

C ommunication
O n
P rogress

Active Level

SULZER

Sulzer Ltd

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About this document

Sulzer participates in the United Nations Global Compact (UNGC) initiative that has developed Ten Principles of responsible business conduct.

The UNGC is a strategic policy initiative for corporations that are committed to aligning their operations and strategies with ten universally accepted principles of responsible business conduct. The initiative is set-up as a multi-stakeholder platform whose aim is 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 order to support corporations to respect and support a set of core values in the areas of human rights, labor standards, the environment, and anti-corruption.

Sulzer is a member of the UNGC, and the company's Head of QESH and SD is a member of the board of the UN Global Compact Swiss Network to promote respect and support for the Ten Principles of responsible business conduct.

One way to communicate its commitment to the UNGC organization and society is the annual submission of a Communication on Progress (COP) Report. In 2012, Sulzer submits its COP to demonstrate how Sulzer Ltd applies the Ten Principles of the UNGC.

Letter of the CEO

Sulzer is a signatory of the United Nations Global Compact (UNGC) initiative, and actively supports its ten universal principles covering human rights, labor, the environment, and anti-corruption.

Sulzer is committed to building its business success on responsible action, which allows us to grow sustainably and to generating value for current and future stakeholders. Our core values and our Code of Business Conduct commit us to behave ethically in all our business activities and with our partners. We respect the people affected by or affect our operations and comply with all relevant laws. Our Code of Business Conduct is compliant with the Ten Principles of the UNGC. It is continuously complemented with supporting directives and guidelines.

Sulzer's Sustainability Council on senior management level meets twice a year to monitor and review our sustainability performance. The council advises on content and the implementation of policies. It identifies and defines focus areas on the basis of sustainability issues and stakeholder requirements that need to be managed. We collect sustainability data through a company-wide information system, which helps us to monitor and report our sustainability performance.

As an active member of the UNGC and the UNGC Swiss Network, Sulzer as a globally operating organization and our employees actively strive to respect and support the UNGC Ten Principles in our worldwide activities.

A handwritten signature in blue ink, appearing to read 'K. Stahlmann', is positioned above the printed name.

Klaus Stahlmann, CEO

July 25th 2012

Human Rights

Principle 1

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

Fulfillment

Sulzer is strongly dedicated to conducting its business in a compliant and responsible manner and to observing ethical business principles. Respect and support for human rights in its widest sense and throughout its value chain is imperative.

At Sulzer, social compliance relies on a strong communicable vision and values, its Code of Business Conduct and a functioning social compliance system, which allows monitoring and remedial action. The comprehensive Code of Business Conduct features precise and rigorous statements on expected behavior and covers compliance-related topics, such as antitrust and unfair competition, corruption, bribery, conflict of interest, international trade restrictions, environment, health and safety, fraud and accuracy of records, insider trading, employment, and human rights matters. The Code of Business Conduct is compliant with the Ten Principles of the UNGC. It is continuously complemented with supporting directives and guidelines. Sulzer regularly internally audits its implementation.

Further reading

Compliance and Code of Business Conduct

Supply chain management

Code of Business Conduct

References

Sulzer GRI G3 Index 2011; indicators: EC5; LA4; LA6–9; LA13–14; HR1–9; SO5; PR1–2, PR8

Principle 2

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

Fulfillment

Sulzer strongly fosters a "speak-up" culture and rigorously enforces applicable norms. Sulzer's internal regulative framework goes beyond legal minimum requirements.

Sulzer has compliance systems in place that are based on adequate compliance standards and procedures. The systems give an overview of how to delegate responsibilities throughout the organization. The 110 compliance officers secure an effective line of communication, provide legal and compliance support, and monitor and audit compliance performance. They investigate instances of non-compliance or misconduct, enforce appropriate disciplinary action, and initiate corrective action and preventive measures.

Sulzer's Head of QESH and SD is member of the board of the UNGC Swiss Network and the company actively participates in a multi-stakeholder dialogue titled: "Implementation of the UN Guidelines for Business and Human Rights by Swiss Actors" that is moderated by the Swiss Federal Department of Foreign Affairs (FDFA) and the State Secretariat of Economic Affairs (SECO). Ruggie, former Special Representative of the United Nations Secretary-General on business & human rights, strongly promotes a multi-stakeholder dialogue in its final advanced edited version of the "Guiding principles on Business and Human Rights: Implementing the United Nations "Protect, Respect, and Remedy" framework", which builds the foundation of this dialogue. Sulzer is currently analyzing and consolidating information of adopted (work in progress) best practices by national and international pioneering actors (e.g. BLIHR members) as well as internal processes and mechanisms to develop a manageable Ruggie implementation program for Sulzer.

Further reading

[Compliance and Code of Business Conduct](#)

[Supply chain management](#)

[Risk Management](#)

References

[Sulzer GRI G3 Index 2011](#); indicators: HR1–9; SO5

Labor

Principle 3

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

Fulfillment

Sulzer builds on a long tradition of establishing trust in its collaborations with social partners to create stable and open relations. The company respects the right to freedom of association and collective bargaining for all its employees. As far as national legislation allows, Sulzer promotes this fundamental right by applying its own Code of Business Conduct to all employees. Roughly 50% to 60% of all Sulzer employees are covered by collective bargaining agreements. The considerable variation in the percentage is a result of national legislations that do not always allow the company to collect respective data. Data are collected on an ongoing basis from country-specific legally unobjectionable sources, like international and national works councils or unions.

Further reading

[Compliance and Code of Business Conduct](#)

[Social Partners](#)

References

[Sulzer GRI G3 Index 2011](#); indicators: LA4–5, HR1–3, HR5, SO5

Principle 4

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

Fulfillment

Besides emphasizing its clear commitment to the elimination of all forms of forced and compulsory labor in the Code of Business Conduct, Sulzer sends out a self-validation check to all members of the Sulzer Management Group (top 85 Sulzer managers), the heads of all Sulzer companies employing personnel, and the compliance officers. The self-check is Sulzer's "Annual Acknowledgment Letter" that needs to be signed every year. The signatories declare that they neither violated the Code of Business Conduct, nor do they have reason to believe that it was violated within their area of responsibility. In case of a violation, the case is reported for investigation and follow-up to the Sulzer corporation. All signatories returned the letters without reservation in 2011. Based upon Sulzer's integrated and comprehensive risk and compliance mechanisms, no risks for forced and/or compulsory labor incidents were identified.

Further reading

[Compliance and Code of Business Conduct](#)

References

[Sulzer GRI G3 Index 2011](#); indicators: HR1–3, HR7, SO5

Principle 5

Businesses should uphold the effective abolition of child labor

Fulfillment

Besides emphasizing its clear commitment to the abolition of child labor in its Code of Business Conduct, Sulzer sends out a self-validation check to all members of the Sulzer Management Group (top 85 Sulzer managers). The self-check is Sulzer's "Annual Acknowledgment Letter" that needs to be signed every year. The signatories declare that they neither violated the Code of Business Conduct, nor do they have reason to believe that the Code of Business Conduct was violated within their area of responsibility. In case of a violation, the case is reported for investigation and followed-up by the Sulzer corporation. All signatories returned the letters without reservation in 2011. Based upon Sulzer's integrated and comprehensive risk and compliance mechanisms, no risks for child labor incidents were identified.

Further reading

[Compliance and Code of Business Conduct](#)

References

[Sulzer GRI G3 Index 2011](#); indicators: HR1–3, HR6, SO5

Principle 6

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

Fulfillment

With Sulzer's global presence, it is essential that the company's workforce reflects the diversity of its customer base. Sulzer therefore fosters and leverages diversity with respect to gender, culture, and demography. Diversity is strongly linked to the core value of committed employees. The company follows a "passport-neutral policy" and offers equal opportunities to all employees regardless of national or ethnic origin, gender, or other differentiating characteristics.

Sulzer defined a vision of diversity and inclusion in order to ensure a common understanding. The company believes that diverse teams create better solutions for a diverse world. The teams are closer to Sulzer's global customer base, drive innovation through different perspectives, and foster opportunities for individual development.

To handle employee grievances, Sulzer established the function of independent ombudspersons in 2000. Sulzer employees can contact them at their discretion. Complaints can be reported in oral or written form and are dealt with in the strictest of confidence. In 2009, Sulzer established an externally run global compliance hotline. Such a hotline has been available to employees in the US since the beginning of the century. In 2011, 42 workplace alerts were made via Sulzer's compliance hotline (2010: 40 calls).

Further reading

[Employees](#)

[Compliance and Code of Business Conduct](#)

References

[Sulzer GRI G3 Index 2011](#); indicators: EC7, LA2, LA13–LA14, HR1–HR4, SO5

Environment

Principle 7

Business should support a precautionary approach to environmental challenges

Fulfillment

Enabling Sulzer and its partners to decouple growth from the use of natural resources is pivotal. Offering resource-efficient and environmentally friendly solutions that are integrated in closed loops is only the start. Because of its innovative solutions, Sulzer benefits from an economy sensitized to green solutions.

In order to help protect the climate, Sulzer pursues an effective dual strategy:

- Aspiring for leadership in energy-efficient solutions
- Improving resource and energy efficiency of internal processes

Sulzer aspires for leadership in energy efficiency and energy-efficient solutions. The company implemented a life cycle concept to analyze and diagnose the impact of its solutions for an entire life cycle. A proper diagnosis improves transparency and identifies the most promising leverage effects. The company applies the cradle-to-grave approach and conducts targeted research and development activities to improve the energy efficiency of its products. Most of the company's solutions generate the largest impact during the operational stage. Measures include improved product design and services as well as specific customer training.

The spirit of the precautionary approach is part of Sulzer's vision and values as well as its corporate directives, regulations, and guidelines to encourage its staff to work toward and continuously uphold a higher level of environmental protection than legally required. The company has the systems in place to innovate and modify its existing technologies and make processes more efficient. Sulzer continuously implements programs that improve the energy efficiency of its operations. The company also continuously refines the quality of energy and GHG emission data to identify improvement potentials.

Further reading

[Climate Protection](#)

[Product Stewardship](#)

[Environmental Impact of Operations](#)

[Environmental Impact of Solutions](#)

References

[Sulzer GRI G3 Index 2011](#); indicators: 4.11, EC2, EN18, EN26, EN30, SO5

Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility

Fulfillment

Sustainability is an integral part of Sulzer's corporate short-, mid-, and long-term planning cycles and management systems. External standards provide guidance in sustainability matters.

Sulzer does not have a stand-alone sustainability strategy or management system. Sustainability is an integrated part of Sulzer's vision, corporate and divisional strategies, and activities. Sulzer adopts a midrange planning cycle that is owned by the CEO and the Executive Committee. Based on quantitative and qualitative analysis and assessment, a proper diagnosis provides the basis to review or develop a defined set of measures with the objective of achieving a sustainable competitive strategy. A concise roadmap ensures the implementation of these measures. Line management at all levels sets specific and quantifiable company objectives and targets that become part of the individual personal performance measurement. Clearly defined financial and extra-financial targets and performance indicators that are directly linked to financial and extra-financial company performance help track the efficacy and efficiency of processes.

Sulzer's integrated management system is based on global standards and norms. Sulzer has a clear objective: all production sites shall be certified by ISO 9001 (quality standard), ISO 14011 (environmental standard), and OHSAS 18001 and/or SCC health and safety standards. By the end of 2011, 68% of employees work at sites that have received the ISO 14001 standard.

Further reading

[Integrating Sustainability](#)

[Certified Management Systems](#)

[Product Stewardship](#)

[Environmental Impact of Operations](#)

[Environmental Impact of Solutions](#)

References

[Sulzer GRI G3 Index 2011](#); indicators: EN1–EN30, SO5, PR3–PR4

Principle 9

Businesses should encourage the development and diffusion of environmentally friendly technologies

Fulfillment

Sulzer assesses the entire life cycle of its product and service solutions. The main drivers to adopting a life cycle approach are sustainability-related activities, sustainable supply chain management, product innovation, and international and national legislation. The company generates value by systematically reducing costs in operations and by offering competitive and cost-effective product and service solutions. The life cycle of Sulzer products and services starts with the product/service design and ends with their disposal.

Sustainable product design (eco-design) and supply chain processes are materially related. Consequently, they bear both high cost-saving and innovation potential for Sulzer. The output of an eco-audit—streamlined life cycle assessment—decides whether a Sulzer product or process is going to be material and/or energy intensive. About two-thirds of all Sulzer products are energy intensive in use. Therefore, innovative development directed towards increasing efficiency and making design more lightweight can improve the power density of the products. Saving material resources has a high priority in product design. During product and service use, Sulzer's customers, their employees, and the environment benefit from the following advantages:

- Lightweight product (re)design
- Energy-efficient and low-emission products or services
- Innovative and safe solutions
- Easy revamping, retrofitting, or upgrading
- Simple recycling

Further reading

[Environmental Impact of Solutions](#)

[Product Stewardship](#)

References

[Sulzer GRI G3 Index 2011](#); indicators: EN2, EN5–EN7, EN 10, EN 18, EN 26–EN27, EN30, SO5

Anti-Corruption

Principle 10

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

Fulfillment

Sulzer has compliance systems in place that are based on adequate compliance standards and procedures. 110 compliance officers secure an effective line of communication, provide legal and compliance support, and monitor and audit compliance performance. They investigate instances of non-compliance or misconduct, enforce appropriate disciplinary action, and initiate corrective action and preventive measures. On an ongoing basis, compliance officers meet and conduct training sessions to foster the exchange of knowledge and best practices within the compliance network. The compliance program is continuously reviewed and updated. In the last two years, the following new guidelines were introduced:

- Anticorruption and Antibribery Guideline
- Antitrust Law Guidelines
- Intermediaries Due Diligence Directive

The Sulzer Business Code of Conduct strictly forbids any form of bribery and corruption (irrespective of whether the recipient is a public official or an employee of a private customer). The Anticorruption and Antibribery Guideline specifies the principles described in the Code of Business Conduct, aiming at providing additional guidance in the form of answers to frequently asked questions. The introduction of the “Anticorruption and Antibribery Guideline” took place via e-learning courses. The guidelines include topics such as extortion, using third parties such as agents, facilitating payments, gifts and hospitalities, as well as company support.

Sulzer made progress in combating bribery and corruption with the introduction of an “Intermediaries Due Diligence Directive.” In 2011, 1253 employees (7% of all Sulzer employees) received e-training on this new directive. All business units were analyzed for risks related to corruption, which is compliant with the internal anticorruption guideline. All intermediaries are subject to a due diligence and approval process. This process includes entering into proper contracts and signing the Code of Business Conduct for Commercial Services Providers. Shortly after its introduction, Sulzer identified a new method of bribery. Instead of involving intermediaries working under a service contract, the customer—often at the end of the contract negotiation process—asks its supplier to enter into the contract with a third party designated by the customer as the buyer. The customer and the designated buyer can use this concept to sell the products to the customer at a higher price. In current laws, this bribery concept has not yet been described with sufficient accuracy. By the end of 2011, Sulzer added “Designated Buyers” details to the directive. The company is investigating the introduction of an electronic workflow.

Further reading

[Compliance and Code of Business Conduct](#)
[Code of Business Conduct](#)

References

[Sulzer GRI G3 Index 2011](#); indicators: SO2–SO6