

Communication on Progress 2015 Active Level Report
to the United Nations Global Compact



Sulzer is a global partner with reliable and sustainable solutions for performance-critical applications.

We specialize in pumping solutions, rotating equipment maintenance and services as well as separation, reaction, and mixing technology. Combining engineering and application expertise, our innovative solutions add value and strengthen the competitive position of our customers.

Sulzer is a leading provider in its key markets: oil and gas, power, and water. We serve clients around the world through a network of over 150 locations.

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Winterthur, August 12, 2015

Ladies and Gentlemen

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.



Sulzer is transforming itself into one focused, market-oriented, and globally operating company. We provide our customers with energy-efficient solutions, maintain a well-stocked innovation pipeline, offer our employees a safe and healthy working environment, and reduce our own environmental footprint. It is crucial for Sulzer to assume its economic, social, and ecological responsibility. We show ongoing commitment to build our business success on responsible action:

- Human rights: Sulzer's strong *vision and values*, its *Code of Business Conduct*, and its efficient compliance system guide employees on responsible and ethically correct behavior and on respect for the human rights.
- Labor: With the Code of Business Conduct as well as the support of initiatives such as the *International Labor Organization (ILO) Declaration*, Sulzer sets the framework for fair working conditions. Forced and compulsory labor and child labor are strictly prohibited.
- Environment: We aim to create value and improve our environmental impact by developing innovative, efficient, and eco-friendly solutions for our customers, helping our customers to manage and improve the entire product life cycle, and by reducing the company's environmental footprint through measures in the areas of energy consumption and waste.
- Anti-corruption: Sulzer's compliance management system with approximately 100 compliance officers includes anti-corruption and anti-bribery guidelines, trainings, regularly conducted internal audits, and a comprehensive risk management. Additionally, the distinctive speak-up culture and various whistleblower instruments encourage employees to report noncompliant behavior.

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 2014, please read our *Sustainability Report 2014*. Throughout this COP update we constantly refer to the Sulzer Sustainability Report 2014 and the complementary *GRI-G3 Content Index 2014*.

Sulzer as a globally operating company and its employees actively strive to respect and support the UNGC Ten Principles in its worldwide activities. We are highly committed to continue to do so in future.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'T. Dittrich', written in a cursive style.

Thomas Dittrich
CEO a.i. and CFO

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.

One way to communicate its commitment to the UNGC organization and society is the annual submission of a Communication on Progress (COP) Report. In 2015, Sulzer submits its updated COP Report to demonstrate Sulzer's ongoing accountability for the Ten Principles of the UNGC.

Human Rights

Sulzer is strongly dedicated to conducting its business in a compliant and responsible manner and to observing ethical business principles. The company has high expectations about its employees' standards of behavior. This includes respect for every individual's fundamental rights and support for human rights in its widest sense and throughout its value chain.

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.

At Sulzer, social compliance relies on a strong *vision, values, its Code of Business Conduct*, and an efficient social compliance system. 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. The implementation of the code is supported and complemented by directives and guidelines and is internally audited regularly. Around 100 compliance officers 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. In 2015, Sulzer's Code of Business Conduct ranked 7th in a *study conducted by KPMG*. The study looked at the completeness and relevance of the codes of the listed Swiss Top 50 companies, by checking the presence of parameters such as compliance with laws and regulations, workplace responsibilities, conflict of interest, and sustainability.

Conforming to the law through comprehensive compliance management

Sulzer strongly fosters a speak-up culture and conducts its business in compliance with applicable laws ("a clean deal or no deal"). Its internal regulative framework goes above and beyond legal minimum requirements. Sulzer has a compliance management system in place that is based on adequate compliance standards and procedures. The systems provide an overview of how to delegate responsibilities throughout the organization. The approximately 100 compliance officers secure effective lines of communication, provide support, and assist in compliance investigations. These investigations are conducted under the lead of Sulzer's Compliance Headquarters (including follow-up on complaints filed through the company's compliance hotline). Compliance officer meetings, training sessions, and phone conferences foster the exchange of knowledge and best practices within the compliance network. The compliance program is continually reviewed and updated.

Ombudspersons and compliance hotline to report non-compliant behavior

Employees are encouraged to communicate grievances as well as illegal or unfair behavior either through internal or third-party instruments. Sulzer established the function of independent ombudspersons to handle employee grievances and reports of noncompliant behavior. Furthermore, the company set up independent, externally run global compliance hotlines. The company offers a non-European, a European, and a special Spanish/Portuguese hotline setup. As of December 31, 2014, 116 reports had been filed through the hotline in total, of which 105 complaints had been reported through the global compliance hotline and 11 through the European compliance hotline.

Learning ethically correct business conduct through compliance trainings

Although employee behavior cannot be fully controlled, the Code of Business Conduct and trainings guide Sulzer employees in ethically correct business conduct. Sulzer has been training its employees for many years, mostly with e-learning tools and face-to-face trainings. As of December 31, 2014, about 6760 employees had enrolled in Sulzer's interactive e-learning program and completed at least two compliance courses. Generally, 14 active courses are available to all employees. For 2015, mandatory compliance training activity levels have been defined.

Transparent processes and supply chain organization

The Code of Business Conduct serves as point of reference with regard to upholding fundamental human rights, working conditions, occupational health and safety, business ethics, and environmental law throughout Sulzer's supply chains. In addition, Pumps Equipment rolled out its new software-backed Global Supplier Qualification Process (GSQP). It allows the systematic identification, selection, auditing, verification, and development of global suppliers based on quality and sustainable supply chain practices and performance. Procurement carefully selects and evaluates suppliers' processes and products (including on-site visits). In case of non-compliance, either the supplier will not be qualified or a corrective action plan will be implemented before the partnership is continued. In 2014, a total of 32 audits were conducted on 165 suppliers registered in the software.

Further reading

Sulzer Sustainability Report 2014:
 — Compliant and Ethically Correct Behavior as Cornerstone (p. 16ff.)
 — Enterprise Risk Management Process to Take Risk-Conscious Decisions (p. 19ff.)
 — Managing the Entire Supply Chain (p. 33)
Sulzer Code of Business Conduct

References

Sulzer GRI-G3 Content Index 2014:
 indicators: 1.2, 4.8, HR1–9; SO5

Labor

Sulzer intends to be a socially responsible employer. Its Code of Business Conduct clearly sets out the mandatory framework for humane and ethic working conditions. Sulzer continuously increases its efforts to ensure a nondiscriminatory, healthy, and safe work environment.

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.

Principle 6

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

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 its own *Code of Business Conduct*. In total, an estimated 50% to 60% of all Sulzer employees are covered by national collective bargaining agreements. (Coverage estimates are a result of national legislation that does not always allow the company to collect the required information. Sulzer collects data continually from country-specific legally unobjectionable sources such as international and national works councils or unions.)

Eliminating all forms of forced and compulsory labor

International regulatory frameworks such as the *International Labour Organization (ILO)* are significant to Sulzer's compliance efforts. By signing Sulzer's Code of Business Conduct, the company 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 (including child labor) and the prohibition against all forms of discrimination in employment under applicable laws".

Besides emphasizing its clear commitment to the Code of Business Conduct, Sulzer sends out a self-validation check to all members of the Sulzer Management Group (SMG; top 100 managers), the heads of all Sulzer companies which employ personnel, and the compliance officers. An "annual acknowledgment letter" needs to be signed every year. The signatories declare that they have neither violated the code nor do they have reason to believe that the code was violated within their area of responsibility. In the case of a violation of the code, they confirm that they were aware that the case was reported to the appropriate function within Sulzer. In 2014, the company additionally sent the letter to all controllers and received the respective countersigned acknowledgment letters. In 2015, the same process will be applied. Based upon Sulzer's integrated and comprehensive risk and compliance mechanisms, no risks for forced and/or compulsory labor incidents and no child labor incidents were identified.

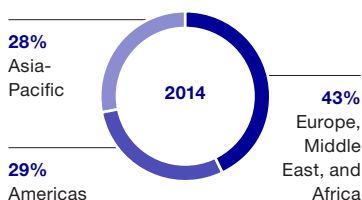
Diverse teams drive innovation and create better solutions

With Sulzer's global presence, it is essential that the company's workforce reflect the diversity of its customer base. Sulzer believes that diverse teams create better solutions for a diverse world because they are closer to the global customer base, drive innovation through different perspectives, and foster opportunities for individual development. Sulzer therefore promotes diversity of gender, culture, and demography, recognizing that living and managing diversity is a long-term cultural process. In 2014, 14.4% of the entire workforce were female (2013: 14.6%). A total of 13.1% of all managers were female managers (2013: 14%). Furthermore, 12% (2013: 11%) of the Sulzer Management Group (top 100 managers) were female in 2014.

As part of its diversity strategy, Sulzer aims to increase the number of employees from emerging markets. Sulzer's global footprint helps to balance the demographic change (for example, the aging trend in Europe). About 43% (2013: 40%) of the company's employees work in emerging markets. Sulzer engages 15 494 employees in over 150 locations and 41 countries (as of December 31, 2014). About 43% of the company's employees work in Europe, Middle East, and Africa (2013: 44%). A total of 29% work in the Americas (North, Central, and South America) (2013: 28%); and 28% work in the Asia-Pacific region (2013: 28%). This geographical spread allows the company to be close to its customer base and to understand its specific needs.

Sulzer's teams are also diverse in terms of age; long-term and experienced employees work together with apprentices and recent university graduates. Bringing together younger and older employees increases the likelihood of new approaches to a solution. In 2014, 22% of the workforce was under 30 years old. Moreover, 28% were between 30 and 39 years old, and 24% in the age range from 40 to 49 years. In total, 20% of the workforce was between 50 and 59 years old, and 6% was over 60 years old.

Geographical spread of employees



Ensuring a healthy and safe work environment

Sulzer aspires to excellence in occupational health and safety. The company continuously increases its efforts to empower all employees to act safely, and aims at zero accidents. Occupational health and safety (OHS) is of prime importance to Sulzer. The company lives the “safety comes first” principle. Providing a healthy and safe workplace is a daily challenge for Sulzer and its employees.

In 2014, Sulzer initiated new programs and followed up on the outcome of several initiatives to further improve its OHS culture and performance. Of particular note are Sulzer’s:

- Safe Behavior Program (SBP)
- Hazardous Materials Emissions and Exposure (HMEE) risk mitigation program
- Blacklist program on the substitution of (potentially) hazardous substances and chemicals
- Continued commitment to globally aligning and harmonizing sustainability KPIs and metrics (SURE data base)

Establishing preventive safety culture with Sulzer’s Safe Behavior Program

In 2012, Sulzer developed its safety vision (*see video clip*) and rolled out its global SBP. The SBP change program helps to establish a strong preventive safety culture by empowering its employees to act safely and to look after each other’s safety. Thus, the change program has the following three goals:

- to anchor safety as an important value in Sulzer employees’ habits, reinforcing personal motivation to act safely,
- to consolidate and refine a preventive safety culture even in a challenging market environment, and
- to offer the necessary framework and an extensive safety toolbox to empower employees on all levels.

The SBP promotes Sulzer’s speak-up culture and enables employees to report deficits of any kind. The five-step framework, which contains guidance for implementing and monitoring the program as well as for defining remedial action, provides the necessary platform to intervene in any unsafe situation.

Improved health and safety performance in 2014

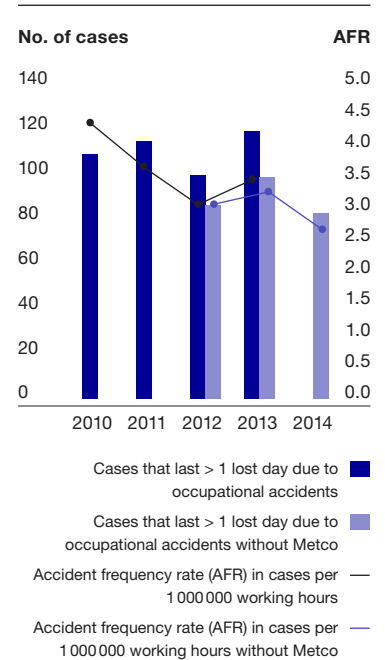
All Sulzer sites are required to report on four health and safety key indicators on a monthly basis:

- The accident frequency rate (AFR)
- The accident severity rate (ASR)
- The number of major/minor accidents (including all cases of medical treatment and first aid)
- The number of occupational illnesses

The AFR and ASR are the main indicators in Sulzer’s Corporate Strategy Deployment Board and are relevant for bonus purposes for Sulzer management in 2014. In 2014, Sulzer’s global AFR target was 2.7 cases per one million working hours, and the ASR target 38 lost days per one million working hours. Sulzer’s accident frequency rate (AFR) was 2.6 cases per one million working hours (2013: 3.2). This equates an improvement of 19% compared with 2013 and is 4% lower than the target value. The bulk of the major accidents happened to hands/fingers (about 46%) and feet/ankles (about 16%). In 2014, the ASR decreased by about 12% to 53.9 lost days per one million working hours (2013: 61.4). The company missed its ASR target by 42%. Sulzer increased its ongoing efforts to lower the AFR and ASR as integral part of the Safe Behavior Program.

Sulzer is committed to further reducing the AFR and ASR and to improving occupational health and safety systematically across the company.

Accident frequency rate (AFR)*



*The charts display two different reporting scopes (2010-2013 vs. 2014). For more detailed information about scope and period of data, see Sustainability Report 2014 at www.sulzer.com/sustainability-report

Further reading

Sulzer Sustainability Report 2014:

- Stakeholder Management and Materiality (p. 6ff.)
- Compliant and Ethically Correct Behavior as Cornerstone (p. 16ff.)
- Social Sustainability (p. 38ff.)

Sulzer Code of Business Conduct

References

Sulzer GRI-G3 Content Index 2014:
indicators: 4.5, 4.12, LA1, LA4-LA5, LA7, LA13-LA14, HR4-9, SO5, EC5, EC7

Environment

Sulzer has substantial expertise in providing energy-efficient solutions, and it works continuously on innovative products and services. The company educates its customers on the safe and efficient installation and operation of equipment. Sulzer also systematically aims to reduce its own environmental footprint.

Principle 7

Business 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.

Addressing the precautionary approach

Sulzer is headquartered in Winterthur, Switzerland. Switzerland adopted the precautionary approach in its national environmental regulations that are compliant with the Rio Declaration of 1992. Sulzer is committed to the precautionary and polluter principle in all its worldwide activities. Tools such as the materiality matrix or Sulzer's integrated enterprise risk management system (see *Sulzer Sustainability Report 2014*) support the company in monitoring potential risks and issues that may arise. Thus, it is possible to identify potentially serious or irreversible harm to the environment early and to initiate countermeasures.

Sulzer wants to do business responsibly. To do so, the company embeds its sustainability activities in daily business and sets up suitable management frameworks, systems, and processes. Sustainability is an integrated part of the company's vision, strategy, and activities.

Integrating sustainability for a responsible business practice

At Sulzer, the sustainability agenda is driven mainly by the functional councils and the global QESH (Quality, Environment, Safety, and Health) network. Since the beginning of 2014, the new group function ESH (Environment, Safety, and Health) has been in charge of company-wide environment, safety, and health management, including the definition and implementation of ESH standards and initiatives. Quality management is carried out on a divisional and local level and is thus close to the business.

Sulzer works continuously on being compliant and integrating the requirements into its management frameworks, systems, and processes. So, the Sulzer QESH team regularly revisits its policy and targets. Furthermore, Sulzer's integrated management system is based on global standards and norms. All manufacturing and service activities must be performed under the issued certificates ISO 9001, ISO 14001 and OHSAS 18001 and/or SCC. In 2014, the rate of certified sites remained high. In total, 88% of total sites have earned the ISO 9001; 71% the ISO 14001; and 78% the OHSAS 18001/SCC. Regularly conducted internal and external QESH audits also drive the continuous improvement cycle. In 2014, a total of 18 Sulzer QESH and external health and safety audits were completed.

Protecting the environment in three ways

Sulzer's strategy to help protect the environment is threefold:

- Developing innovative, efficient, and eco-friendly solutions for its customers
- Helping its customers to manage and improve the entire product life cycle
- Reducing the company's own environmental footprint through measures in the areas of energy consumption, greenhouse gas emissions, hazardous waste, and water consumption.

Life cycle management: from material extraction to recycling

Sulzer aspires to be a leader in providing energy-efficient solutions. The company supports its customers in their decision-making process by providing environmental data on its products. Sulzer uses standardized *environmental product declarations (EPD)*, which supply its customers with transparent and comparable environmental data and costs over the entire product lifetime. EPDs provide information on the consumption of resources—such as materials, water, energy—and on environmental impact—such as CO₂ emissions, acidification of water and soil, or photochemical smog. Thereby, Sulzer supports its customers in creating a more sustainable economy.

Sulzer considers the entire life cycle of its products and solutions. The company's life cycle approach typically starts with the material extraction (mostly steel and polymer products) and ends with a product's end-of-life stage (for example, recycling). To improve its products at different stages of the life cycle, Sulzer focuses on product design (eco-design). In this area, saving material resources, using green materials, and reducing energy consumption are particularly relevant. With regard to materials, steel (ranging from low-carbon to high-quality alloys) and polymer materials are used in many of the production processes. These are considered green engineering materials.

Assessments on quality, environment, safety, and health, as well as legal testing and labeling requirements are integrated into relevant product development and innovation steps. Sulzer includes all legal and—if required by the company's internal standards—voluntary industry-specific and more general standards and norms. Furthermore, Sulzer conforms to the European Union Machinery Directive, the

Restriction of Hazardous Substances Directive (RoHS), the European Waste Electrical and Electronic Equipment Directive (WEEE), and the CE/GS mark (European safety mark), to mention just a few.

Approximately two-thirds of all Sulzer products are energy-intensive in their usage phase and have a long lifetime. The design teams include cost of electric energy or CO₂ emissions of Sulzer products in their decisions. Sulzer’s pumps designs, for example, are comparatively efficient (about 4–5% efficiency gains compared to previous systems expected), but when looking at a pump’s operational environment (system view), efficiency gains of more than 20% in electrical energy consumption are possible.

The main reduction in the carbon footprint of Sulzer technology occurs through lower energy consumption rates. Because lifetime extension solutions, such as a revamp or maintenance services, require fewer resources than the construction of completely new solutions, Sulzer offers retrofit, revamp, and similar services. In this way, capital-intensive systems are upgraded with energy-efficient technologies and parts, and their disposal can be postponed.

Although the company does not operate its own take-back programs, it supports and consults with its customers to find the optimal ecological and economic solution for proper dismantling and disposal (recycling).

Assuming product stewardship

For Sulzer, the delivery of a product is not the end of the job. Because many of the company’s products are durable, most of the output remains captured in installations and equipment at the customer’s site. Hence, the company encourages close collaboration and intensive consultation on the appropriate technology and material. Furthermore, Sulzer trains its customers on the safe and efficient installation, operation, maintenance, and disposal of equipment.

Managing environmental footprint of the organization

Sulzer works continuously on reducing its environmental footprint. Its focus areas are the decrease of energy consumption and the reduction of waste. To achieve these goals, the company has put divisional and site-specific improvement programs in place.

Most of the material environmental impact from Sulzer’s operations stems from:

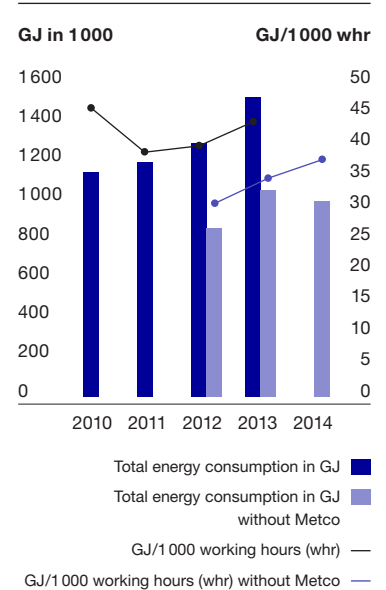
- Energy consumption
- Greenhouse gas (GHG)/CO₂ emissions
- Hazardous and non-hazardous waste production
- Water consumption

Sulzer makes the most effort in areas where it has the scale and resources to have an impact. The company has set a limited number of corporate year-on-year rolling targets for energy consumption, CO₂ emissions, and hazardous waste production. The minimum target is to maintain but ideally to improve relative performance measured against working hours. These targets are general guidelines. At the same time, they allow local management to drive environmental improvement measures through their ISO-14001-certified environmental management systems (EMS) in the corresponding local contexts and the significant environmental aspects.

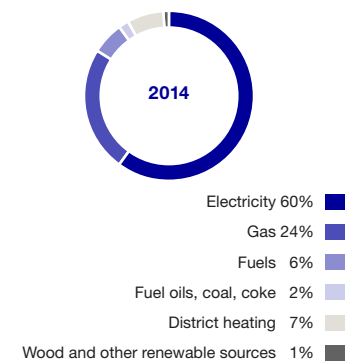
Harmonized reporting system for better coverage

Sulzer collects data systematically and continuously to report on both the environmental impact of its solutions and its own organizational footprint. In 2014, Sulzer consolidated its financial and extrafinancial data onto a single, harmonized, and centralized reporting platform. Thus, the number of assessed sites has grown, and there is better and more-consistent coverage across the company than in the past. Overall, 81% of total working hours report on environmental data. The coverage of occupational health and safety data is 98% (of total working hours), while 100% (of total working hours) report on HR data. However, the change of platform and the extended reporting scope make it difficult in the short term to compare this year’s figures with those from earlier years.

Energy consumption*

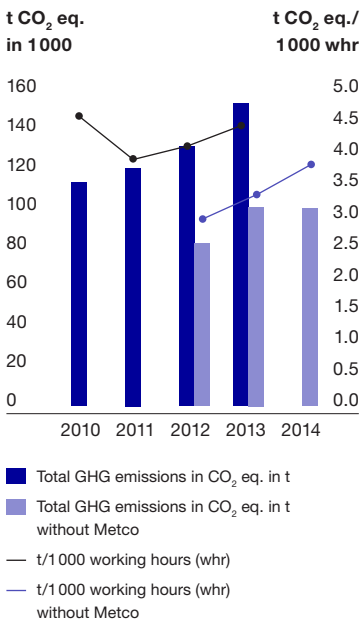


Energy consumption by sources



*The charts display two different reporting scopes (2010-2013 vs. 2014). For more detailed information about scope and period of data, see Sustainability Report 2014 at www.sulzer.com/sustainability-report

Total greenhouse gas emissions*



Decrease of total energy consumption

Total energy consumption decreased by 5% to 965 814 GJ in 2014 (2013: 1 017 354 GJ), which reflects the changes in the product mix and the slight reduction in business activities. The disproportional reduction of working hours (whr) led to an increase of energy consumption by 10% to 37 GJ per 1 000 working hours (2013: 34 GJ/1 000 whr). Sulzer’s energy mix is still dominated by electricity (60%), followed by gas (24%, including natural gas, propane, and butane), and district heating (7%).

In 2014, the total greenhouse gas (GHG) emissions remained stable at 97 500 tons (t) CO₂ eq. (2013: 98 200 t CO₂ eq.). Sulzer did not meet its year-on-year rolling target to maintain or reduce GHG emissions in CO₂ eq. per 1 000 working hours compared with last year’s values. Due to the disproportional reduction of working hours and increased direct emissions, the greenhouse gas emissions increased by 15% to 3.8 tons CO₂ eq. per 1 000 working hours (2013: 3.3 t CO₂ eq./1 000 whr).

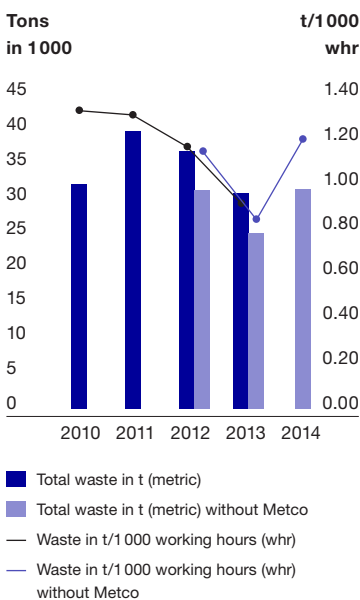
Saving energy with local initiatives

There are many local initiatives at Sulzer to save energy wherever possible. At the Pumps Factory in Dalian (China), the number of pumps with a motor power greater than 1 600 kW was reduced in 2014. Furthermore, 2000 kW transformers were not used any more. The changes resulted in saving of about 8500 kWh, which is equivalent to more than CHF 43000. The Karhula Pump Factory (Finland) invested in a turbocompressor test station where the extra heating energy of the testing process is lead to a heat recovery system. The annual savings amounted to roughly 170000 kWh.

Most of the sites take measures to reduce power consumption by installing timers for air-conditioning systems as well as light sensors and using energy-saving bulbs or LED systems in their offices and factories. The Pumps Equipment site in Burgos (Spain), for example, replaced all its fluorescent lights with LED systems. As a result, energy consumption was considerably lowered because the LEDs consume less than 40 kWh per month instead of 95 kWh of the conventional bulbs. Furthermore, CO₂ emissions stemming from power consumption were reduced by almost 60%.

Some sites also take part in national programs to reduce energy consumption. Sulzer’s Sturm Parts Manufacturing Center in West Virginia (USA), for example, enrolled in the energy efficiency program “Custom Commercial & Industrial” started by Appalachian Power and American Electric Power. There, they conducted an energy analysis and identified “high-compensation” areas. As a next step, improvement measures will be proposed and, ultimately, they will be implemented and monitored.

Waste production*



Increase of hazardous waste and water consumption

In 2014, the total production of hazardous waste doubled from the previous year to 4 442 tons (2013: 2 282 t). Hazardous waste per 1 000 working hours also increased by 125% to 0.17 tons (2013: 0.08 t/1 000 whr). The upswing was caused by a defective dewatering unit for hazardous waste and changes in activities such as sandblasting. Furthermore, construction activities resulting in the disposal of contaminated soils as well as natural fluctuations in hazardous waste production added to the increase. The main contributors to hazardous waste are emulsions and mixtures of oil-water material (47%) and sandblasting residues (20%).

Total water consumption remained stable at 1 581 631 m³ (2013: 1 591 611 m³), while the consumption per 1 000 working hours increased by 15% to 61 m³ (2013: 53 m³/1 000 whr). This rise is due to the disproportional reduction of working hours. The main sources of water are groundwater (40%), municipal water (33%), and surface water (27%). About 65% of the water consumed is used for cooling purposes.

Waste recycling instead of disposal in landfills

In 2014, the management team of Sulzer EMS Phoenix (USA) set a goal to reduce the amount of waste disposed of in the local landfill. To do this, the site set up a recycling system. Since April, the team in Phoenix has been able to save over two thousand pounds of cardboard, paper, and plastic waste that would otherwise have been discarded in the landfill. The site will continue to be vigilant in the preservation of the environment and natural resources.

Less hazardous waste thanks to oil skimmer

The Pumps Equipment site in Elandsfontein (South Africa) had a costly process in place to dispose of liquids. The liquid—which consists of oil, water, and metallic particles—evolves from machine-cooling activities and is diverted to a central collection pit. An additional problem is that rainwater also had been running into the pit, increasing the volume of the liquid to be discarded. So, the site installed an oil skimmer to separate the oil, particles, and water. As a result, the site can save a considerable amount of money and hazardous waste.

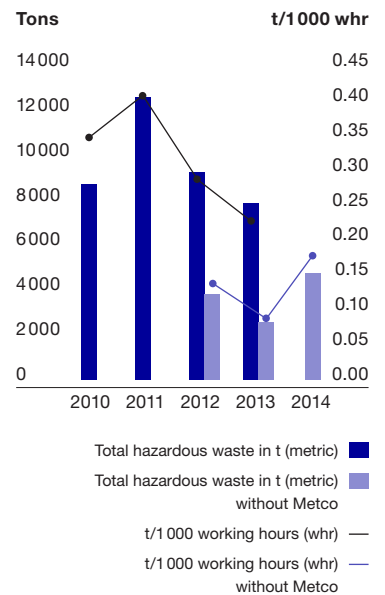
Oil-free production to lower use of hazardous materials

The Mass Transfer Technology business unit of the Chemtech division in Switzerland has been using trichloroethylene (PER) for the degreasing of structured packings. However, PER is categorized as harmful and environmentally dangerous. To produce structured packings without the use of PER, Chemtech developed two alternative technical solutions, namely nearly oil-free and oil-free production. With the nearly oil-free approach, a water-based instead of oil-based solution is used as a lubricant in the production of structured steel packing.

Finding a solution for the production of structured aluminum packing for air separation was even more complicated. Air separation processes are extremely susceptible to packing contaminants and even the smallest amount of organic material on the packings can lead to potentially catastrophic fires under operational conditions. Therefore, Chemtech developed an approach where no lubricants at all are used in the process.

With these achievements, the business unit was able to terminate the operation of the PER degreasing unit in Switzerland by the end of 2013. Moreover, the unit was dismantled in mid-2014. As a result, approximately 3.5 tons of PER intake have been saved annually. In 2014, the company started to adapt the solution to the much larger factory in China. This process will continue in 2015.

Hazardous waste production*



Further reading

- Sulzer Sustainability Report 2014:*
- Interacting with Stakeholders to Define Material Issues (p. 6ff.)
 - Integrating Sustainability for a Responsible Business Practice (p. 10f.)
 - Fair and Transparent Reporting on Sustainability (p. 12f.)
 - Innovation and Technology (p. 34ff.)
 - Ecological Sustainability (p. 48ff.)
 - Monitoring Impact from Operations (p. 50)
 - Assuming Product Stewardship (p. 51)
 - Considering Environmental Footprint of Products (p. 52f.)
 - Managing Environmental Footprint of the Organization (p. 54ff.)

References

Sulzer GRI-G3 Content Index 2014:
indicators: 4.11, EC2, EN1-EN30, LA6, SO5, PR1-PR4

Anti-Corruption

Sulzer is committed to conducting its business in accordance with high ethical standards and in compliance with all applicable laws. The company is strongly dedicated to following the principles of good corporate governance and fosters a speak-up culture. Sulzer's integrated risk management system allows the company to take risk-conscious decisions.

Principle 10

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

Sulzer has a compliance management system in place that is based on adequate compliance standards and procedures. The systems provide an overview of how to delegate responsibilities throughout the organization. The approximately 100 compliance officers secure effective lines of communication, provide support, and assist in compliance investigations. New guidelines and directives are continuously introduced. With training sessions, the compliance teams sensitize employees to ethical behavior.

Social compliance relies on a strong *vision, values*, and the *Code of Business Conduct*. Sulzer's code strictly forbids any form of bribery and corruption (irrespective of whether the recipient is a public official or an employee of a private customer). Sulzer made progress in combating bribery and corruption with, amongst others, releasing its Compliance Reporting and Investigation Directive for cases of violation of the Code of Business Conduct. This directive obligates the global compliance officers to document the consequences of reported compliance violations. The following list sums a selection of relevant cases/allegations that must be reported immediately through the matter management system:

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

As of December 31, 2014, the cases reported to Sulzer had led to:

- 4 reprimands
- 13 dismissals
- 1 disciplinary transfer

Speaking up and reporting noncompliant behavior

Trust as well as transparent and open communication—including the possibility of reporting noncompliant behavior without fear of retaliation—is of high importance to Sulzer. Employees are encouraged to communicate grievances as well as illegal or unfair behavior either through internal or third-party instruments. The corporate whistle-blower guideline and the Code of Business Conduct clearly outline the available processes and instruments. Employees who report grievances in good faith do not face punishment or retaliation and their concerns will be handled in confidence.

Sulzer established the function of independent ombudspersons to handle employee grievances and reports of non-compliant behavior. The Head of Corporate Auditing and the Deputy General Counsel have been assigned this role. They report directly to a member of the Executive Committee and the Chief Compliance Officer or General Counsel, respectively. Complaints are dealt with in the strictest confidence. Typically, the ombudspersons investigate and remediate reported non-compliance through recommendations or mediation.

Since 2009, Sulzer has had independent, externally run global compliance hotlines in place. The company offers a non-European, a European, and a special Spanish/Portuguese hotline setup in order to meet mainly European national data protection requirements. Users who dial in via the toll-free telephone number or use the internet can discuss the allegations either in English or in the language of their country. The independent partner distributes anonymized summary reports to Sulzer's Group Compliance Officer every month. This summary helps Sulzer to define appropriate remedial actions.

Sulzer's anti-corruption and anti-bribery guideline specifies the principles described in the Code of Business Conduct and aims at providing additional guidance. Furthermore, there are mandatory e-trainings dedicated especially to the corruption topic. Additional instruments to prevent corruption are regularly conducted internal audits and a comprehensive risk management.

Preventing, detecting, and responding to compliance risks

In 2014, Sulzer started a compliance risk assessment process on a risk-based approach. Within this process, different legal entities were assessed with regard to specific compliance risks. Sulzer developed a compliance risk catalog to prevent, detect, and respond to the different compliance risks the business is facing. The methodology applied includes external risk indicators like the Foreign Corrupt Practices Act (FCPA), but also internal business- and compliance-specific risk indicators.

Assessing intermediary risks thoroughly

Sulzer uses an intermediary risk assessment tool. This ensures that its cooperation with intermediaries (e.g., agents, distributors, consultants) in the public and private sectors is compliant with both legal and corporate regulations. Further, risks arising in connection with third parties can be properly assessed and mitigated. This tool includes different process elements like gathering of third-party key data, appropriate risk classifications, and due diligence reviews. The process is supported by a Sulzer directive, and it has been implemented throughout the entire company for more than two years.

For example, if Sulzer works with a distributor in an emerging market, the intermediary risk-screening software is used. Sulzer only signs an agreement if detailed information about the distributor is known, the specific risks have been assessed, and the contract has been approved by various management levels—dependent on the underlying risk exposures. Thus, the process helps to avoid corruption risks.

Further reading

Sulzer Sustainability Report 2014:
 — Corporate Governance (p. 14ff.)
 — Compliant and Ethically Correct Behavior as Cornerstone (p. 16ff.)
 — Enterprise Risk Management Process to Take Risk-Conscious Decisions (p. 19ff.)
 Sulzer Code of Business Conduct

References

Sulzer GRI-G3 Content Index 2014:
 indicators: SO2–SO4; SO7–SO8



Sulzer Ltd

8401 Winterthur

Switzerland

Phone +41 52 262 11 22

Fax +41 52 262 01 01

www.sulzer.com