
Sulzer's core is flow control and applicators. We specialize in pumping solutions, services for rotating equipment, and separation, mixing and application technology. Our customers benefit from a network of over 180 production and service sites in about 50 countries around the world.

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Winterthur, July 26, 2019

Ladies and Gentlemen

In today's economic environment, the United Nations Global Compact stands out as a strategic initiative unifying companies around the world to constantly strive for improvement in sustainable business practices. We are proud to play our part in acting responsibly and thinking long-term in all that we do.



We serve the communities we operate in. Not only by creating jobs and giving our employees a safe workplace with the opportunity to engage in health and wellbeing events but also by fostering young talent and diversity. We launched the Sulzer Scholarship for Women in Science and Engineering – an exciting opportunity for female students of engineering, technology and science. We know from experience that diverse teams are stronger and we're ready to tackle the gender gap in our industry.

Our employees mobilize and volunteer across the world. When a tsunami hit Indonesia last year two days before Christmas and destroyed the livelihood of more than 1'500 fishermen, our colleagues raised funds and donated boats to the affected people. We also have two teams participating in the Wateraid charity "Winnovators" initiative, working towards solving water and sanitation problems in Colombia and India.

Sulzer's technology makes our lives safer, smarter and more sustainable. We design products with the highest efficiency levels and take care of our own ecological footprint.

We protect and promote human rights throughout our value chain and anchor this commitment in our Code of Business Conduct that all employees sign as soon as they join us. Sulzer's compliance system is strict and fair, and we educate our people on what we expect from them in terms of the company's high compliance standards.

We are proud to be a member of the United Nations Global Compact initiative and continue to uphold the Ten Universal Principles of Responsible Business Conduct.

Sincerely,

A handwritten signature in black ink, appearing to be 'G. Poux-Guillaume', written in a cursive style.

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 multistakeholder 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 anticorruption.

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 2019, 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.

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 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. 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
- Anticorruption, antibribery, 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. The company also uses tools such as the compliance hotline to detect potential violations.

The company's compliance network includes the group function Legal, Compliance and Risk Management and consists of about 70 compliance officers. 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.

Training employees in compliance matters

The Code of Business Conduct and trainings guide Sulzer employees in ethically correct business conduct. Sulzer puts substantial effort into training its employees. Training is carried out through e-learning programs (new programs are rolled out and existing programs are updated every year), in person, or through Web conferences. In 2018, Sulzer employees completed over 22'400 e-learning courses.

Supply chain organization


The Code of Business Conduct serves as point of reference for upholding fundamental human rights, working conditions, occupational health and safety, business ethics and environmental law throughout Sulzer's supply chains. Over the past years, Sulzer has globalized the management of its supply chain, which has facilitated the implementation of procedures across the whole business. These procedures include a Global Supplier Qualification Process (GSQP) for potential and existing suppliers. GSQP 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. This may include on-site visits and audit by internal sourcing personnel, particularly where a higher risk is identified. 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. Sulzer's Terms and Conditions for its suppliers state that any supplier is required to respect the Ten Principles of the United Nations Global Compact. During the financial year of 2018, there have been no reports or findings of the presence of modern slavery or human trafficking in our supply chain.

Furthermore, Sulzer complies with global and local initiatives such as the *UK Modern Slavery Act* or the *California Transparency in Supply Chains Act* and provides annual statements.

Banning conflict minerals from the supply chain

Sulzer has incorporated into its supplier due diligence program measures to ensure that its supply chain is free of "conflict minerals". Conflict minerals are known to have originated from conflict-affected and high-risk areas where extraction, transport, trade and handling of tin, tantalum, tungsten, cobalt and gold may provide direct or indirect support to non-state armed groups or enable exploitive or fraudulent activities.

 Please find further information in the *Sulzer Annual Report 2018* at <https://report.sulzer.com/ar18> (corporate governance report) and in the *Sulzer Code of Business Conduct*.

Labor

Sulzer strives to be a socially responsible employer. Its Code of Business Conduct clearly guides employees in terms of humane and ethic working conditions. The company takes action to ensure a nondiscriminatory, engaging and positive work environment where employees can conduct their work in absolute safety.

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.

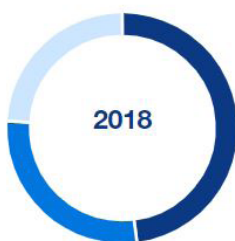
Principle 5

Businesses should uphold the effective abolition of child labor.

Principle 6

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

Geographical spread of employees



- 48% Europe, the Middle East and Africa
- 28% Americas
- 24% Asia-Pacific

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.

Embracing cultural diversity and exchange

Sulzer welcomes a diverse workforce. People of different cultural backgrounds, nationalities, genders and ages collaborate and share ideas across the company. Through job rotation programs, internships and temporary relocations, Sulzer fosters cultural exchange. The company also believes in a speak-up culture and encourages its employees to communicate openly. In 2018, Sulzer introduced a social space for ideas and people to interact across the company.

In 2018, 18.0% of the company's workforce was female (2017: 17.8%). Close collaboration with academic institutions enables Sulzer to attract talented young women and men. Sulzer has launched the "Sulzer Scholarship for Women in Science and Engineering" directed at female students studying for degrees in the areas of engineering, technology and science. The scholarship ultimately aims to support and increase the participation of women in the engineering industry. Sulzer is currently initiating these scholarships in collaboration with universities in South Africa, Indonesia, China and India.

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 extrafinancial data)

The company's goal is to globally track and drive an ambitious yet realistic safety program. This program encompasses different businesses with both more and less mature safety cultures.

Increase in accidents

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 major/minor accidents (including all cases of medical treatment and first aid)
- The number of occupational illnesses

2018 was a mixed year for safety in Sulzer. On the positive side, Sulzer confirms yet another year in which no one lost their life while working for the company. However, the company's accident frequency rate (AFR) increased by 7.0%. Nevertheless, Sulzer's overall accident rates still remain lower than the benchmark for general industries. The accident severity rate (ASR) also increased significantly by 50.1%. This can largely be attributed to a regulatory anomaly in a specific case. Nevertheless, a total of 97 workers (85 Sulzer employees and 12 contractors) still suffered lost-time accidents.

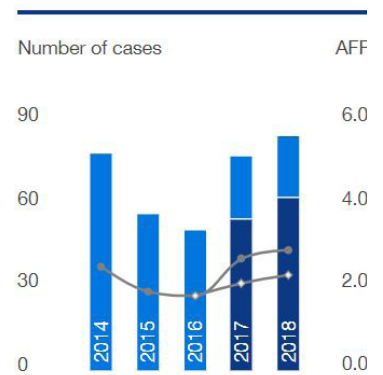
Working towards an AFR of less than 1.0

In an effort to counter the trend, Sulzer launched several initiatives to increase the hazard awareness of employees, to encourage participation in the safety program and to foster the sharing of competence.

Embedded within the Safe Behavior Program, Sulzer employees participated in more than 60'000 safety walks and observations during the year – an average of more than 2'000 safety conversations per million working hours. To increase transparency, Sulzer introduced the category of "significant incident" in its mandatory reporting requirements. These incidents include any event that could potentially have a life-changing outcome, even if in the actual incident the result was a near miss.

Moreover, to foster the sharing of learnings and competence across all Sulzer businesses, Sulzer launched a global ESH competence network with the specific mandate to work and share good practices and available competence across divisional and business boundaries. These initiatives should help Sulzer return to its journey to reducing AFR to less than 1.0.

Accidents



- Cases that last > 1 lost day due to occupational accidents, including acquisitions
- Cases that last > 1 lost day due to occupational accidents, excluding acquisitions
- AFR in cases per million working hours, including acquisitions
- AFR in cases per million working hours, excluding acquisitions

Key figures

		2018	2017	Change in +/- %
Accident frequency rate (AFR)	Cases per million working hours	2.9	2.7	7.0
Accident severity rate (ASR)	Lost days per million working hours	81.1	54.0	50.1
Health and safety training	Hours	117'599	107'546	9.3
Voluntary attrition rate	%	7.4	9.0	
Share of women (of total workforce)	%	18.0	17.8	
Number of employees	FTE	15'572	14'732	5.7

Please find further sustainability data at www.sulzer.com/sustainability. Please find further information on social sustainability in the *Sulzer Annual Report 2018* at <https://report.sulzer.com/ar18> and in the *Code of Business Conduct*.

Environment

Sulzer reduces its own environmental footprint and develops innovative and highly efficient solutions for its customers. They help save energy and reduce operating costs.

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.

Complying with international laws and standards

As an international company, Sulzer complies with international and national hard law as well as with soft law. Amongst other initiatives, the company participates in the Greenhouse Gas (GHG) Protocol and the Carbon Disclosure Project (CDP). Sulzer's integrated management system is based on global standards and norms. All manufacturing and service activities are performed in accordance with its ISO 9001, ISO 14001 and OHSAS 18001 and / or SCC certificates. The company conducts internal and external QESH audits regularly to ensure legal compliance and compliance with Sulzer's internal standards and programs.

The global QESH (Quality, Environment, Safety and Health) network and functional councils such as HR, Legal and Compliance and the global Procurement organization drive the sustainability agenda at Sulzer. The ESH group function is in charge of company-wide environment, safety and health management, which includes defining and implementing ESH standards and initiatives. To ensure quality (Q) management is close to the business, it is carried out on a divisional and a local level. Global functional coordination teams are responsible for the information transfer and collaboration between the group and divisional functions. The QESH officers consult with line management on QESH topics, establish local organizations and conduct regular training workshops.

Protecting the environment in three ways

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

1. Designing, developing and manufacturing innovative, reliable and resource-conserving solutions: With its innovative products and services, the company supports its customers with new and more efficient solutions for their operations. By adjusting its internal processes, Sulzer ensures that it will be able to react flexibly to arising market demands. In 2018, the company invested 2.6% relative to sales – CHF 86.4 million – in research and development (2017: 2.7% of sales, CHF 81.0 million).
2. Helping its customers to manage and improve the entire product life cycle: 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. 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 and CO₂ emissions of Sulzer products in their decisions. The main reduction in the carbon footprint of Sulzer technology occurs through lower energy consumption rates. Because lifetime extension solutions 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.
3. Reducing the company's own environmental footprint: The company reports on its energy consumption, greenhouse gas emissions, waste production and water consumption, because Sulzer considers these as material for its operations. The company's overall goal is to maintain, but ideally to improve, performance measured against working hours compared with the previous year. Sulzer's products and services differ widely from one another and the businesses have different requirements and ecological footprints. Thus, Sulzer follows a local approach to reducing its environmental impact. The business units and local sites evaluate their footprints and set their agendas individually.

Smaller environmental footprint due to less waste and reduced energy and water consumption

In 2018, Sulzer was able to reduce its overall environmental impact. Overall energy use decreased slightly by 1.3%, and the rate of energy consumption per 1'000 working hours decreased by 4.2%. These reductions are largely a consequence of efficiency gains at all three main production sites of the Applicator Systems (APS) business. The decreases would have been even greater, but were somewhat offset by several large projects in the Pumps Equipment division using natural gas as an energy source.

In 2018, the total greenhouse gas (GHG) emissions in absolute terms decreased by 2.2%. Contributing factors included a reduction in emissions from purchased electricity (7%) and district heating (18%), resulting from the closure of two Sulzer plants in Europe. However, there was a slight increase of approximately 2% in air travel emissions. In total, the specific GHG footprint (per 1'000 working hours) decreased by 5.5%. This over-proportional reduction was mostly attributable to a change in emissions factors due to an improved energy mix.

The total waste produced by Sulzer decreased slightly to 0.8 tons per 1'000 whr. The share of waste converted to landfill increased significantly by 13 percentage points. This was partly driven by a reduction of hazardous waste requiring special treatment, which decreased by 5 percentage points.

Sulzer's use of water decreased by 20.1%, leading to a reduction in the water consumption rate of 23.0% per 1'000 whr. This is the second consecutive year with large reductions in water consumption. The majority of this reduction (86%) can be attributed to improved water management in the APS division, which is responsible for over half of all water used at Sulzer. The division put great emphasis on improved water management in its processes and facilities in 2018.

Key figures

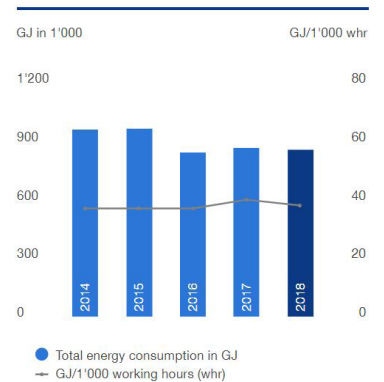
		2018	2017	Change in +/- %
Energy	GJ	860'753	872'335	- 1.3
— Energy consumption per working hours (whr)	GJ per 1'000 whr	38.3	40.0	-4.2
— Share of electricity	%	58.1	58.6	
— Share of gases	%	27.3	25.3	
— Share of fuels	%	10.4	9.7	
— Share of fuel oils	%	1.1	1.8	
— Share of district heating	%	3.2	3.7	
— Share of other sources	%	< 1	< 1	
Greenhouse gas emissions	tons CO₂ eq.	113'764	116'338	-2.2
— GHG emissions per working hours	tons CO ₂ eq. per 1'000 whr	5.1	5.4	-5.5
— GHG scope 1 ¹⁾	tons CO ₂ eq.	18'979	18'366	-3.3
— GHG scope 2 ²⁾	tons CO ₂ eq.	55'998	59'934	-6.5
— GHG scope 3 ³⁾	tons CO ₂ eq.	38'797	38'038	-1.9
Waste	tons	18'142	19'029	-4.7
— Waste per working hours	tons per 1'000 whr	0.8	0.9	-11.1
By treatment				
— Recycling	%	45.3	58.4	
— Waste to landfill/incineration/other treatment	%	54.7	41.6	
By hazardousness				
— Non-hazardous waste	%	82.6	77.5	
— Hazardous waste	%	17.4	22.5	
Water	m³	930'530	1'163'905	-20.1
— Water consumption per working hours	m ³ per 1'000 whr	41.4	53.8	-23.0

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.

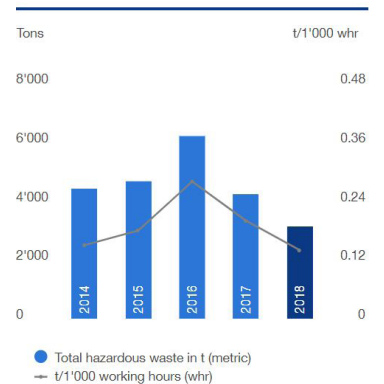
Addressing the precautionary approach

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 *Sulzer Annual Report 2018 at <https://report.sulzer.com/ar18>*) enable the company to identify potentially serious or irreversible harm to the environment early and to initiate countermeasures.

Energy consumption



Hazardous waste



Find further data and information on ecological sustainability at www.sulzer.com/sustainability and in the *Sulzer Annual Report 2018* at <https://report.sulzer.com/ar18>.

Anticorruption

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 antibribery and anticorruption program in place. Its integrated risk management system allows Sulzer to assess and control key risks.

Principle 10

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

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). Sulzer released a Compliance Reporting and Investigation Directive to cover any violations of its code. This directive requires the global compliance officers to document the consequences of reported compliance violations.

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

Managing bribery and corruption risks

As part of Sulzer's integrated risk management process, compliance risks are assessed regularly. 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 antibribery and anticorruption program in place since 2010. Further measures include a Web-based process that addresses the due diligence of intermediaries (see box on p. 11), 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 directive. Local compliance officers performed 88 face-to-face compliance training sessions in 2018.

Detecting noncompliant behavior

To detect noncompliant behavior, the company has various instruments in place:

- 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 on a local entity level and to define appropriate measures. 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.

Internal investigations (triggered by reports from the compliance hotlines, e-mails, telephone calls, or other avenues of communication) were carried out during 2018. At least nine employees had to leave Sulzer because of violations of Sulzer's Code of Business Conduct. Others received warnings or were transferred internally. However, most of the reports received concerned non-material issues.

Assessing intermediary risks thoroughly

Working with third parties is always a high-compliance-risk area. To ensure that Sulzer's cooperation with intermediaries (e.g. agents, distributors, consultants) in the public and private sectors is compliant with both legal and corporate regulations, Sulzer uses an intermediary risk assessment tool. Potential intermediaries have to pass through a 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 supports this process.

For example, if Sulzer works with an intermediary in an emerging market, the intermediary risk-screening software is used. Sulzer only signs an agreement 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. Thus, the process helps to avoid corruption risks.

In 2018, the intermediary due diligence process has been further improved. All Sulzer intermediaries are assessed centrally by Group Compliance. The local review and approval level for low-risk intermediaries has been removed and has been shifted to Group Compliance to further strengthen the controls. In addition, the company has implemented a new intermediary tool which provides further compliance analysis functionalities and includes an audit trail. Moreover, all approved intermediaries are subject to an automated and permanent denied party list screening. This enables Group Compliance to reflect changes in denied party listing and to react immediately to such changes.

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