrimination in respect of employment and occupation.



---

## Board gender diversity

---



The company's compensation system ensures equal pay for equal work irrespective of gender. As part of the Federal Act on Gender Equality, all companies in Switzerland with more than 100 employees were required to perform an equal pay analysis in 2021. Within this analysis, we reviewed the gender distribution in pay across all three of our legal entities, Mixpac, Sulzer Chemtech and Sulzer Management AG. We are pleased to announce that according to this externally certified assessment, we have no gender pay gap within all three entities. These positive results for Switzerland demonstrate our commitment to an open and inclusive culture for all employees regardless of gender.

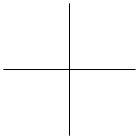
### Driving safety excellence

The company lives out the "safety first" principle. In 2021, Sulzer ended with an accident frequency rate (AFR) of 1.4 cases involving lost days per million working hours, an improved result compared to 2020 that exceeded the target for the year. The severity rate follows the same trend, down to 33 days per million working hours compared to a high 58 back in 2019.

In 2021, several Sulzer sites reported having been injury free for multiple years. The learnings gained from these best-performing Sulzer units are that such safety records can be achieved thanks to a set of core actions:

- Leaders act as role models: with regular engagement with workers
- Employees have a sound education: in terms of safety management (from risk identification to hierarchy of controls and empowerment)
- Employees participate in decision making on safety-related matters
- We incentivize through safety challenges and performance bonuses.

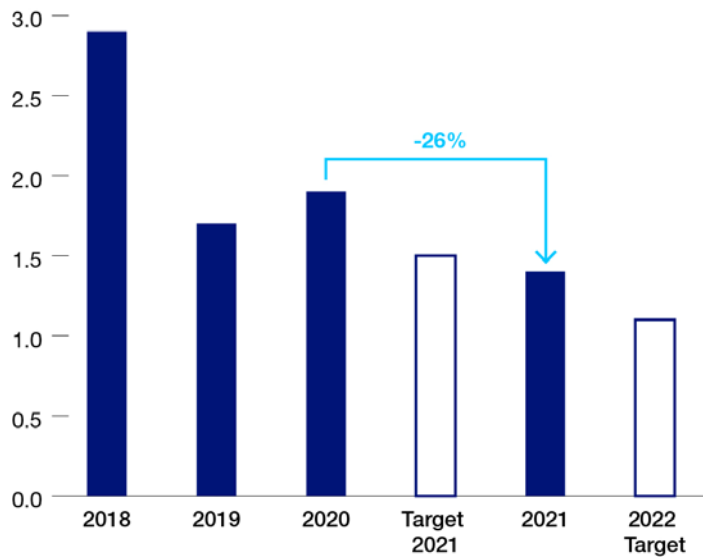




---

**Overview of safety-related accident frequency rate  
(sulzer employees, per 1 million worked hours)**

---

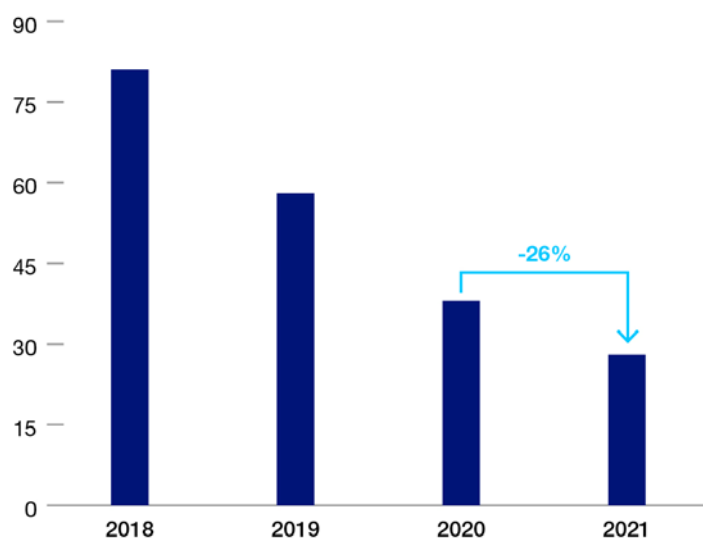


● AFR (accident frequency rate)

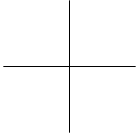
---

**Overview of safety-related accident severity rate  
(Sulzer employees, per 1 million worked hours)**

---



● ASR (accident severity rate)



The “safety first” principle drives our culture. Sulzer engages all levels of its organization to drive our operational excellence mindset: a stronger inclusion of contractors into the Sulzer processes and programs, a just and fair culture based on human and organizational performance. Workers are and will continue to be empowered to stop work anytime an environment does not meet the Sulzer minimum safety standards. Sulzer safety culture is supported by multi-year improvement programs focusing on:

#### → Human performance

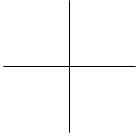
We regularly engage with our employees through the safety walk program in order to create a culture where we all look after each other: this is core to our Sulzer Behavioral Program (SBP). This is supported by a stop work program that empowers every worker to stop work if the safety conditions are not met. Our managers are immediately involved in reviewing the work environment and decide on the necessary actions to get back to safe conditions. Dedicated focus was provided on competencies with mandatory training per role: in Chemtech, field service engineers are required to undergo confined space entry certifications, while in Services, training focuses on work authorization and lifting. Our organization is supported by a network of 100 ESH professionals, bringing their expertise and skills to develop safety knowledge all around the globe: they directly participate in creating a competent ESH organization.

#### → Life-saving workplaces

The high-risk activities Sulzer workers face during their task execution have been managed by dedicated programs (e.g.: life-saving rules) that have led to the eradication of fatalities over recent years. This is complemented with significant investment plans to secure our machines and training sessions to leverage our understanding of the risk mitigation possibilities. Given our industrial activities, operating machines is one of the most exposed tasks. To prevent accident, we not only focus on highly competent and experienced workers but also perform regular tool and equipment inspections to ensure they remain safe.

#### → Safe processes

The safety initiatives are part of an overarching process that is the Sulzer management system. At Group and Division levels, ESH management systems are used to frame the ways of working and support our goals, addressing accident management (from emergency response to investigation and lesson learned communication) and continuous improvement (engagement, risk assessments, consultation...). Our sites are certified according to relevant international health and safety standards, be they ISO 45001 or OSHAS 18001. This external verification process enables validation of our practices and questions our ways of working to continuously improve.



In addition, some sites process highly hazardous chemicals. They have implemented a process safety management system that relies on systemic process hazard analysis to prevent fires, explosions, or loss of containments. When accidents or significant incidents occur, we not only investigate them to identify the root causes but also communicate them across the organization. This enables everybody to learn from these events, question their own practices and conditions, and prevent similar failures in future. This is the first step of our learning organization model. These results and related programs are part of the monthly business reviews.

Several key actions have been initiated in the Divisions to drive improvement:

- life-saving rules to address life-threatening hazards,
- process safety program to prevent fire and explosion in the process industry,
- safety walks and observations to support the culture.

### Upscaling ESG reporting

To reflect our increased focus on ESG (Environment, Social, Governance), we upscaled our reporting capabilities with an integrated tool in 2020 that was fully deployed in 2021. The tool has been complemented with additional capabilities to not only report safety related data but also the whole environmental data collection. It is live on all sites, enabling a continuous monitoring of the ESH performance at all levels of the organization.

### Occupational health and safety

#### Occupational accidents

Number of cases of occupational accidents (with > 1 lost day)	cases	50	78	85	55	55	<b>43</b>
Lost days due to occupational accidents and illnesses	lost days	1'414	1'564	2'282	1'847	1'113	<b>864</b>

#### Occupational fatalities

Total number of cases	cases	1	0	0	0	0	<b>0</b>
-----------------------	-------	---	---	---	---	---	----------

#### Accident Frequency Rate (AFR)

Accident Frequency Rate (AFR); number of cases with lost time of more than 1 day per million working hours	#	1.8	2.7	2.9	1.7	1.9	<b>1.4</b>
--	---	-----	-----	-----	-----	-----	------------

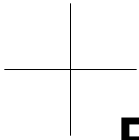
#### Accident Severity Rate (ASR)

Accident Severity Rate; total number of lost days per million working hours	#	51.2	54	81.1	58.3	37.5	<b>28.5</b>
---	---	------	----	------	------	------	-------------



**Environment**

**3**



# Environment

For us, being an environmentally responsible company means supporting our customers to become more sustainable by providing them with energy-efficient and eco-friendly solutions. We also constantly strive to reduce our own environmental footprint, with active measures to improve our water and waste management, optimize our energy use and cut greenhouse gas emissions.

## **Chief Sustainability Officer and global ESH network enabling sustainable behavior**

In 2021, Sulzer appointed Armand Sohet as Chief Sustainability Officer. In this role, he leads the development and delivery of the Group's sustainability strategy on behalf of the Executive Committee and the Board of Directors' Strategy & Sustainability Committee.

---

## Principle 7

Businesses should support a precautionary approach to environmental challenges.

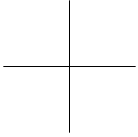
## Our commitment

# 30%

emission reduction by 2030

Carbon-Neutral by

# 2050



The group ESH function is responsible for designing the ESH strategy, corporate ESH culture, processes and programs to steer excellence, and for the development of our global ESH community.

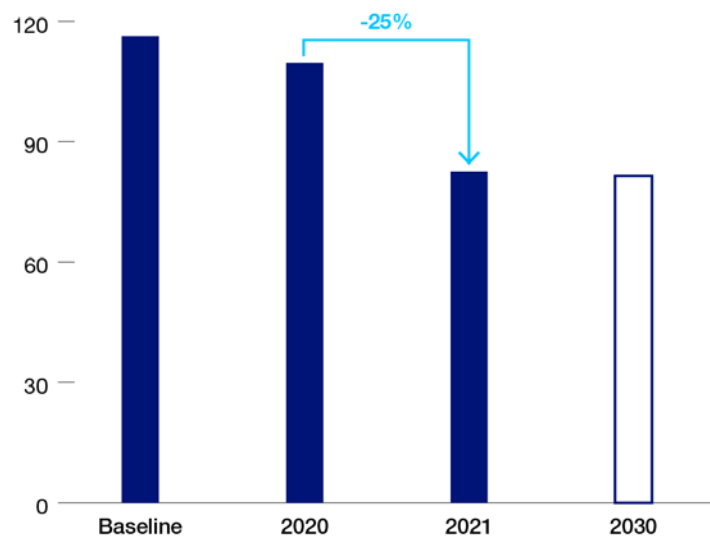
The ESH network comprises a team of more than 100 ESH specialists across the organization who support management in continuously improving the environment, safety and health performance.

### Minimize our carbon footprint

---

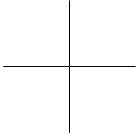
**Sulzer has decreased its carbon footprint by 25% against 2020**

---



Various initiatives led to the following achievements:

- A 25% reduction of the company carbon footprint vs 2020,
- A five-fold increase in decarbonized energy vs 2020
- 62% of waste is recycled
- A 36% decrease in water consumption vs 2016
- A mapping of Sulzer industrial premises located in water stressed areas.



The above results were achieved thanks to the involvement of many of our people. The “Sulzer carbon footprint reduction” group consists of representatives encompassing a variety of Sulzer actors, such as, but not limited to, Group and Division ESH functions, Group Real Estate, Operations and selected talents at site level. The group meets monthly and acts as an enabler of projects driving the Sulzer carbon footprint down. It is active in sharing good practices to inspire other units, communicating results to increase engagement, and ensuring Sulzer delivers on its promises. This working group is led by the Group Head Environment, Safety and Health.

---

## Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

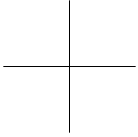
### Our commitment

# 80%

waste recycled by 2025

# 0%

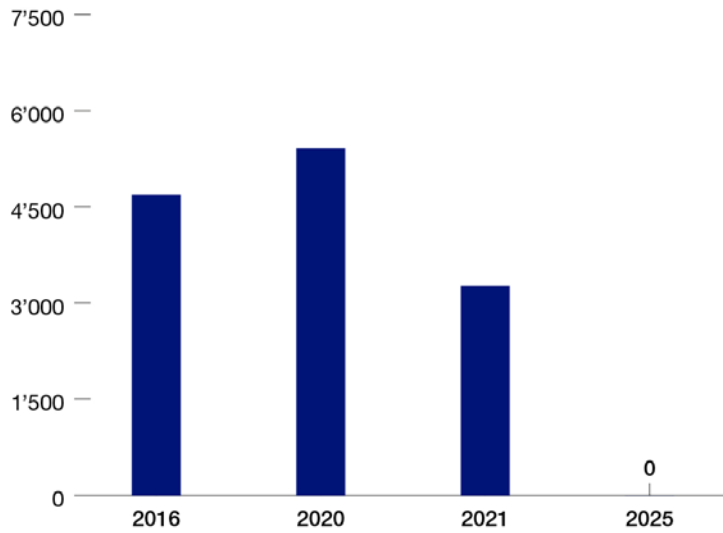
landfill by 2025



---

### Waste to landfill

---



● AFR (accident frequency rate)

To encourage employees and highlight its importance, Sulzer has introduced ESG (Environment, Social, Governance) metrics in its compensation framework. ESG is included in the personal objectives of all our long-term-incentive eligible leaders, shining a spotlight on the contribution every employee can make to build a more sustainable and positive future.

All production and service sites are required to be certified against ISO 9001, ISO 14001 and ISO 45001

### Enable a low carbon society

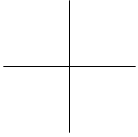
Decarbonizing the industry is one of the central challenges to meeting net zero. Sulzer has long experience of eco-design as it started with its life cycle assessment back in the early 2010s.

---

## Principle 9

Businesses should encourage the development and diffusion of environmentally friendly technologies.





## Our commitment

Shift towards

# Cleantech

---

### Under this framework, Sulzer has four priorities:

- increase the energy efficiency of our whole portfolio,
- strengthen our offering in water treatment and transformation,
- provide technologies for a low-carbon society,
- build a circular business model.

---

### We address these priorities by focusing on:

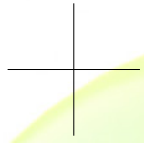
- ecodesign: minimizing both energy and raw material consumption, enabling the best cost of ownership for our customers,
  - product life extension: through retrofit, upgrades and reparability,
  - artificial intelligence: to leverage performance thanks to data analytics,
  - waste recycling and conversion: such as plastic and textiles.
- 

By introducing standardized environmental product declarations (EPD), Sulzer supplies its customers with transparent and comparable environmental data. The EPDs from Sulzer help customers in their investment decisions and in the sustainable design of their value-added chain. We disclose our Environmental product life cycle impacts under <https://www.sulzer.com/en/shared/about-us/environmental-product-declarations>.

Sulzer actively drives research and development for sustainable solutions. A growing proportion of our development budget goes into areas that make our customers' plants safer and produce fewer emissions.

Some of our achievements in this area in 2021 were:

- Supporting Europe's largest wastewater treatment plant to become energy-neutral by producing biogas from sludge
- Agricultural wastewater treatment and irrigation at El Temsah lake, Egypt
- A partnership with Blue Planet to capture CO<sub>2</sub> from various emission-intensive industries, permanently sequestering the CO<sub>2</sub> to form synthetic limestone aggregates – used to make carbon-neutral or carbon-negative concrete
- The development and installation technologies that support the production of biobased fuels and materials and other clean technologies



# Anti- corruption

# 4



# Anti-corruption

Sulzer is committed to conducting its business in accordance with high ethical standards and in compliance with all applicable laws. The company has a group-wide anti-bribery and anti-corruption program in place. Its integrated risk management system allows Sulzer to assess and control key risks.

The Sulzer Board of Directors and the Executive Committee are convinced that compliant and ethical behavior in all aspects and on all levels is a precondition for a successful and sustainable future. The ethical tone is set at the top, carried through to the middle and transmitted to the entire organization.

Sulzer's Code of Business Conduct prohibits any form of bribery, corruption or facilitation payments (irrespective of whether the recipient is a public official or an employee of a private customer). Group Compliance investigates any potential violation and takes corrective measures.

In e-learning courses and/or classroom trainings, Sulzer sensitizes employees to compliance matters, and they learn how to act correctly in different business situations. There are mandatory e-training sessions dedicated to the corruption topic.

## Managing bribery and corruption risks

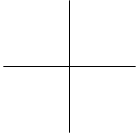
As part of Sulzer's integrated risk management process, compliance risks are assessed regularly and mitigated with appropriate and risk-based actions. The results are discussed both with the management and with the Audit Committee (composed of three Board members). The Audit Committee dedicates at least one full meeting per year to risk management and compliance.

Sulzer's risk management focuses on bribery and corruption risks. The company has had a group-wide anti-bribery and anti-corruption program in place since 2010. This program includes a Web-based process that addresses the due diligence of intermediaries, a corporate-wide directive for offering and receiving gifts and hospitalities and an e-training (in 13 languages) to familiarize Sulzer employees with the requirements of the anti-corruption laws and company directives. In 2021 Sulzer employees completed 22'051 compliance e-learnings and 2'434 employees participated in compliance webinars conducted by HQ Compliance.

---

## Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.



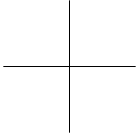
### Detecting noncompliant behavior

Sulzer has a compliance hotline and an incident reporting system that provides employees with one of many options for reporting (potential) violations of laws or internal rules. Reports can be made anonymously or openly via a free hotline or a dedicated website ([www.sulzercompliancehotline.com](http://www.sulzercompliancehotline.com)). The main purpose of the hotline is to enhance transparency within Sulzer and to address critical topics at an early stage. It requires that all questions raised, and incidents reported in good faith are taken seriously and the problems shared are addressed swiftly and in a sustainable manner. The company has a directive that sets clear rules for internal investigations. Each report is analyzed by the HQ compliance team and in the investigation process it will be reviewed if the allegations of compliance violations can be substantiated. The reporter is provided with credentials allowing them to check the status of their report, receive feedback or provide more information if deemed necessary.



In 2021, Sulzer recorded 69 complaints through its hotline, which were analyzed and led to deeper investigation when required, as per our internal directive (“As a general rule, all reported cases need to be investigated. In some minor instances, a reported matter will not require an investigation [for example, if there are no allegations of misconduct or misdeeds or if corrective measures are not required due to the nature of the allegation]. In case of doubt, Group Compliance shall decide based on professional judgement.”).

The whistle-blowers were all protected according to the internal guideline dated March 2020: “All Sulzer Management Group members and all legal entity heads and compliance officers commit in their annual acknowledgment statement to ensure that there will be no retaliation against good faith whistleblowers.”



Further tools are available to all employees on Sulzer's intranet (e.g. presentations addressing the major exposures; draft agreements; sales and procurement handbooks with compliance-specific explanations and standard clauses).

Sulzer has a compliance risk assessment process in place to identify and assess potential compliance risks and to define appropriate mitigation measures. Sulzer's M&A due diligence process includes compliance due diligence with a focus on identifying corruption risks. For newly acquired companies, Sulzer set up a post-merger integration process consisting of a systematic post-merger compliance risk analysis, which provides the foundation for risk-based mitigation actions.

During 2021, the group conducted internal investigations triggered by reports from the compliance hotlines, e-mails, telephone calls or other avenues of communication, and at least four employees had to leave Sulzer because of violations of Sulzer's Code of Business Conduct. Others received warnings or faced other disciplinary measures. However, most of the reports received concerned non-material issues.

### **Assessing intermediary risks thoroughly**

Working with third parties is an area exposed to compliance risks. To ensure that Sulzer's cooperation with intermediaries (e.g. agents, distributors, consultants) in the public and private sector is compliant with both legal and corporate regulations, potential intermediaries have to pass through a commercial and independent compliance due diligence workflow to avoid corruption and bribery schemes through third parties. A potential intermediary needs to pass four steps of Sulzer's so-called Intermediary Due Diligence Application (IDDA) before the final contract can be signed. A Sulzer directive provides the internal framework to support this process, sets the boundary conditions and defines criteria under which intermediaries can be appointed.

Sulzer only signs an agreement with an intermediary if detailed information about the intermediary is known, the specific risks have been assessed and the contract has been approved by various management levels – dependent on the underlying risk exposures. The intermediary due diligence process is supported by a tool with background screening, allowing Sulzer to identify compliance risks on an ongoing basis – even after an intermediary has been approved. Thus, the process helps to avoid corruption risks.

---

Please find further information here:

[www.sulzer.com/sustainability](http://www.sulzer.com/sustainability)

[Sulzer Annual Report 2021](#)

[Sulzer Sustainability Report 2021](#)

[Sulzer Code of Business Conduct](#)



**Sulzer Ltd**

8401 Winterthur

Switzerland

Phone: +41 52 262 30 00

Fax +41 52 262 31 00

[sulzer.com](http://sulzer.com)

[report.sulzer.com](http://report.sulzer.com)