

# Communication on Progress

## 2013 Report to the United Nations Global Compact

**Sulzer Ltd**

*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 the 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 2013, Sulzer submits its updated COP Report to demonstrate Sulzer Ltd.'s ongoing accountability for 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 of Responsible Business Conduct covering human rights, labor, the environment, and anti-corruption.

In 2013, Sulzer showed ongoing commitment to build its business success on responsible action; with our aspiration for leadership in energy efficient solutions we supported our customers in shaping new ways and markets, building a more sustainable economy. Our core Values and our Code of Business Conduct commit all Sulzer employees to conduct business in accordance with high ethical standards and in compliance with applicable 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 on average 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. For a detailed report on Sulzer's sustainability performance in 2012, please consult our [Sustainability Report 2012](#). In this COP update we constantly refer to our Sustainability Report 2012 and the complementary [GRI-G3 Content Index 2012](#).

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', written in a cursive style.

Klaus Stahlmann, CEO

## 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 audits its implementation internally.

#### Further reading

- Compliance and Code of Business Conduct
- Supply chain management
- Social Partners
- Society and Neighborhood
- Code of Business Conduct

#### References

Sulzer GRI-G3 Content Index 2012; 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 sophisticated, globally implemented compliance systems that are based on adequate compliance standards and procedures. The systems give an overview of how to delegate responsibilities throughout the organization. The 114 compliance officers secure an effective line of communication, provide legal and compliance support, and monitor and audit compliance performance. As that they support the implementation of the Code and other compliance-related norms, deal with potential code violations, give advice on compliance matters, and provide compliance training. At the end of 2012, approximately 7700 employees were enrolled in the e-training program and completed on average two to three courses.

In the last two years, new corporate guidelines and directives were continuously introduced that support our employees to behave (socially) compliant; compliance with these guidelines and directives is ongoing monitored:

- Anticorruption and Antibribery Guideline
- Antitrust Law Guidelines
- Directive concerning Attendance at Trade Association Meetings (as of November 1, 2012)
- Intermediaries Due Diligence Directive, since September 1, 2012 based on Electronic Intermediaries Due Diligence application (adaptation of 'Siemens Business Partner' software for Sulzer purposes)
- Compliance Reporting and Investigation Directive
- Receiving and Offering Gifts and Hospitalitys, Facilitation Payments (effective 1 January 2013)
- Revised Sensitive Countries – Evaluation Process, Bans and Restrictions directive

Sulzer's Head of QESH and SD is member of the board of the UNGC Swiss Network and the company is active in an ongoing 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's 'Protect, Respect, and Remedy framework', builds the foundation of this dialogue. Additionally, Sulzer ongoing analyzes and consolidates information on inter(national) regulations as well as adopted best practices by business actors to verify and if necessary upgrade its internal compliance systems.

### Further reading

- [Compliance and Code of Business Conduct](#)
- [Supply chain management](#)
- [Risk Management](#)
- [Employees](#)

### References

[Sulzer GRI-G3 Content Index 2012](#); 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 level of uncertainty in this reported percentage is a result of national legislations that do not always allow the company to collect respective data. Instead, 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 Content Index 2012](#); 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 Code of Business Conduct, in which Sulzer and all employees commit to 'complying with all employment and labor laws including those related to the elimination of all forms of forced and compulsory labor [...] under applicable laws', Sulzer sends out a self-validation check to all members of the Sulzer Management Group (top 95 Sulzer managers), the heads of all Sulzer companies employing personnel, and the compliance officers. The self-check is the so-called 'Annual Acknowledgment Letter' that needs to be signed every year. The signatories declare that they neither violated the code, nor do they have reason to believe that the code was violated within their area of responsibility, or if a violation occurred, the case was reported to the appropriate function within the Sulzer Corporation. All signatories returned the letters without reservation in 2012. 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 Content Index 2012](#); indicators: HR1–3, HR7, SO5

## Principle 5

Businesses should uphold the effective abolition of child labor

### Fulfillment

Besides emphasizing its clear commitment to the Code of Business Conduct, in which Sulzer and all employees commit to *'complying with all employment and labor laws [...] (including child labor) [...] under applicable laws'*, Sulzer sends out a self-validation check to all members of the Sulzer Management Group (top 95 Sulzer managers), the heads of all Sulzer companies employing personnel, and the compliance officers. The self-check is the so-called 'Annual Acknowledgment Letter' that needs to be signed every year. The signatories declare that they neither violated the code, nor do they have reason to believe that the code was violated within their area of responsibility, or if a violation occurred, the case was reported to the appropriate function within the Sulzer Corporation. All signatories returned the letters without reservation in 2012. 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 Content Index 2012; 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 and mission of diversity and inclusion in order to ensure a common understanding. Sulzer's Global Head of Diversity (in Corporate Human Resources Dept.) is dedicated to facilitating & promoting Diversity & Inclusion in the company. As that the company has set clear diversity aspirations (targets regarding gender and culture to further increase Diversity & Inclusion) that are linked to the diversity vision and mission.

At Sulzer, diverse and worldwide operating teams create better solutions for a diverse world. These teams are closer to Sulzer's global customer base, culturally aware, 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. The claims received are mainly directed against the employing company if internal channels have failed to respond to their personal problems or general grievances. Typically, the ombudspersons investigate and remediate reported irregularities through recommendations or mediation. In 2012, 8 cases were documented until mid of December (2011: 11 cases).

In 2009, Sulzer established an externally run global compliance hotline for all its stakeholders. Such a hotline has been available to employees in the US since the beginning of the century. Due to national data protection regulations that vary widely on the reporting of grievances, an update was needed in 2012. In designated countries, among others Spain, it is prohibited to report grievances anonymously. In response, Sulzer offers a non-European, a European, and a special Spain/Portugal hotline setup in order to meet mainly European data protection requirements. In 2012, 86 reports were documented for non-European countries (2011: 64). In 2012, 30 reports were documented for European countries (2011: 28). For further details and outcomes of reported misconduct, please [click here](#).

### Further reading

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

### References

[Sulzer GRI-G3 Content Index 2012](#); 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. 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 (production processes) and energy-efficient solutions. The company's latter focus has a strong lever, since roughly 2/3 of Sulzer's solutions consume resources (mainly energy) during the operational stage on customer site. 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. Resulting 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

- [Environmental Challenges](#)
- [Product Stewardship](#)
- [Environmental Impact of Operations](#)
- [Environmental Impact of Solutions](#)

#### References

[Sulzer GRI-G3 Content Index 2012](#); 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. For environmental management systems, 89% (2011: 68%) of employees work at sites that have received the ISO 14001 standard. For health and safety compliance, 91% (2011: 70%) of employees worked at sites that have received either the OHSAS 18001 (Occupational Health and Safety Assessment Series) or the SCC (Safety Checklist Contractors) standard.

### Further reading

- [Integrating Sustainability](#)
- [Certified Management Systems](#)
- [Product Stewardship](#)
- [Environmental Impact of Operations](#)
- [Environmental Impact of Solutions](#)

### References

[Sulzer GRI-G3 Content Index 2012](#); indicators: EN1–EN30, SO5, PR3–PR4

## Principle 9

Businesses should encourage the development and diffusion of environmentally friendly technologies

### Fulfillment

Sulzer aspires for leadership in energy-efficient solutions. Sulzer's eco-efficient technologies and solutions enable Sulzer and its customers to maintain and improve their sustainable competitive edge and shape sustainable economies.

Sulzer assesses the entire life cycle of 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, ideally by recycling.

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 designs directed to increasing efficiency and making solutions more lightweight can improve the power density of the products. Saving material resources and using green materials has a high priority in product design. Thus, Sulzer sees it as its challenge to develop lightweight eco-design concepts, e.g., the next-generation separation columns or pumps. If the design is right, 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 Content Index 2012](#); 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. The systems give an overview of how to delegate responsibilities throughout the organization. The 114 compliance officers secure an effective line of communication, provide legal and compliance support, 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 and according to requirements organized compliance officer meetings, training sessions and phone conferences foster the exchange of knowledge and best practices within the compliance network. In 2012, a new SharePoint solution for the Legal, Compliance and Export Control networks was launched to improve the knowledge management and know-how sharing. The compliance program is continuously reviewed and updated. In the last two years, the following new guidelines and directives were introduced (not complete):

- Anticorruption and Antibribery Guideline
- Antitrust Law Guidelines
- Directive concerning Attendance at Trade Association Meetings (as of November 1, 2012)
- Intermediaries Due Diligence Directive, since September 1, 2012 based on Electronic Intermediaries Due Diligence application (adaptation of 'Siemens Business Partner' software for Sulzer purposes)
- Compliance Reporting and Investigation Directive
- Receiving and Offering Gifts and Hospitalitys, Facilitation Payments (effective 1 January 2013)

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). In 2012, Sulzer made progress in combating bribery and corruption with, amongst others, releasing its 'Compliance Reporting and Investigation Directive' in which it is clearly defined which types of alleged violations must be reported to Corporate. The following list sums a selection of relevant cases/allegations that must be reported immediately through the Matter Management System:

- Conflict of interest issues (personal or financial) causing damage to an Affiliate
- Bribes, kickbacks or other incidents of corruption, irrespective of the magnitude of the case
- Insider Trading Issues

As of June 2012, a reporting obligation regarding the consequences of reported compliance violations (dismissals, reprimands, forced job changes, others) has been introduced. Due to technical problems with Sulzer's internal Social Economic Environmental Database (SEED), first reasonable results will be available beginning of 2013.

#### Further reading

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

#### References

[Sulzer GRI-G3 Content Index 2012](#); indicators: SO2–SO6