

SULZER

Communication
on Progress 2021



Sulzer is a global leader in fluid engineering. We specialize in pumping, agitation, mixing, separation and application technologies for fluids of all types. Our customers benefit from our commitment to innovation, performance and quality and from our responsive network of 180 world-class manufacturing facilities and service centers across the globe.

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Winterthur, August 26, 2021

Ladies and Gentlemen

The world is at a tipping point. Urgent action is needed to make economic development compatible with the protection of the environment. Innovative solutions are opening a window towards more sustainable human development. Clean water, sanitation, the circular economy and affordable and clean energy for all are within reach. Sulzer plays a key role in many of these areas, pioneering solutions that use technical innovation to solve some of society's most pressing issues.



In 2020, we continued Sulzer's industrial repositioning towards sustainable growth markets, building on our strong positions in water treatment, energy efficiency, recycling, biomaterial applications, low-carbon solutions and healthcare.

For example, Sulzer is scaling up a new groundbreaking textile recycling technology in partnership with fashion giant H&M, aiming at revolutionizing the textile industry with an entirely circular recycling process. Further projects in the area of sustainable applications include the development of plastic recycling and biopolymers in Switzerland, the supply of fresh water to drought-affected areas from Brazil to the Persian Gulf, and our artificial intelligence solution that is helping to optimize the operation of solar power plants.

Our existing systems and programs to ensure employees can work in a safe and healthy environment helped us react quickly and effectively to the challenges caused by COVID-19. In 2020, we achieved an accident frequency rate (AFR) of 1.9 cases per million working hours, slightly above last year's record low number of accidents – despite the additional challenges posed by the pandemic.

At Sulzer, we value diversity in all forms, as is reflected in our shared values and behaviors. This includes equal pay for equal work irrespective of gender. We are proud to say that there is no material earnings gap at Sulzer: The salaries between men and women for equal work on average across the entire company vary by a small 3%, whereas global industry benchmarks suggest a 15% gap.

As we look to the future, we will continue to make sustainable innovation part of all we do. In 2021, under the leadership of our newly appointed Chief Sustainability Officer, Armand Sohet, we launched a comprehensive new sustainability strategy: Sustainable Sulzer. The plan is composed of three pillars: minimizing Sulzer's carbon footprint, enabling a low-carbon society through our products and contributions to the circular economy, and engaging our employees and communities to build a safer, more inclusive, and more sustainable future. For our emissions, we have set an ambitious target: 30 by 30, neutral by 50. We will reduce our carbon emissions 30% by 2030 (compared with 2019) and become carbon-neutral by 2050.

Detailed analysis of our emissions shows that 65% of our carbon footprint comes from electricity, so we are already working hard to address this. To date, 95% of our UK sites have switched to 100% renewable energy sources. We plan to convert further facilities across Europe to the use of exclusively renewable energy sources in the course of 2021, and we will continue to report our progress against our ambitious sustainability goals.

With our integrated sustainability strategy, ESG programs and eco-friendly and efficient solutions for our customers, we are playing our part in advancing 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,

A handwritten signature in black ink, appearing to be 'GP' followed by a long horizontal stroke, representing Greg Poux-Guillaume.

Greg Poux-Guillaume
Chief Executive Officer

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 2021, Sulzer is submitting its updated CoP report to demonstrate the company's ongoing accountability to the UNGC's Ten Principles of Responsible Business Conduct.

Human rights

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

At Sulzer, social compliance relies on its values, the company's 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 internationally proclaimed human rights. 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. Compliance officers around the world deal with potential code violations, give advice on compliance matters and provide compliance training.

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 67 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 2020, the majority of the local classroom compliance trainings have been replaced with interactive webinars conducted by Group Compliance.

Principle 1

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

Principle 2

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

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 closely 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.

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 and equivalent EU programs.

During the financial year of 2020, 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.

Please find further information here:

- www.sulzer.com/sustainability
- <https://report.sulzer.com/ar20/en/board-of-directors/>
- [Sulzer Code of Business Conduct](#)

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 based on trust. The company respects the right to freedom of association and collective bargaining for all its employees. 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 2020.

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](#), 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.

At Sulzer, diverse teams with more than 80 nationalities and people of all ages work closely together for the success of the company. In 2020, roughly 18% of the total workforce were women, a number Sulzer strives to increase steadily. The scholarship is a first step towards fostering female talent to pursue a career in STEM disciplines. With Hanne Birgitte Breinbjerg Sørensen and Suzanne Thoma as well as Jill Lee, female leaders are represented in Sulzer's Board of Directors and the Executive Committee.

The company's compensation system ensures equal pay for equal work irrespective of gender. There is no material earnings gap at Sulzer: The salaries between men and women for equal work on average across the entire company vary by a small 3% whereas global industry benchmarks suggest a 15% gap.

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Driving safety excellence

The company lives out the “safety first” principle. It promotes several initiatives to further drive its occupational health and safety culture and performance:

- Safe Behavior Program (SBP)
- Hazardous Materials Emissions and Exposure (HMEE) risk mitigation program
- Prohibited substances program on the elimination of recognized hazardous substances and chemicals in Sulzer’s products and facilities
- Prohibition on purchase and use of conflict minerals
- Continued commitment to globally aligning and harmonizing sustainability KPIs and metrics (SURE database to collect and report on financial and extra-financial such as environment, safety and health data)

The company’s goal is to globally track and drive an ambitious yet realistic safety program. This program encompasses different businesses, including recently acquired businesses with differing levels of safety maturity culture.

Maintaining strong safety performance

All Sulzer sites are required to report on four health and safety key indicators every month:

- The accident frequency rate (AFR)
- The accident severity rate (ASR)
- The number of Minor and Major Accidents (including all cases of medical treatment and first aid)
- The number of occupational illnesses

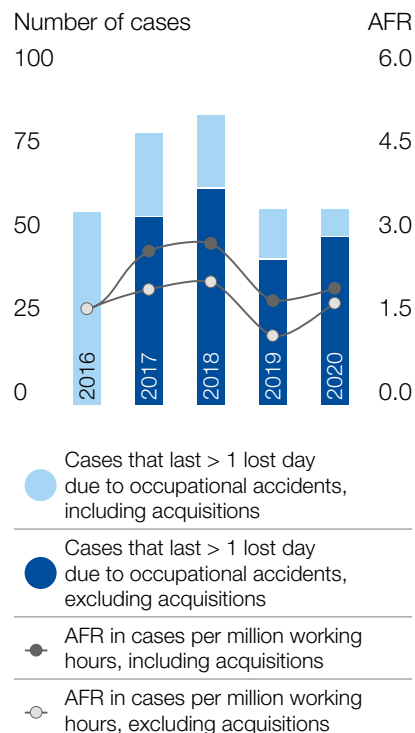
In 2020, we undertook huge efforts to ensure the health and safety of our people and to protect them from the risk of COVID-19 infection. These efforts included the provision of personal protective equipment (PPE), including face masks and additional supplies such as hand sanitizers and 25 disinfectants. COVID-19 protection plans and procedures were implemented across Sulzer globally, and ways of working were adapted to enable safe interaction between colleagues, customers and suppliers.

Following our swift action to keep our people safe and healthy and to ensure operational continuity for our customers, authorities around the world granted our businesses license to continue operations during lockdowns. For example, Chemtech’s Shanghai factory was among the first companies in the region to resume production at the beginning of February 2020.

In 2020, AFR increased by 11.8% to 1.9 cases per million working hours. With COVID-19 putting unexpected additional pressure on our safety organization in 2020, we still managed a good overall safety performance for the year.

The overall accident severity rate (ASR) has declined significantly for two consecutive years. In 2020, the ASR declined by 35.7% to 37.5 lost days per million working hours. Due to local and national lockdowns, with many managers forced to work from home, safety walks could not be conducted as planned, leading to a significant reduction of behavior-based safety observations (-54.3%).

Accidents



Upscaling ESG reporting

To reflect our increased focus on ESG (Environment, Social, Governance), we upscaled our reporting capabilities with an integrated tool in 2020. The new automated ESH Incident Management system will further increase our capabilities in electronic reporting and automated analysis and trending. In 2020, 79 Sulzer sites moved to the new software. As we continue to roll out the platform across the organization, we will have more sophisticated data to enable a greater understanding of complex and multicausal factors related to unsafe behaviors and accidents.

Thanks to the increased use of online collaboration tools, best practices on COVID-19 measures as well as prevention and control techniques were quickly and effectively shared across the organization.

Key figures

		2020	2019	Change in +/- %
Accident frequency rate (AFR)	Cases per million working hours	1.9	1.7	11.8
Accident severity rate (ASR)	Lost days per million working hours	37.5	58.3	-35.7
Behavior-based safety observations (including safety walks)	Cases	32'344	70'739	-54.3
Voluntary attrition rate	%	6.2	6.7	
Share of women (of total workforce)	%	17.9	17.3	
Number of employees	FTE	15'054	16'506	-8.8

Please find further information here:

- www.sulzer.com/sustainability
- <https://report.sulzer.com/ar20/en/people-and-community/>
- <https://report.sulzer.com/ar20/en/safety/>
- [Sulzer Code of Business Conduct](#)

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 will lead the development and delivery of the Group's sustainability strategy on behalf of the Executive Committee and the Board of Directors' Strategy & Sustainability Committee. Sulzer's global ESH (Environment, Safety and Health) network drives the sustainability agenda. The group function ESH is responsible for corporate ESH programs, projects, risk prevention communications and the development of global ESH standards (directives, guidelines and good practices).

The ESH network is supported by a team of roughly 170 ESH representatives across the organization who support management to improve the safety and environmental performance continuously.

All production and service sites are required to be certified against ISO 9001, ISO 14001 and ISO 45001 /OHSAS 18001. Amongst other initiatives, the company participates in the Greenhouse Gas (GHG) Protocol and the Carbon Disclosure Project (CDP).

Addressing the precautionary approach

Switzerland adopted the precautionary approach in its national environmental regulations, which are compliant with the Rio Declaration of 1992. Sulzer is committed to the precautionary principle and the polluter pays principle in all its worldwide activities. Tools such as Sulzer's integrated enterprise risk management system (see <https://report.sulzer.com/ar20/en/risk-management/>) enable the company to identify potentially serious or irreversible harm to the environment early and to initiate countermeasures.

Principle 7

Businesses should support a precautionary approach to environmental challenges.

Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9

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

Setting incentives for sustainable product development

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.

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. Some of the company's achievements in this area in 2020 were:

- Sulzer's beauty business Geka received the [Platinum award](#) from the prestigious EcoVadis business sustainability rating provider, placing Geka amongst the top 1% of companies assessed worldwide. Geka was also awarded the International Sustainability and Carbon Certification (ISCC) – an independent, globally applicable certification system for the sustainability of raw materials and products, traceability through the supply chain and the determination of greenhouse gas emissions and savings. On top of that, Geka scored a "B" in the Carbon Disclosure Program (CDP), while the average grade for peers was lower (C and D grades), recognizing the company's coordinated action on climate issues. As of July 2020, Geka has committed to reduce its CO2 footprint in its global value chain via the Science Based Targets initiative (SBTi), taking the next step on its sustainability journey.
- Sulzer's equipment plays a vital role in a [Danish flood protection project](#), designed to mitigate the impact of rising water levels in the Ringkøbing Fjord over the next 40 years and beyond. During the tendering process, Sulzer's virtual reality simulation of the installation also helped other contractors visualize the site.
- With the creation of a [Global Bio-based and Renewables application development team](#), Sulzer's Chemtech division puts its innovation focus on the conversion of renewable feedstocks into oleochemicals (substances derived from natural sources, including plant fats), biofuels, bio-chemicals and biopolymers. It also supports the development of cutting-edge solutions for plastic and textile recycling.

Businesses with diverse footprints

Sulzer reports on its energy consumption, greenhouse gas emissions, waste production and water consumption as they are material for our operations. Our goal is to continuously improve performance measured against working hours (whr) compared with the previous year. Our products and services differ widely from one another; our portfolio encompasses pumps, separation equipment and applicators as well as services for rotating equipment or for turnaround projects. These businesses have different requirements and different ecological footprints. Thus, the business units and local sites evaluate their footprints and set their agendas individually to reduce their environmental impact.

Comprehensive reporting system

Sulzer has a comprehensive reporting system in place to collect financial and non-financial data at site level. The number of total working hours, which serves as a reference, remained at the previous year's level in 2020 because the additional hours of newly acquired businesses was counterbalanced by the COVID-19-related reduction in working hours. Global coverage of sites integrated in the reporting system remained high: all sites report on occupational health and safety data, and the coverage for environmental data was 80% of total working hours in 2020 (previous year: 79%). Sulzer collects non-financial data according to two different reporting cycles and confirms the accuracy of the figures through regular internal audits:

- The reporting period for environmental data was October 1, 2019, to September 30, 2020.
- The reporting cycle for HR data and the health and safety performance was January 1, 2020, to December 31, 2020.

Reduced energy consumption

Due to the economic slowdown and the resulting sales contraction, the company's overall environmental impact decreased in 2020. Total energy consumption decreased by 2.7%, and by 2.4% relative to 1'000 working hours. The more efficient use of energy was partially mitigated by an extended scope of five new sites reporting on energy usage for the first time. As the Chinese market reemerged from lockdowns and went from strength to strength, Sulzer's sites in China saw higher demand. This resulted in increased energy consumption – a 23% rise at Sulzer Pumps Suzhou and 12% at Chemtech Shanghai.

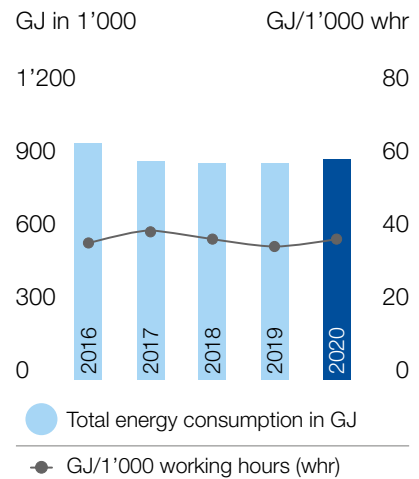
In 2020, total greenhouse gas (GHG) emissions in absolute terms decreased by 6.4%, and by 6.3% relative to 1'000 working hours. While scope 1 emissions remained stable, scope 2 emissions increased by 6.4%. This increase can be attributed to switching to a more comprehensive set of emissions factors. Scope 3 emissions decreased by 27.8%, mostly due to the decrease in business travel activities as a result of the COVID-19 pandemic. The overall decline in GHG emissions was supported by the switch to renewable energy at Sulzer's UK sites: To date, 16 of Sulzer's 17 sites in the UK have switched to 100% renewable electricity from renewable sources consisting of a fuel mix from bioenergy, wind, photovoltaic and hydropower. The company intends to increase the use of renewable electricity for Sulzer sites across Europe and other locations in 2021 and beyond.

Decrease in waste and water usage

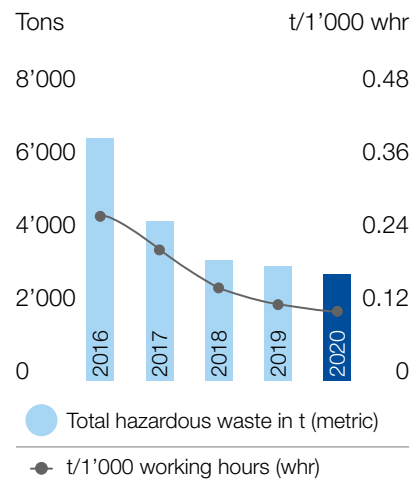
Total waste produced was reduced by 6.9%. The sites saw a decline across many waste categories, partly due to the continued implementation of LEAN initiatives and helped by the reduced manufacturing capacity following lockdowns. Overall waste reduction was partially counterbalanced by five additional sites that were newly included in the reporting scope.

Sulzer's consumption of water declined by 4.1%, despite an increase in Pumps Equipment Finland of roughly 24'500 m³ as part of a special pump testing project. The overall decrease resulted mainly from more efficient water management processes.

Energy consumption



Hazardous waste



Key figures

		2020	2019	Change in +/- %
Energy	GJ	878'109	902'751	-2.7
Energy consumption per working hours (whr)	GJ per 1'000 whr	36.0	36.9	-2.4
Share of electricity	%	52.8	56.6	
Share of gases	%	24.5	25.3	
Share of fuels	%	11.6	13.8	
Share of fuel oils	%	5.0	1.3	
Share of district heating	%	3.2	3.0	
Share of other sources	%	3	<1	
Greenhouse gas emissions	tons CO₂ eq.	111'176	118'805	-6.4
GHG emissions per working hours	tons CO ₂ eq. per 1'000 whr	4.5	4.8	-6.3
GHG scope 1 ¹⁾	tons CO ₂ eq.	21'545	21'245	1.4
GHG scope 2 ²⁾	tons CO ₂ eq.	59'794	56'214	6.4
GHG scope 3 ³⁾	tons CO ₂ eq.	29'837	41'346	-27.8
Waste	tons	19'546	20'998	-6.9
Waste per working hours	tons per 1'000 whr	0.8	0.9	-5.9
By treatment:				
Recycling	%	32.7	44.9	
Waste to landfill/incineration/other treatment	%	67.3	55.1	
By hazardousness:				
Non-hazardous waste	%	86.4	86.1	
Hazardous waste	%	13.6	13.9	
Water	m³	987'576	1'029'302	-4.1
Water consumption per working hours	m ³ per 1'000 whr	40.2	42.0	-4.3

¹⁾ Direct emissions from Sulzer stemming from primary energy sources such as natural gas and fuels used on-site.

²⁾ Indirect emissions from secondary (converted) energy sources such as electricity and district heating.

³⁾ Indirect emissions from the production and transport of fuels and gases not included in scopes 1 or 2.

Find further information here:

- www.sulzer.com/sustainability
- <https://report.sulzer.com/ar20/en/environment/>

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 or corruption (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.

Principle 10

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

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. Local compliance officers performed 23 face-to-face compliance training sessions at the beginning of 2020. Due to the COVID-19 preventive measures, the remaining planned face-to-face sessions have been replaced by 20 remote sessions, conducted by Group Compliance.

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. The company has a directive that sets clear rules for internal investigations. 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 2020, the group conducted internal investigations triggered by reports from the compliance hotlines, e-mails, telephone calls or other avenues of communication, and at least two 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.

Find further information here:

- <https://report.sulzer.com/ar20/en/board-of-directors/>
- [Sulzer Code of Business Conduct](#)

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