



---

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.

# Contents

## 02

### Introduction

---

Letter from the CEO 2



## 04

### About Sulzer

---

The Company  
at a Glance 4

Stakeholder Management  
and Materiality 6

Integrating Sustainability 10

Fair and Transparent  
Reporting 12

## 14

### Corporate Governance

---

Compliant and Ethically Correct  
Behavior as Cornerstone 16

Risk Management 19

## 22

### Economic Sustainability

---

Strategic Priorities 24

Global Presence with Focus on  
Three Key Markets 28

Investor Relations 32

Supply Chain Management 33

## 34

### Innovation and Technology

---

Innovative Technology for Clean  
Water and Renewable Energy 36

Collaborating with Partners to  
Develop New Solutions 37

## 38

### Social Sustainability

---

Acting as Socially Responsible  
Company 40

Committed Employees with  
Attractive Career Opportunities 41

Ensuring a Healthy and  
Safe Work Environment 44

Being a Good Citizen 46

## 48

### Ecological Sustainability

---

Impact from Operations 50

Assuming Product Stewardship 51

Considering Environmental  
Footprint of Products 52

Managing Environmental Footprint  
of the Organization 54

## 60

### Appendix

---

Report Profile 62

History of Sustainability  
at Sulzer 63

List of Sites in SURE 64

Glossary 70

SGS Assurance Statement 74

Winterthur, February 10, 2015

## Ladies and Gentlemen

Sulzer is focused on becoming a leading equipment and service provider in its three key markets—oil and gas, power, and water. The company provides its customers with energy-efficient solutions, maintains a well-stocked innovation pipeline, offers its employees a safe and healthy working environment, and reduces its own environmental footprint. It is crucial for Sulzer to assume its economic, social, and ecological responsibility.



The year 2014 was one of transition for us. Sulzer is transforming itself into a market-oriented company and is focusing its activities in three attractive key markets: oil and gas, power, and water. This strategic step is based on our leading positions in these markets and on global megatrends such as population growth, urbanization, increasing energy demand, and scarcity of water. The company has adapted its operational structure to become *one* integrated company and has streamlined its portfolio by selling Sulzer Metco. At the beginning of 2014, we combined the service offering of our pumps division with that of our service division. Furthermore, we are transforming our biggest division, Pumps Equipment, from a regional to a global, market-oriented organization in 2015.

Sulzer understands sustainability as responsible behavior towards our stakeholders, such as customers, shareholders, employees, and the environment. We aim to create value and improve our economic, social, and 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
- providing our employees with a safe and healthy workplace and creating opportunities for professional development
- engaging in our communities through sponsoring and support of philanthropic projects
- reducing the company's environmental footprint through measures in the areas of energy consumption and waste

This report describes our efforts and achievements in these areas.

Sulzer intends to do business in a responsible way. To do so, the company embeds its sustainability activities in daily business and sets up suitable management frameworks, systems, and processes. With sound corporate governance, a comprehensive compliance network, and a preventive risk management framework, the company strives to conduct its business in accordance with high ethical standards and in compliance with applicable laws.

In line with one of the company's strategic priorities—technology leadership—Sulzer continues to develop new products and solutions that are energy-efficient and save customers money. In 2014, Sulzer invested CHF 76 million in research and development and launched a series of innovative, eco-friendly solutions. For instance, the company has developed a pump for solar power generation in order to generate clean and dependable energy from renewable resources. Further, Sulzer introduced a new generation of trays that substantially improve distillation efficiency and capacity. Also, in the service business, the company strives for continuous innovation; Sulzer designs and manufactures gas turbine replacement parts that are compatible and interchangeable with the original equipment. Because the company is convinced that shared knowledge leads to successful new ideas and valuable partnerships, it collaborates with industry members, customers, and universities.

A healthy and safe working environment for its employees is key for Sulzer. The company strives for a zero accident rate in the long term and has appropriate management systems in place, for example, Sulzer's Safe Behavior Program (SBP). In 2014, the company's accident frequency rate (AFR) decreased by 19% to 2.6 cases per one million working hours (2013: 3.2). Sulzer was also able to lower the accident severity rate by 12% to 53.9 cases per one million working hours (2013: 61.4).

The company also offers various programs for learning and development, because the professional development of its workforce is beneficial both for the employees and for Sulzer. In 2014, the company filled 89% of leadership positions with internal talent. Sulzer is convinced that diverse teams create better solutions for a diverse world and are closer to the global customer base.

The company has a worldwide network of over 150 production and service locations and is aware of the environmental and societal impact of its operations. Sulzer has substantial expertise in providing energy-efficient solutions and takes the entire product life cycle into consideration. The company also educates its customers on the safe and efficient installation and operation of equipment. In addition, Sulzer aims to systematically reduce its own footprint and focuses on the reduction of energy consumption and waste.

Despite our considerable efforts, we are still facing great challenges in certain areas. Some activities had to be reduced in 2014 because of our moderate financial performance and restructuring costs. Resources and capacities were focused on the new organizational setup in order to secure the company's long-term success. Sulzer is convinced that its new market-focused strategy supports the company in creating long-term value. The company consistently pursues its goals for sustainable activity and behavior, and it will continue to do so in the future.

In 2014, Sulzer introduced a new, harmonized and centralized reporting platform that consolidates financial and extrafinancial data. 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. Nevertheless, the new platform supports Sulzer in reporting on its sustainability performance in a fair and transparent way.

I thank you, our stakeholders, for your continued trust and support. I also express my gratitude to our employees for their commitment and excellent collaboration. Furthermore, I thank our customers and partners for their unwavering long-term cooperation. I am proud of our achievements and honored to be part of a dedicated team. I am convinced that our joint efforts are an important step on the way to harvest results in the future.

Yours sincerely,



Klaus Stahlmann,  
CEO



# The Company at a Glance

Sulzer holds leading positions in its key markets: oil and gas, power, and water. We are dedicated to creating long-term value, providing sustainable solutions, and strengthening the competitive position of our customers.

## Sulzer's vision:

---

Our customers recognize us for our leading technologies and services and for delivering innovative and sustainable solutions.

## Sulzer's values:

---

### Customer Partnership:

We exceed the expectations of our customers with innovative and competitive solutions.

### Operational Excellence:

We perform on the basis of structured work processes and LEAN principles.

### Committed People:

We are committed to high standards and show respect for people.

The Sulzer vision and strategic priorities define the overall direction of the company. The Sulzer values act as an inner compass, guiding all its activities. They define who Sulzer is and how the company conducts itself.

The company's dedication to sustainability is deeply rooted in its vision, values, corporate culture, strategies, and business models as well as its operational context, where the company is confronted with varying stakeholder expectations.

Sulzer is passionate about and purposeful in living its values and always acting in line with them. The 16 awards the company received in 2014 correspond with Sulzer's values (2013: 61 awards).

## Supporting one brand

The company trusts and continuously builds on the value of its strong brand and focuses its communication on its *one*-brand strategy. This strategy clearly strengthens the Sulzer brand, which is world renowned for experience, innovation, reliability, and quality. Moreover, it transports the values of the company in a consistent and believable manner. In 2014, Sulzer drove the *one* company strategy forward by integrating the divisional brands under the Sulzer umbrella brand.

## New organizational structure for sustainable success

In mid-2013, Sulzer made the strategic decision to focus its activities in three attractive key markets: oil and gas, power, and water. Because the Sulzer Metco division was mainly active in parts of the automotive, aviation, and general industries, it was divested. Since 2014, Sulzer has served its key markets as *one* focused company with dedicated customer orientation. The overall direction is based on Sulzer's vision and its four strategic priorities (see page 24).

Along with its stronger market focus, Sulzer has also leveraged collaborative advantages and synergies across its businesses more extensively. To this end, the former service division was combined with the service activities for pumps into a new services division, named Rotating Equipment Services. New pumps and related systems, including spares, formed the new Pumps Equipment division (formerly Sulzer Pumps). Moreover, the division's regional setup was transformed into a market-oriented structure with three business units: oil and gas, power, and water. Chemtech still operates in the former structure because its product and service range has few synergy potential in sales and production with the other divisions. It serves its markets with four business units: Mass Transfer Technology, Process Technology, Tower Field Services, and Sulzer Mixpac Systems.

Sulzer wants to become a leading equipment and service provider in its three key markets. With the new organizational structure and its global presence, Sulzer is geared for sustainable success.

For additional information on Sulzer's organizational structure, please have a look at the *investor presentation* or at [www.sulzer.com](http://www.sulzer.com).

## The company at a glance

---

### Pumps Equipment

#### Pump technology and solutions

We offer a wide range of pumping solutions and related equipment. Customers benefit from extensive research and development in fluid dynamics, process-oriented products, and reliable services. Our global manufacturing and support network ensures high customer proximity. Our market focus is on:

- Production, transport, and processing of crude oil and derivatives
- Supply, treatment, and transport of water as well as wastewater collection
- Fossil-fired, nuclear, and renewable power generation

### Rotating Equipment Services

#### Service solutions for rotating equipment

We offer a full range of services for turbines, pumps, compressors, motors, and generators. Customers benefit from reliable and efficient repair and maintenance services for pumps, gas and steam turbines, compressors, motors, and generators of any brand. Our global network ensures high-quality local service. Our market focus is on:

- Industrial gas and steam turbines in the oil and gas and power market
- Turbocompressors
- Generators and motors for the transportation (marine and rail), the power market, and many more industries
- Pumps in the oil and gas, the power market, and many more industries

### Chemtech

#### Separation, mixing, and service solutions

We offer products and services for separation, reaction, and mixing technology. Customers benefit from advanced solutions in the fields of process technology and separation equipment, as well as two-component mixing and dispensing systems. Our global footprint ensures local knowledge and competence. Our market focus is on:

- Separation solutions
- Tower field services
- Two-component mixing and dispensing systems

EBITA & ROSA:

**CHF 161m** (2013: CHF 175m)

**9.2%** (2013: 9.6%)

Sales

**CHF 1 755m** (2013: CHF 1 822m)

Order intake

**CHF 1 726m** (2013: CHF 1 802m)

---

EBITA & ROSA:

**CHF 78m** (2013: CHF 71m)

**10.8%** (2013: 10.1%)

Sales

**CHF 725m** (2013: CHF 706m)

Order intake

**CHF 725m** (2013: CHF 699m)

---

EBITA & ROSA:

**CHF 94m** (2013: CHF 95m)

**12.6%** (2013: 12.8%)

Sales

**CHF 742m** (2013: CHF 744m)

Order intake

**CHF 718m** (2013: CHF 750m)

## Interacting with Stakeholders to Define Material Issues

Sulzer interacts with its various stakeholders in a proactive way. The company aims to create sustainable value for all relevant stakeholders.

### Supporting the principles of the United Nations Global Compact

Sulzer Ltd is a signatory member of the United Nations Global Compact (UNGC) initiative and actively supports its ten universal principles covering human rights, labor, the environment, and anticorruption. Please find more information on Sulzer's contribution to the ten principles in the *Communication on Progress (COP) "Active Level" report*.

Sulzer assumes responsibility toward its stakeholders. The company acknowledges the relevance of and the interdependency with its stakeholders and their stakes in order to achieve its objectives. Sulzer maintains open and ongoing relationships with its various stakeholders, which should be beneficiary to all involved parties.

### Interacting with key stakeholder groups

In addition to securing long-term economic success, Sulzer is concerned with its social responsibility (e.g., occupational health and safety) as well as environmental protection. The company interacts in an ongoing process with stakeholders, who are crucial for achieving its objectives.

In addition to preserving good relations with its key stakeholders, Sulzer maintains good contacts with a wider range of local, regional, and global interest groups. These include workers councils, industry associations, universities, intergovernmental bodies, and communities associated with Sulzer's operations.

The most frequently used instruments in stakeholder interaction are:

- Direct contacts
- Sulzer's own surveys or surveys conducted by third parties (mainly to provide employee and customer feedback, e.g., the employee engagement survey in 2014)
- Benchmarking surveys
- Financial market and customer ratings

The respective topic owners (Investor Relations for investors, Head of HR for employees and social partners, Head of Group ESH for environment etc.) are responsible for creating the stakeholder matrix. Representatives of the Executive Committee approved the matrix on January 12, 2015.

Stakeholder Matrix							
Stakeholder group	Economic			Social		Ecological	
	Investors	Customers	Suppliers	Employees and social partners	Neighborhood and society	Authorities	Environment
Objectives	Value creation	Partnership	Partnership	Empowerment	Good citizen	License to operate	Minimize negative impact
	Customer satisfaction	Customer satisfaction	Secure supply	Engagement			Develop eco-friendly solutions
Success factors	Profitability	Effectiveness	Efficiency	Competence	Legitimacy	Compliance	Eco-effectiveness
	Competitiveness	Efficiency		Diversity	Trust		Eco-efficiency
Main measures	Corporate governance	Quality management	(Sustainable) supply chain management	Build capabilities and career opportunities	Create jobs	Corporate governance	Environmental management system
	Mid range planning (MRP)	LEAN management	Long-term partnerships	Promote differentiation	Community involvement	Compliance management	Substitution of hazardous materials
		Key account management		Appraisal system	Sponsorship		Life cycle assessment
		Long-term frame agreements		Health and safety management			Eco-design
	Customer satisfaction surveys		Employee engagement survey				

Sulzer Code of Business Conduct, Corporate Directives, Regulations, and Guidelines

The stakeholder matrix illustrates Sulzer's involvement with its key stakeholder groups by depicting objectives, success factors, and main measures.



### Materiality assessment to identify key requirements and issues

The process of identifying, analyzing, and projecting stakeholder requirements and issues is constant at Sulzer. Relevant topics of concern are integrated into Sulzer’s decision-making processes.

Sulzer reviews many sources to identify key issues for the company as a whole and for relevant individual stakeholders. Important sources include:

- Results from risk assessment and materiality determination
- Industry- and company-specific topics raised by all stakeholders
- External sustainability (reporting) standards, initiatives, and good practice relevant to the company’s strategy, targets, and performance. These include:
  - United Nations Global Compact (UNGC)
  - UN Protect, Respect, and Remedy Framework Guiding Principles
  - Global Reporting Initiative (GRI) G3.0
  - Carbon Disclosure Project (CDP)
  - Water Disclosure Project (WDP)

Dialogue with various stakeholders has resulted in a list of material issues to the company. Sulzer uses it to allocate and distribute its resources effectively to topics of urgency and importance. The Head of Group Environment, Safety, and Health is responsible for keeping the materiality index updated. The matrix was approved by representatives of the Executive Committee on January 12, 2015.

### 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 page 19) 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.

Materiality Matrix		
Impact on Sulzer	Employee capabilities Diversity	Reliable, eco-efficient solutions Climate change Oil price development* Employee safety Hazardous waste Energy consumption CO <sub>2</sub> emissions
	Water consumption	Human rights Labor conditions Product stewardship
	Community interaction	
Prioritization of intervention according to stakeholders * The issue mainly arised in Q4, 2014		

The materiality matrix shows the priority for intervention according to Sulzer’s stakeholders and the impact on the company. The dark-colored fields represent the focus areas of the company.

### **Establishing stable, trustworthy, and open business relationships**

The company is open for interaction with its internal and external stakeholders that ranges from non-committal dialogues to long-standing strategic partnerships. Material, valid stakes are included in the yearly goal-setting process.

Involvement is context specific, manifold, and ongoing, but always fair and conducted in a culturally sensitive manner. Respect for every individual's fundamental rights, as set out in the *Universal Declaration of Human Rights (UNDHR)* and *International Labour Organization (ILO) Declaration*, is the foundation of interactions. At Sulzer, all employees are obliged to sign the *Sulzer Code of Business Conduct* that explicitly requires respect for fundamental human rights.

Sulzer is in the midst of a transformational process. In light of the reorganization initiated in the last quarter of 2013, dialogue with employees as well as investors became even more important.

### **Cultivating an open dialogue with investors**

Sulzer Investor Relations engages in open and transparent dialogue with the financial community. In this way, Sulzer provides accurate and comprehensive information on its performance and prospects. The investor relations team and the management share their own thoughts on the sustainable development of the company and gather valuable feedback from investors. In addition to holding in-house meetings with domestic and foreign investors, the company also gives presentations at bank and investor conferences globally. The Sulzer Management team visits shareholders and prospective investors regularly in the most important financial marketplaces around the world. Sulzer also routinely hosts a Capital Market Day for investors, financial analysts, and financial media representatives. The significant decline in the oil price, mainly in the last quarter of 2014, triggered many questions within the investor community and affected Sulzer's share price negatively. The company's strategic focus on the oil and gas, power, and water market—with a share of sales of over 50% in the oil and gas industry—is perceived as challenging in an environment of falling oil prices.

*Read more about Investor Relations on page 32.*

### **Focused on customers**

To measure success, all divisions regularly collect, monitor, and evaluate data on customer satisfaction from their key accounts and across different customer segments on the basis of various key performance indicators (KPIs) and levels. Based on the outcomes, areas and measures for improvement are defined, prioritized, and either directly implemented in the project or evaluated for future implementation.

Regularly conducted customer surveys offer additional valuable insights. All projects and the respective methodology are reviewed critically on a regular basis and, if required, modified to meet new requirements. Additional instruments Sulzer uses to integrate customer feedback are customer and compliance hotlines, compliance officers, and corporate ombudsmen.

*Read more about collaborating with customers and other partners on page 37.*

### **Sustaining trustworthy supplier relationships**

Sulzer is aware of the importance of its supply base for the business. The company takes an interest—wherever possible—in developing sustainable and mutually beneficial supplier relationships. Therefore, choosing the right suppliers is an integral part of Sulzer's sourcing process. In this regard, supplier and market risks are regularly assessed, and quality as well as ethical behavioral standards are monitored.

*Read more about supply chain management on page 33.*

## Employees as an important value

Committed people are an important value for Sulzer. Therefore, the company strives to create a pleasant work environment where every individual is valued and can contribute.

In autumn 2014, Sulzer launched a company-wide employee engagement survey (EES) to improve its performance, values, leadership, and behavioral aspects systematically. Management will discuss the results with the affected groups and define corrective action plans (see page 41).

Direct interaction with its employees is very important for the Sulzer management. For this reason, the Executive Committee regularly initiates internal road shows. In 2014, members of the Executive Committee visited several Sulzer locations around the world in two internal road shows. They discussed Sulzer's strategic direction, shared their view on Sulzer's current status in the industry, provided an update on the latest divisional projects, and openly discussed opportunities going forward. After the road shows, participants could share their feedback in an online survey. The results showed that the personal interaction with the Executive Committee was highly appreciated and that it had led to many fruitful discussions.

Sulzer encourages its employees to speak up. Tools like the company's intranet and internal newsletters ensure direct communication between management and employees. Moreover, employees can address questions or feedback directly to the CEO via e-mail.

*Read more about Sulzer's social responsibility and employees on page 38.*

## Interacting with neighborhood and society

Sulzer is aware of its role in local communities and neighborhoods and interacts with its societal stakeholders. Through various sponsoring activities and the support of philanthropic projects all over the world, the company assumes its responsibility towards society.

*Read more about Sulzer's community commitment on page 46.*

## Being in contact with authorities

Sulzer maintains contact with authorities on a regular basis. The company's extensive compliance management ensures that all its business activities are carried out according to law. Interaction is mainly related either to specific Sulzer business activities (e.g., obtaining permissions, consultation, seeking advice) or to participation in trainings offered by authorities (e.g., stock exchange regulation, export control authorities). Furthermore, the local sites are in regular contact with environmental authorities. Sulzer is also member of the associations *economiesuisse* and *Swissmem*, which maintain close and regular contact with the Swiss government, the administration, and the parliament, and which represent the companies' concerns.

*Read more about compliance management on page 16.*

## Caring about the environment

The company's approach to minimizing its environmental impact is threefold: it provides energy-efficient and eco-friendly solutions and manages the entire life cycle of products; it educates its customers on the safe and efficient installation and operation of equipment; and it reduces its own environmental footprint.

*Read more about ecological sustainability on page 48.*

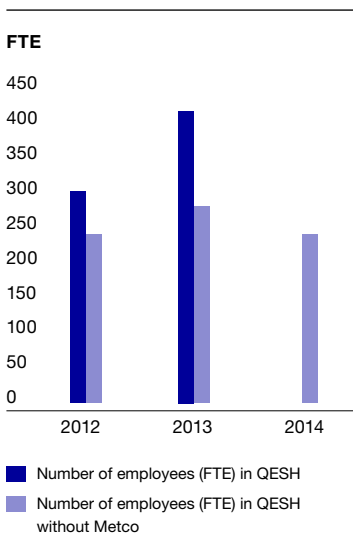
# Integrating Sustainability for a Responsible Business Practice

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.

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

In the functional council, group ESH and divisional QESH officers typically lead and manage global initiatives such as Sulzer's Safe Behavior Program (*SBP*, see page 44). To ensure successful implementation and execution, Group ESH liaises with representatives of supporting and operational functions on every organizational level (multitier network). By providing strong management frameworks, the required set of skills and expertise, as well as consultancy to operational line management, Sulzer strives to improve its sustainability performance.

## Employees in QESH



## Global QESH network as an enabler for sustainable behavior

To ensure vertical and horizontal information transfer as well as collaboration between the group and divisional functions, Sulzer installed global functional coordination teams. The horizontal organization of QESH consists of group, divisional, and local officers; this structure promotes the bottom-up as well as top-down coordination and exchange of information. The divisional QESH heads ensure that objectives are translated into divisional objectives, targets, and measures, which are then implemented on the site level. Group and divisional functions are full-time jobs. Operational management and national law define how many QESH officers a local organization needs to employ.

The QESH officers consult with line management on QESH topics, establish local QESH organizations, and conduct regular trainings. The goal of Sulzer's QESH network is to be compliant with national and international applicable quality, environment, health, and safety law. In 2014, Sulzer's QESH network comprised 234 full-time employees. In 2014, three regional QESH councils were held to enforce the implementation of Sulzer's Safe Behavior Program (SBP), to foster the networking among QESH officers, and to share best QESH practices.

## Adhering to QESH standards

As an international company, Sulzer complies with international and national hard law as well as soft law, for instance, (voluntary) industry standards and norms, guidelines, and declarations. From a sustainability perspective, the following international regulatory frameworks are significant to Sulzer's compliance efforts:

- OECD Guidelines for Multinational Enterprises
- United Nations' Universal Declaration of Human Rights and its Protocols
- ILO's Declaration on Fundamental Principles and Rights at Work of 1998
- UN Global Compact (UNGC)
- Greenhouse Gas (GHG) Protocol
- Water Disclosure Project (WDP)
- Carbon Disclosure Project (CDP)

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.

Regularly conducted internal and external QESH audits drive the continuous improvement cycle. Sulzer's internal compliance audits go above and beyond the minimum national legal requirements. Prioritization criteria, such as size, exposure, risk, and historical performance, are used to select sites for the internal QESH audit program. Depending on the audit score, a follow-up audit takes place every one to four years. Whenever required, corrective or remedial action plans are developed with the responsible management and systematically monitored by QESH. They include prompt follow-up calls, readmits and the final closing of findings. In addition to internal audits, Sulzer engages specialized third-party expert firms to conduct health and safety compliance audits. In 2014, a total of 18 Sulzer QESH and external health and safety audits were completed (2013: 16).

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.<sup>1</sup>

### Sulzer LEAN to achieve operational excellence

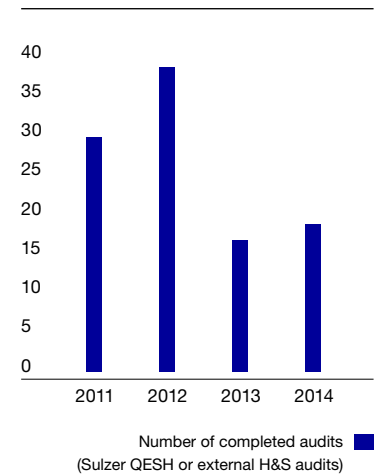
Operational excellence is one of Sulzer's values and a strategic priority for the company. Sulzer LEAN, an action-oriented management philosophy, has the goal of creating value for customers and other stakeholders by reducing waste of all kinds. At Sulzer, there are seven forms of waste:

- Overproduction
- Waiting
- Unnecessary transport
- Unnecessary worker motion
- Defects
- Overprocessing/incorrect processing
- Excess inventory

The program was designed to build up divisional expertise successively. The divisional experts were trained to continuously challenge and improve their respective process landscapes. Since 2010, Sulzer has been successful in reducing waste on all levels with its corporate LEAN program.

From 2010 to mid-2013, LEAN was driven by an internal, cross-divisional expert network that was managed on the corporate level. From mid-2013 onward, LEAN activities have been led at the divisional level, i.e., closer to operations. The Sulzer LEAN community benefits from a comprehensive LEAN online platform (toolbox, assessments, sharing of best practice).

**Number of completed audits**



<sup>1)</sup> Due to the consolidation of the financial and extrafinancial reporting platforms onto a single platform and the extended reporting scope the comparison with 2013 is not possible any more.

# Fair and Transparent Reporting on Sustainability

Sulzer has a fair and transparent sustainability information management system in place. The goal is to provide management and external stakeholders with extrafinancial information to create a balanced view of Sulzer's sustainability performance and initiatives.

## Specific remarks

- Restatements: At the beginning of 2014, the company divested the Sulzer Metco division with its coating business. For improved comparability of data, certain key figures were therefore restated for the years 2012-2013. However, because of the consolidation of the financial and extrafinancial reporting platforms, not all sustainability data are comparable anymore and a restatement of all data was not possible.
- Employees: Data cover only employees who are on Sulzer's payroll, including temporary and part-time employees. People who work at a Sulzer site but are employed by a third party are not included, even if they work at Sulzer on a permanent basis.
- Energy: The energy consumption equals the quantity consumed at the sites. This figure has not been converted to primary energy consumption.
- Emissions: Data cover direct emissions from the use of chemicals (e.g. VOCs) or fossil energy sources.

Since 2012, Sulzer has been providing both financial and extrafinancial data in its Annual Report. The consolidation of the financial and extrafinancial reporting platforms (SEED) onto a single reporting platform (SURE) in 2014 is the latest step in this journey towards a fully integrated report. For the reporting period 2014, Sulzer published its combined Annual Report and a stand-alone online Sustainability Report according to the GRI G3.0 standard.

## Defining reporting content and quality

Sulzer aspires to provide its stakeholders a report of the highest quality. In addition to disclosing financial information according to obligatory financial reporting standards (IFRS), the company reports extrafinancial data according to the transparency level GRI G3.0. Hence, Sulzer provides a fair and balanced picture of its sustainability efforts that is transparent, comprehensive, accurate, comparable, and reliable. To understand the relevant issues for the company and its stakeholders, Sulzer integrates various stakeholder perspectives in its reporting processes (see page 6). As a result, this report reflects the significant economic, social, and ecological effects from the organization's operations and solutions. A complete overview of all core and additional GRI G3.0 indicators is provided in the GRI Index on the Sulzer website [www.sulzer.com/sustainability](http://www.sulzer.com/sustainability).

## Quantifying sustainability performance

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. This platform provides an integrated approach for group-wide reporting across functions and all Sulzer divisions. The main drivers for harmonizing financial and extrafinancial reporting were:

- to provide one strategic group-wide reporting platform with unified structures and common processes
- to be able to generate reports with financial and extrafinancial data out of one system
- to improve the accessibility of data via various channels and formats (i.e., report, web, mobile devices)

The platform conforms to more-comprehensive compliance requirements and accommodates analyst/investor requests for more transparency in reports. Because of Sulzer's global presence and future growth, there is a demand for easy, flexible, and fast access to information for all Sulzer employees worldwide. Sulzer also expects that it will be able to support faster closings (i.e., less time from input to output) as well as higher flexibility and speed when integrating new businesses into the Sulzer structure.

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 (see page 64).

SURE data (and, at the time, SEED data) were generated and collected on the site level. All reporting entities and sites upload data into the system once a month or once a year (dependent on the KPI), typically based on invoices and internal metering systems.

In the past, net value added (NVA) was used as indicator basis for many performance indicators. In 2014, Sulzer used the number of total working hours as a reference, because it represents the size of the company more accurately. All data have been restated accordingly.



<b>Environmental (E) data</b>	<b>2014</b>	<b>Reporting period</b>
Number of sites reporting E indicators	85	October 31, 2013– September 30, 2014
Total working hours of sites reporting E indicators	25 973 401	
Working hours total Sulzer	31 893 482	
Coverage of environment reporting	81%	

<b>Health and safety (H&amp;S) data</b>	<b>2014</b>	<b>Reporting period</b>
Number of sites reporting H&S indicators	186	January 1, 2014– December 31, 2014
Total working hours of sites reporting H&S indicators	30 796 696	
Working hours total Sulzer	31 286 206	
Coverage of health and safety reporting	98%	

### Assessing main sites

All main production and service sites as well as Sulzer's headquarters were assessed. Unless explicitly stated, the data shown in tables and charts represent only the sites assessed. Joint ventures, of which Sulzer owns more than 50%, are fully consolidated. The data collected cover on-site activities of the locations. Resource consumption or emissions from outsourced activities, off-site transport of goods, staff commutes, or business travel are not included. However, business travel accidents of Sulzer employees are included. On the other hand, activities of pure sales offices and small service sites are excluded.

The table in the appendix (*see page 64*) shows the sites covered in SURE. In 2014, a total of 212 sites are listed by country, name, division, and inclusion in SURE.

# CORPORATE GOVERNANCE

---

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.



## FACTS AND FIGURES

---

# 7

Sulzer's Board of Directors comprises seven members and three committees: the Audit, the Nomination and Remuneration, and the Strategy Committee.

---

# 19

Sulzer's Code of Business Conduct is available in 19 languages. All employees worldwide confirm by signature that they will adhere to the code.

---

# 100

About 100 compliance officers secure effective lines of communication, provide support, and assist in compliance investigations.

---

# 6760

A total of 6760 employees completed at least two compliance courses in 2014.

Overall, 14 active courses are available.



## Compliant and Ethically Correct Behavior as Cornerstone

Sulzer has sound corporate governance in place, which ensures balanced power allocation and helps create sustainable value. The company's Code of Business Conduct makes sure that employees behave in an ethically correct manner and adhere to Sulzer's high standards.

Sulzer is committed to the principles of good corporate governance. They ensure a sound balance of power and support the company in creating sustainable value for its various stakeholders. The rigorous application of sound corporate governance helps to consolidate and strengthen trust in the company. Sulzer is subject to Swiss corporate and stock exchange law, and it also applies the Swiss Code of Best Practice for Corporate Governance. A single share class and the separation of the functions of Chairman of the Board of Directors and Chief Executive Officer have been standard practice at Sulzer for many years. The Board of Directors comprises seven members. Each member is elected individually. The term for members of the Board of Directors is one year. Except for the elections reserved to the Shareholders' Meeting, the Board of Directors constitutes itself and appoints from among its members the Vice Chairman of the Board of Directors and the members of the board committees (except for the members of the Nomination and Remuneration Committee who are elected by the Shareholders' Meeting). There are currently three standing committees within the Board of Directors:

- The Audit Committee assesses the midyear and annual accounts and the activities of the internal and external auditors, the Internal Control System (ICS), and risk management.
- The Nomination and Remuneration Committee assesses the criteria for the election and reelection of Board members and nominations for the top two management levels. It also deals with succession planning, compensation systems, and compensation for the members of the Board of Directors and the Executive Committee.
- The Strategy Committee advises the Board of Directors on strategic matters (such as material acquisitions, divestitures, alliances, and joint ventures) as well as strategic planning and definition of development priorities.

Please find extensive information on corporate governance in the Sulzer Annual Report at [www.sulzer.com/ar14](http://www.sulzer.com/ar14).

### Code of Business Conduct to guide employee behavior

Sulzer is strongly dedicated to conducting its business in a compliant manner and to observing ethical business principles. The company has high expectations about its employees' standards of behavior. The business world is becoming increasingly complex. There are many laws and regulations that have an impact on business decisions. Therefore, Sulzer vigilantly watches the changes in requirements. This is crucial in order to preserve Sulzer's reputation and to prevent potential civil and criminal sanctions. However, the practice also reflects the company's values, and is therefore in the best interest of Sulzer, its employees, shareholders, customers, and other stakeholders.

Social compliance relies on a strong vision, values, and the *Code of Business Conduct*. Since 2003, all Sulzer employees around the world sign an acknowledgment letter stating that they will adhere to the Sulzer Code of Business Conduct. The current version of the code has been effective as of April 1, 2010. It is available in nineteen languages and in an electronic educational presentation to ensure proper understanding at all sites and provide guidance to a truly global and highly diverse workforce. This comprehensive code 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 latest revision of the Code of Business Conduct is compliant with the ten principles of the United Nations Global Compact. 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.

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.

### **Conforming to the law through comprehensive compliance management**

Sulzer strongly fosters a speak-up culture and conducts its business in compliance with applicable laws. 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. During the last two years, the following new guidelines and directives were introduced or updated:

- Intermediaries Integrity Review and Due Diligence Directive
- Compliance Reporting and Investigation Directive
- Receiving and Offering Gifts and Hospitalities, Facilitation Payments Directive
- Public Disclosure and Reporting Directive
- Securities Trading Regulation
- Management Transaction Regulation
- Code of Business Conduct Regulation (formal update)

### **Export control to adhere to export regulations**

Because of the possibility of dual use of certain Sulzer products (i.e., use for civil and potentially for military applications mainly as defined in international treaties), export control is an important issue. In addition, embargoes against countries, individuals, and organizations have to be respected. Adherence to export regulations when selling products and/or services concerns both compliance and risk control. In this particularly sensitive area, Sulzer’s legal/compliance and risk functions coordinate and share their expertise to make the required information and guidance easily accessible. The exporting companies have appointed International Trade Compliance Officers. Current regulations and best practices, such as information on permanently changing legislation, are internally distributed. In addition, Sulzer strives to improve the export control responsibilities and skills within the divisions, particularly in the countries with comparatively low-level export control awareness.

### **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 (2013: 7730) had enrolled in Sulzer’s interactive e-learning program and completed at least two compliance courses. Generally, 14 active courses (2013: 17) are available to all employees. For 2015, minimum compliance training activity levels have been defined.

### 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.

### Ombudspersons and compliance hotline to report non-compliant behavior

Trust as well as transparent and open communication—including the possibility of reporting non-compliant 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.

In 2009, Sulzer set up independent, externally run global compliance hotlines. 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. As of December 31, 2014, 116 reports had been filed through the hotline in total (2013: 44), of which 105 complaints had been reported through the global compliance hotline (2013: 35) and 11 through the European compliance hotline (2013: 9). Most of the allegations were related to:

- Workplace
- Financial concerns
- Misuse of company assets

### Fewer reprimands necessary

Sulzer introduced the new Compliance Reporting and Investigation Directive for cases of violation of the Code of Business Conduct (CoBC). This directive obligates the global compliance officers to document the consequences of reported compliance violations. As of December 31, 2014, the cases reported to Sulzer had led to:

- 4 reprimands (2013: 10)
- 13 dismissals (2013: 11)
- 1 disciplinary transfer (2013: 1)



# Enterprise Risk Management Process to Take Risk-Conscious Decisions

With its enterprise risk management (ERM) system, Sulzer has implemented an integrated risk management system allowing the company to take targeted and risk-conscious decisions.

Sulzer's integrated enterprise risk management system applies to all Sulzer sites and helps to ensure the sustainable success of existing activities and the overall development of the company. It encompasses the company's exposure to risk of operational, external, market-related, strategic, and financial nature. New products and services, business areas, and acquisitions are assessed thoroughly for potential risk exposure.

The objectives of the risk management system are threefold:

- To protect and enhance Sulzer's ability to achieve its business objectives
- To protect Sulzer employees and other people against loss of life, personal injury, and illness
- To prevent environmental damage

## Assuming responsibility for risk management

The responsibility for risk management lies with the Board of Directors, the Executive Committee, and the Group Risk Council. The Group Risk Council comprises the CFO (Chairman), the General Counsel, Group Auditing, the Group Compliance Officer, the Head of Risk Management, the Head of ESH, the Head of HR, and representatives of other group staff functions. The Head of Risk Management informs the Audit Committee of the Board of Directors of the current state of risk management and of progress towards achieving major objectives. However, risk management is considered the task of each employee within his or her area of responsibility. It is an integral part of all decision making—in particular in all management functions.

## Tailored and effective risk management process

The business units and group functions fill in risk description forms and control schedules and update them annually. Each schedule identifies the key risks as well as the related risk objectives and determines existing loss controls and their effectiveness. Sulzer also develops additional or alternative loss controls where necessary and audits their implementation by the subsidiaries. Following this process, the respective key risk profiling matrices are generated. The key risk-profiling matrices of the business units are reviewed at group level and then consolidated into Sulzer's key risk-profiling matrix.

The overall corporate risk-profiling matrix contains key risks Sulzer is exposed to as a company, the accumulated key risks of business units, single catastrophic risks, and key risks that are connected with group functions (see page 20).

## 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.

# Risk Matrix

Risk	Risk exposure	Main loss controls
<b>External and markets</b>		
<b>Market assessment</b>	Market developments that are assessed inappropriately could lead to missed business opportunities or losses.	<ul style="list-style-type: none"> <li>— Continuous monitoring and assessment of market developments</li> <li>— Systematic midrange planning based on market developments and expectations</li> </ul>
<b>Geopolitical shocks</b>	A geopolitical shock event could have an impact on operations and travel. Also, it could imply currency risks and default risks of countries and banks.	<ul style="list-style-type: none"> <li>— Monitoring of exposure in critical countries</li> <li>— Monitoring of debt situation of countries and banks</li> <li>— Continuous monitoring of raw material prices and inflation indicators</li> <li>— Sulzer's global presence mitigates the effect of geopolitical shocks</li> </ul>
<b>Strategic</b>		
<b>Innovation</b> — <i>More information on page 34</i>	Failure in R&D and innovation activities could negatively impact the ability to operate and to grow the business. Insufficient investments in innovation to maintain technology leadership and develop innovative products.	<ul style="list-style-type: none"> <li>— Stage gate process and key performance indicators</li> <li>— Product Development Council with strong focus on midrange planning process</li> <li>— Core Technology Council for development of basic technology</li> <li>— Innovation projects planned for 2015</li> </ul>
<b>Operational</b>		
<b>Attraction and retention</b> — <i>More information on page 38</i>	Failure to attract and retain talent could lead to a lack of expertise and negatively impact the ability to operate.	<ul style="list-style-type: none"> <li>— Active fostering of corporate values and high ethical standards</li> <li>— Strong Sulzer employer brand strategy</li> <li>— Regular talent review workshops</li> <li>— Development plans and education of employees</li> <li>— Salary benchmarks and reviews</li> <li>— Regular employee engagement surveys</li> </ul>
<b>Health and safety</b> — <i>More information on page 44</i>	An unsafe working environment could lead to harm to people, reputational damage, fines, as well as liability claims and could have a serious economic impact.	<ul style="list-style-type: none"> <li>— Health and safety regulations, guidelines, programs (e.g. Safe Behavior Program), and training</li> <li>— OHSAS 18001 certifications</li> <li>— Monthly health and safety controlling</li> <li>— Global network of health and safety officers</li> <li>— Regular health and safety audits</li> </ul>

Risk exposure	Main loss controls	Risk
<b>Operational</b>		
Non-compliant or unethical behavior could lead to reputational damage, fines, and liability claims.	<ul style="list-style-type: none"> <li>— Active fostering of high ethical standards</li> <li>— Continuous monitoring and assessment of potential exposures</li> <li>— Sulzer Code of Business Conduct and a number of supporting regulations (e.g. anticorruption, antitrust, trade control)</li> <li>— Global network of compliance officers</li> <li>— Compliance training (incl. e-learning) and audits</li> <li>— Speak-up culture, compliance hotline, and sanctions</li> </ul>	<b>Compliance</b> — <i>More information on page 14</i>
Failure of high-quality products and services could lead to repeated work, reputational damage, or liability claims.	<ul style="list-style-type: none"> <li>— Quality management and assurance systems tailored to specific businesses</li> <li>— Third-party accreditation</li> <li>— Competence development programs and training of employees</li> <li>— Test centers</li> </ul>	<b>Quality of products and services</b>
Business interruption, such as a fire, could cause damage to people, property, and equipment. It could have a negative effect on the ability to operate at the affected site.	<ul style="list-style-type: none"> <li>— Crisis and emergency management systems (at global and local level)</li> <li>— Risk management policy and guidelines</li> <li>— Corporate and local crisis and emergency management systems</li> <li>— Disaster recovery plans in IT</li> </ul>	<b>Business interruptions</b>
<b>Financial</b>		
The unpredictability of financial markets may have a negative effect on Sulzer's financial performance and its ability to raise or access capital.	<ul style="list-style-type: none"> <li>— Corporate financial policy</li> <li>— Foreign exchange risk policy</li> <li>— Trading loss limits for financial instruments</li> </ul>	<b>Financial markets</b>
Credit risks arising from financial institutions and from customers could have a negative effect on Sulzer's financial performance and ability to operate.	<ul style="list-style-type: none"> <li>— For financial institutions, only parties with a strong credit quality are accepted (third-party rated)</li> <li>— Individual risk assessment of customers with large order volumes</li> <li>— Continuous monitoring of country risks</li> </ul>	<b>Credit</b>
Failure in liquidity risk management may have a negative effect on Sulzer's financial performance and its ability to operate.	<ul style="list-style-type: none"> <li>— Continuous monitoring of the liquidity</li> <li>— Management of liquidity reserves at corporate level</li> <li>— Cash flow program to optimize liquidity and cash flow management</li> <li>— Efficient use of available cash through cash pooling</li> </ul>	<b>Liquidity</b>

# ECONOMIC SUSTAINABILITY

---

Sulzer is focused on creating value for all stakeholders in the long term. The company wants to use its existing resources in an efficient and responsible way. With its truly global presence and a strong footprint in emerging markets, Sulzer is well prepared to harvest results in the future.



**FACTS AND FIGURES**

---

# 3.2

Order intake was CHF 3.2 billion (2013: CHF 3.2 billion). On an adjusted<sup>1)</sup> basis, this is 0.6% less from 2013.

---

# 3.2

Sales were CHF 3.2 billion (2013: CHF 3.3 billion) which is 0.7% more from 2013 and stable on an adjusted<sup>1)</sup> level.

---

# 3.50

The Board of Directors will propose an ordinary dividend increase to CHF 3.50 (from CHF 3.20) per share at the Annual General Meeting on April 1, 2015.

---

# 282

Operating income before restructuring and goodwill impairment (EBITR) was CHF 282 million. This is a slight increase of 1.9% from 2013 on an adjusted<sup>1)</sup> basis.

<sup>1)</sup> Adjusted for currency effects and acquisitions.



# Strategic Priorities for Sustainable Business Success

Sulzer's vision and values are based on four strategic priorities. They are oriented towards the company's customers and focus on value creation. Thus, Sulzer ensures sustainable market success and drives operational performance across the organization.

## Strategic direction for key markets defined in the midrange plan

In 2014, the Sulzer Management Group started the midrange planning process (MRP) 2015–2017 to define how the company can harvest results in its key markets in the midterm. Targeted actions to support the new market-oriented strategy were defined and initiatives for growth developed. Based on discussions about the needs of the markets and customers, growth opportunities, focus areas, as well as strengths and weaknesses were identified. The process resulted in a thorough assessment of how to strengthen the company's global competitiveness. Supported through its vision and values, Sulzer is continuing its strategic transformation journey to become *one* focused, market-oriented, and globally operating company.

Since 2012, Sulzer has aligned its business with four strategic priorities:

- Technology leadership
- Outstanding services
- Continuous operational improvement
- Collaborative advantage

### Technology leadership through innovation

Sulzer strengthens its innovation processes by systematically integrating customer needs and sharing expertise. The company aims to produce more fundamentally innovative and sustainable technologies to complement the numerous smaller incremental innovations. Shorter time-to-market cycles, for instance, accelerate the innovation process. Moreover, open innovation will continue to play a critical role in future.

### Focused service business to provide outstanding services

Sulzer strives to provide outstanding services to its customers. Combining the service businesses into one service division in 2014 was an important step towards this goal. Sulzer also continuously intensifies its efforts to improve customer responsiveness, speed, and on-time delivery. The company is dedicated to pushing the technological frontiers and to providing even the remotest, most challenging, and most fragile environments with reliable and sustainable solutions and services.

*Read more about Sulzer's sustainability efforts regarding technology leadership and outstanding services on page 34.*

### Continuous operational improvement to create value for customers

Continuous operational improvement is pivotal for the objective of creating value for customers and the company. With Sulzer's LEAN and QESH programs, the company is successively building up divisional and site expertise in operational excellence and discipline. So that they are closer to the business, LEAN activities have been coordinated on a divisional level since mid-2013; since 2014, quality has been an integral part of divisional operations. LEAN has contributed, among other things, to the improvement of system-level performance indicators such as on-time delivery, lost time, and return on sales.

*Read more about Sulzer's sustainability efforts regarding continuous operational improvement on page 48).*

### Collaborative advantage to strengthen one company approach

Sulzer strives to leverage collaborative advantage across organizational boundaries. With its reorganization in 2013/14, Sulzer made important progress toward taking advantage of standardized processes and strengthening the *one* company approach. The bundling and harmonization of purchasing power and the integration of central support functions (for example, IT, HR, QESH) enable Sulzer to benefit from existing synergies.

*Read more about Sulzer's sustainability efforts regarding collaborative advantage on page 38.*

Please find extensive information on Sulzer's financial performance in the Sulzer Annual Report 2014 at [www.sulzer.com/ar14](http://www.sulzer.com/ar14).



## Our strategic priorities and achievements 2014

		<b>Pumps Equipment</b>
Technology leadership	<ul style="list-style-type: none"> <li>– Further development of 3D design tools to improve the engineering process and standardization of pumps and packages</li> <li>– Extension of product lines according to market requirements</li> <li>– Development of new compressor type for wastewater applications</li> <li>– Launch of innovative, highly efficient, and cost-effective cooling water pumps and of ready-fitted mechanical seals for process pumps</li> <li>– Launch of the new hygienic injection pump series as a result of a joint development project with Wetend Technologies</li> </ul>	
Outstanding services	<ul style="list-style-type: none"> <li>– Joint venture in Iraq to become a major player in Southern Iraq's market for the service of all rotating equipment</li> <li>– Implementation of global organization for parts, retrofit, and nuclear business to provide a more efficient and effective setup</li> <li>– Establishment of close cross-divisional collaboration with the Rotating Equipment Services division for the benefit of common customers</li> <li>– Further business development solutions for retrofit especially in the Asia-Pacific region</li> </ul>	
Continuous operational improvement	<ul style="list-style-type: none"> <li>– Optimizing factory layouts for better on-time delivery and reduced lead time</li> <li>– Implementation of flow assembly and strengthening of 5S* and reduction of setup times at all sites</li> <li>– Investing to increase test-bed capacity in the USA, Mexico, Spain, and China and in state-of-the-art machining equipment to improve quality and reduce manufacturing time</li> </ul>	
Collaborative advantage	<ul style="list-style-type: none"> <li>– Transition process towards industry-specific focused business units and global organization of operations and procurement</li> <li>– Efficiency improvement of the product life cycle data in our enterprise resource planning (ERP) system</li> </ul>	

\*A workplace organization tool/process that maximizes the cleanliness, organization, and safety of all elements in a working environment. The 5S system is so named for its five primary undertakings: sort, set in order, shine, standardize, sustain.

---

**Rotating Equipment Services**

Technology leadership	<ul style="list-style-type: none"> <li>— Development of replacement parts for F-Technology gas turbines (advanced industrial gas turbines) in the service centers in Venlo, NL, and Houston, USA</li> <li>— Improvement of rail network infrastructure through the development of parts (impedance bonds) in Australia</li> </ul>
Outstanding services	<ul style="list-style-type: none"> <li>— Synergies through easier access to other services within Sulzer benefits customers</li> </ul>
Continuous operational improvement	<ul style="list-style-type: none"> <li>— Inspecting and repairing process pumps on a fast track at the Los Angeles Service Center, USA</li> <li>— Improving tendering process (shorter lead times) through lean processes</li> </ul>
Collaborative advantage	<ul style="list-style-type: none"> <li>— Improved services level and synergies for the customer through one access point for all services</li> <li>— Faster and more flexible service through mixed teams servicing one customer site</li> </ul>

---

---

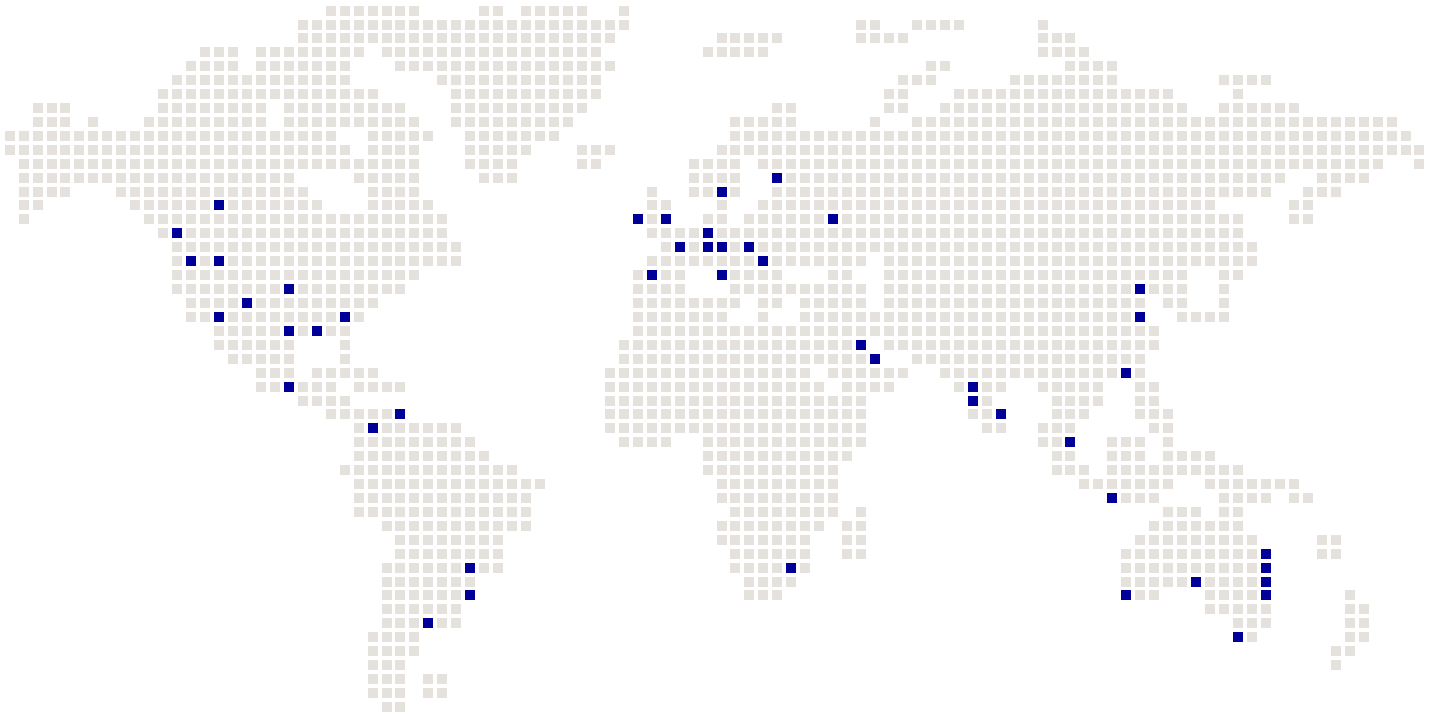
Technology leadership	<ul style="list-style-type: none"> <li>– Expansion of separator portfolio through acquisition of ASCOM</li> <li>– Incorporation of ProLabNL, which has unique capabilities to test equipment in actual oil field conditions</li> <li>– Expansion of process technology laboratory with crystallization test equipment</li> <li>– Acquisition of aixfotec extrusion systems to expand offerings in polymer value chain with technologies for the production of polymer foams</li> </ul>
Outstanding services	<ul style="list-style-type: none"> <li>– Large turnaround project for refinery in Ecuador received</li> <li>– Large service project for corrosion protection with thermal-sprayed aluminum in Saudi Arabia carried out</li> </ul>
Continuous operational improvement	<ul style="list-style-type: none"> <li>– Completed skid-manufacturing expansion project in China and Switzerland</li> <li>– Started project for components manufacturing facility in Western China</li> <li>– Completed installation of Manufacturing Execution System (MES) in Sulzer Mixpac Systems operations globally</li> </ul>
Collaborative advantage	<ul style="list-style-type: none"> <li>– Order received for column internals for the world's largest carbon capture project</li> </ul>

---

Chemtech

## Global Presence with Focus on Three Key Markets

Sulzer's customers require the best products and services at the highest quality standards in the industry. The company is present with over 150 production and service sites around the world and generates more than 42% of sales in emerging markets. Sulzer is close to its customers and helps them meet their needs.



### Strong footprint in emerging and developing markets

Sulzer's increased customer and market focus—expressed through the key markets strategy—induces the company to strengthen its footprint in emerging and developing markets. By leveraging organic as well as acquisitive potential, the company is following its customers. As a result, Sulzer established the local joint venture *Sulzer Saudi Pump Company* for pump manufacturing in Riyadh, Saudi Arabia, in 2014. Furthermore, the company signed a joint venture agreement with *China Huadian Corporation* for the service of gas turbines. Also in 2014, the company formed a joint venture with the *Unaoil Group* dedicated to the service of all rotating equipment for oil and gas and power customers in Southern Iraq.

Sulzer has a strong footprint in emerging and developing markets. In 2014, more than 42% of sales was generated in these markets, and 43% of Sulzer's workforce was stationed in emerging markets. The company benefits from its global footprint and from its diverse workforce. By employing local workers, the company secures expertise in specific market and cultural requirements.

Sulzer's sustainable solutions contribute to energy, water, and other infrastructural projects and systems. The company helps meet the communities' growing demand for the safe production and distribution of scarce goods at the lowest environmental cost. Therefore, it adds value to entire economies and local communities in which it operates.

■ Major production and service locations

## How we serve our key markets

---

### Oil and gas

Sulzer helps fulfill the global demand for oil and gas and the related industries. Our solutions benefit customers in the upstream, midstream, and downstream segments. Our customers are oil and gas majors, national oil companies, refineries, contractors, and local customers.

### Our solutions in the oil and gas market

- Pump systems both onshore and offshore (including subsea) for the production and transportation of crude oil, derivatives, and liquefied natural gas
- Process components such as fractionation trays, structured and random packings, liquid and gas distributors, gas-liquid separators, and internals for separation columns
- Service for mechanical and electromechanical rotating equipment
- Tray and packing installation, welding, tower maintenance, and plant turnaround projects
- Polymerization technology for the production of PLA (polylactic acid) and EPS (expandable polystyrene)

### Power

Sulzer helps satisfy the global demand for energy. Our solutions add value in fossil-fired, nuclear, and renewable power generation. Our customers are utility providers, contractors, end users, and local customers.

### Our solutions in the power market

- Pumps for fossil-fired and nuclear power plants as well as renewable power generation
- Advanced solutions for carbon capture and storage
- Repair and maintenance services for turbines, compressors, pumps, generators, and motors

### Water

Sulzer helps meet the global demand for clean water. Our solutions are essential for water transport and use, as well as desalination and wastewater treatment. Our customers are municipalities, contractors, private water companies, and customers in agriculture.

### Our solutions in the water market

- Pumps and related equipment (such as lifters, mixers, aerators, compressors, control and monitoring equipment, as well as services)
- Pumps for water transport and use
- Pumping solutions in desalination and wastewater treatment
- Service for electromechanical equipment, e.g., motors as well as mechanical equipment such as pumps

### **Innovative, highly efficient, and cost-effective cooling water pump for utility power generation**

The growing demand for energy prompts power generation companies to optimize their power plants' efficiency. Today, more than 80% of the electricity generated worldwide comes from thermal processes where, in most cases, cooling water systems are required. In 2014, Sulzer introduced the innovative, highly efficient, and cost-effective *cooling water pump range type SJT/SJM*. The semiopen impeller design enables optimal efficiency and high suction capability. While pump efficiency is improved, friction losses are reduced. Sulzer's cooling water pumps support customers in reducing their investment and operational costs and shortening the lead time of pumps.

### **Megatrends as an opportunity for sustainable success**

Sulzer strives to create value for all current and future stakeholders without eroding the environment's carrying capacity—the livelihood base for future generations. The company's business models are revisited and assessed regularly for their market fitness. To build thriving future markets and societies, sustainable economic growth is indispensable. Sulzer technologies and product solutions support customers in providing sustainable solutions to current and future markets.

For Sulzer, the following three megatrends provide attractive opportunities because they are strong growth drivers:

- Population growth (demand and sources)
- Urbanization (new and renewed infrastructure)
- Energy efficiency and sustainability

Furthermore, industry-specific drivers offer considerable growth potential in Sulzer's key markets. Society has to deal with safety concerns regarding equipment, the aging infrastructure in OECD countries, and the global addition to power capacity. Moreover, the increased need for clean water supply and water treatment, environmental regulation, and climate goals, as well as regulatory frameworks and environmental standards increasingly occupy companies today. These challenges present chances for Sulzer to supply its customers with sustainable and reliable products and services.

### **Oil and gas market with attractive growth areas**

Oil and gas will remain essential in the near future. Satisfying the growing demand for oil and gas is vital in order to ensure Sulzer's financial and operational success. However, oil and gas reserves are becoming more difficult to access. It has become necessary to extract oil in hard-to-reach areas and under extreme conditions. The processing of these raw materials is also a complex and dynamic business with high cost pressure. The industry can only master these major challenges with technologically advanced solutions. Sulzer offers a comprehensive portfolio for the oil and gas market and is well positioned to gain a competitive edge in the industry.

With a 54% share of sales in 2014, oil and gas is the biggest of Sulzer's key markets. In 2014, Sulzer was present in almost every oil and gas market segment. Each segment presents attractive growth areas to ensure long-term success such as floating production, storage, and offloading (FPSOs) in the upstream, new pipelines for new production regions in the midstream, and polymerization technology for polylactic acid (PLA) and expandable polystyrene (EPS) for the downstream segment.

### **Increasing demand in power market**

Continuous population growth and the resulting urbanization lead to an increasing demand for energy. Electricity cost is one of the world's major economy drivers. Sulzer develops efficient products and solutions that satisfy the growing demand for energy. These products and solutions contribute to the reduction of carbon dioxide emissions while reducing costs for the customer.

In 2014, 13% of share of sales were generated in the power market. Gas turbines and pumps are becoming more prevalent in the coal and gas segment. Concentrated solar power, wind, and geothermal energy are also becoming more common. These solutions promise further growth potential in the future.



### Satisfying the need for clean water

Another megatrend that concerns Sulzer is water scarcity. An estimated 25% of the global population currently lives in transitional countries, which face water shortages for drinking, growing crops, and sanitation. The lacking infrastructure presents the opportunity for Sulzer to create new, efficient solutions for the reliable and sustainable supply and treatment of water and wastewater. With half of the world's hospitalizations being for water-related illnesses, secure access to freshwater and safe wastewater treatment (municipal and industrial) is an immediate issue to people around the globe. The major challenge is to secure local access to high-quality water and to keep costs at an ethically justifiable level at the same time.

In 2014, 13% of share of sales were generated in the water market. In the same year, Sulzer created a Water business unit. All water-market-related activities of the Pumps Equipment division have now been incorporated into the business unit.

### Active in many industries

Sulzer is also active in other industries besides its three key markets—oil and gas, power, and water. These include industries such as health care, pulp and paper, agriculture, construction, and many more. The application areas of the company's products and services are manifold. In 2014, the share of sales in general industry equaled to 20%.

### Keeping the air clean

---

In wastewater treatment, ammonia that is removed from the sewage used to be discharged directly into the atmosphere. Today, studies have identified that ammonia emissions are of major concern to air quality and therefore cause damage to health and ecosystems. This finding has led to a new way of thinking. Sulzer offers modern *closed-air-loop systems for wastewater treatment* that transform ammonia into a common soil fertilizer. Thanks to compact column design, the use of high-efficiency packings with very low overall pressure drop, advanced heat integration, and reliable and simple plant control, Sulzer's solution is both economically and ecologically attractive. The lack of exhaust and the possibility of using the stripped ammonia directly as fertilizer in the form of ammonium sulfate make Sulzer's system a very environment-friendly solution.

### Better mixers for green dentistry

---

Sulzer Mixpac Systems, a business unit of the Chemtech division, is active in many varied industries. For example, the company developed a completely new mixing technology for static mixers in the dental industry and thus set a new standard in dentistry. The *MIXPAC T-Mixer™* allows for more precise and reliable dispensing of two-component dental materials. Because it is shorter than previous models, it also helps reduce waste material as well as residual material in the cartridge after use. These advances contribute to sustainability in dentistry ("green dentistry"). Five different types for various dental applications were launched in 2013. In 2014, three additional types were introduced into the market to better cover the diversity of dental materials and to satisfy customers' specific requirements.

# Close Relations with Investors

It is Sulzer's strong belief that the long-term success of an international company can only be achieved through sustainable actions and behavior. This basic principle also applies to communication with the financial community.

## Shareholder base across the globe

The Sulzer shareholder base consists of more than 10 000 registered shareholders, including over 100 institutional investors. Geographically, the shareholdings are spread across the globe. At the end of 2014, the 20 largest shareholders held about  $\frac{2}{3}$  of the total shares. The status of shareholders holding more than 3% in shares as well as further information regarding notification rules in Switzerland can be found *online*. According to notifications of Sulzer shareholders, four shareholders held more than 3% of Sulzer Ltd's share capital on December 31, 2014: Victor Vekselberg with 33.19%, First Pacific Advisors, LLC with 5.01%, FPA Funds Trust with 3.39%, and Black Rock Inc. with 3.36% of the shares.

Sulzer Investor Relations engages in open and transparent dialogue with the financial community, namely, investors, analysts, and other financial intermediaries. In this way, Sulzer provides accurate and comprehensive information on its performance and prospects. Investor Relations and the management share their own thoughts on the sustainable development of the company and gather valuable feedback from investors. The key objectives of the discussions with the investor community are:

- To create an adequate understanding of the company
- To ensure a fair valuation of the Sulzer share
- To minimize the cost of capital
- To reinforce Sulzer's position and credibility in the financial markets

The Sulzer management team visits shareholders and prospective investors regularly in the most important financial marketplaces around the world. Sulzer also routinely hosts a Capital Market Day for investors, financial analysts, and financial media representatives. During this event, the management presents the Sulzer investment case with a focus on topics like the current business course, innovations, end-market developments, sustainability topics, and strategy. Individual informational requirements are met, while avoiding selective disclosure of information. All information presented at these events is also available on the *Sulzer website*.

The significant decline in oil price, mainly in the last quarter of 2014, triggered many questions within the investor community and affected Sulzer's share price negatively. The company's strategic focus on the oil and gas, power, and water market—with a share of sales of over 50% in the oil and gas industry—is perceived as challenging in an environment of falling oil prices. Other key investors' questions concerned the progress in Sulzer's transformation process and the company's intention to allocate its large net cash position.

## Member of renowned sustainability indices

Sulzer Investor Relations and Sulzer Quality, Environment, Safety, and Health are active members in business organizations like the *Swiss Investor Relations Club* (founding member). These memberships allow Sulzer to share experiences and best practices with peers in other Swiss and European companies in a constructive environment. The matters addressed in the councils range from topics of shared interest such as ESG (environment, social, governance) investments and raters to topics of resources (water, energy, and food).

In 2014, catalyst initiatives such as the *Stewardship Code (UK)* and the *United Nations Principles for Responsible Investments (UN PRI)* that promote increased investor participation had a notable effect. Reporting initiatives that aim to mainstream the inclusion of extrafinancial information in asset management and financial reporting have triggered additional pressure for transparency. Sulzer has continued its relationships with investment firms that focus on companies with high-quality sustainability and responsible behavior ratings.

As a result of its open and transparent dialogue with such institutions, Sulzer is part of renowned leading sustainability indices, such as Bank J. Safra Sarasin-led STOXX® Europe Sustainability, DAXglobal® Sarasin Sustainability Switzerland Index, or the FTSE4GOOD Index Series. It is also eligible for sustainable investments at Notenstein Private Bank Ltd. Moreover, Sulzer shares are part of the SXI Switzerland Sustainability 25 Index®, which comprises 25 shares from the SMI expanded Index® with the highest sustainability performance. In addition, Sulzer was rated "prime" for corporate responsibility by oekom research, received an AAA IVA rating by MSCI, and is a proud member of the investment register of Ethibel Excellence.

# Managing the Entire Supply Chain

To be close to its customers, Sulzer requires reliable, resilient, and competitive supply chains. It is the company's goal to standardize processes, while preserving its flexibility to fulfill customer specifications.

Sulzer has a truly global network with over 150 production and service locations. The company's philosophy of being close to its customers, even in the most remote and challenging areas, requires high flexibility of the organization and its suppliers.

## Corporate values as a guide for supplier relationships

As a multinational enterprise without any global sourcing function, to date, Sulzer's strategically relevant product categories have comparatively limited leverage or buying power. Nevertheless, Sulzer's values (see page 4), as well as its binding Code of Business Conduct (CoBC) and compliance mechanisms (see page 16) direct its relationships with suppliers. Sulzer has neither a global supply chain strategy nor function. A stand-alone corporate supplier policy has not been issued. The CoBC and Global Supplier Qualification Process (GSQP, see box "transparent processes and supply chain organization") are Sulzer's point of reference with regard to upholding fundamental human rights, working conditions, occupational health and safety, business ethics, and environmental law in its supply chains.

Besides the CoBC, every direct supplier to Sulzer is expected to sign and work in compliance with the company's Terms & Conditions (T&C). The T&Cs of Pumps Equipment state that any supplier is required to respect the *Ten Principles of the United Nations Global Compact*. In order to mitigate risks and to be aligned with ISO recommendations, Sulzer prefers to do business with suppliers that have certified management systems according to ISO 9001, ISO 14001, and/or OHSAS 18001. The Pumps Equipment division, for example, rolled out the software-backed Global Supplier Qualification Process (GSQP) to standardize and harmonize its supplier qualification and supplier management processes (including regular performance reviews) for global first-tier strategic suppliers (see box "transparent processes and supply chain organization").

## Sustainable sourcing to maximize performance

Sustainable sourcing is the management of all aspects of the upstream stage of supply chains to maximize social, economic, and environmental performance. Sulzer's sourcing practices include the regular assessment of its supplier and market risks. The enforcement and monitoring of quality and ethical behavioral standards as well as the remediation of non-conforming performance are at the heart of Sulzer's procurement activities.

Globally standardized processes, verified suppliers, and frame agreements for a specific product category reduce operational risk and costs, promote standardization, and allow further professionalization of the procurement function. Simultaneous to the rollout of the GSQP, Pumps Equipment installed and developed a strategic procurement function in 2014. A procurement council that involves all relevant business areas governs this function.

Sulzer invests in the professionalization of its procurement functions and organizations. The objective is to professionalize strategic and tactical sourcing through trainings and by attracting sourcing experts. Procurement trainings in Code of Business Conduct compliance, export control, export legislation, and anticorruption are standard for employees in the respective functions.

Wherever appropriate, Sulzer also consults with and offers trainings to its strategic supplier network on various standards, such as quality, health and safety, environment, or labor and human rights. In this way, Sulzer ensures that suppliers will meet the company's requirements. This method allows Sulzer to set high standards and continuously improve performance on both sides.

## Transparent processes and supply chain organization

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 and 165 suppliers registered in the software.

## Strategic sourcing initiatives to leverage synergies in procurement

As a result of two strategic sourcing initiatives conducted in 2012 and 2013 at group level, Sulzer has launched several activities in the area of strategic sourcing for direct and indirect categories. Among other initiatives, the company conducted a group-wide logistics and transportation project in 2014 to reduce its transportation cost and optimize its logistic footprint. The study resulted in an increase in transparency and improvement of subject-related expertise as well as considerable savings potentials identified in all divisions and regions. These savings were already partially realized in 2014, and efforts will continue through 2015.

# INNOVATION AND TECHNOLOGY

---

To become a leading equipment and service provider, Sulzer maintains a well-stocked innovation pipeline. The company also partners with customers, suppliers, industry members, and universities to develop new solutions that maximize efficiency, save energy, and address global needs.





**FACTS AND FIGURES**

---

# 36

Sulzer filed 36 patents in 2014 (2013: 46). The company aims to provide its customers with innovative solutions.

---

# 76

In 2014, the company invested CHF 76 million in research and development (2013: 71m), which is 2.4% relative to sales (2013: 2.2%).

---

# 90

More than 90% of a pump's life cycle cost originates from energy use. With retrofits, Sulzer's customers can improve energy efficiency of their equipment.

---

# 600

Sulzer developed the molten-salt circulation pump SJT (VCN) for concentrated solar power generation that can handle working temperatures in the range of 500–600°C.



# Innovative Technology for Clean Water and Renewable Energy

To become a leading equipment and service provider, Sulzer maintains a well-stocked innovation pipeline. Innovative products and solutions are a prerequisite for sustainable business success. In 2014, the company increased its investment in research and development activities.

## Managing extreme conditions for renewable power generation

The global power industry recognizes the demand for clean and dependable energy from renewable resources. Concentrated solar power (CSP) generation is a sustainable solution for global energy needs, but it poses extreme challenges to pump technology. The energy of the sun is used to heat up a fluid—either thermal oil or molten salt—which is then used to transfer or store heat.

More and more CSP plants rely on a central tower system, which uses molten salt as primary heat transfer fluid. The thermal efficiency is much higher, the cost of installation reasonably lower, and molten salts environmentally friendlier and better suited to storing energy than the thermal oils. However, the working temperature of the system is in the range of 500–600°C. The molten salt freezes at 220°C; when it is exposed to the environment, it becomes rock hard and blocks the pumps immediately. Hence, the requirements for the pumps are extremely complex. A further challenge is the material growth because weight and space are always critical elements on customers' sites.

Sulzer developed a new pump for the hottest fluids; it will be launched in 2015. The *molten-salt circulation pump SJT (VCN)* is designed specifically to meet the extreme requirements and needs of the solar power industry.

During Sulzer's 180 years of industrial history, technology has always formed the company's DNA. Maintaining technology leadership in its fields remains an integral strategic priority for Sulzer. In 2014, the company invested CHF 76 million in research and development (2013: CHF 71 million), which is 2.4% relative to sales (2013: 2.2% of sales). There were 36 patents filed in 2014.

## Addressing the needs of the water market

Sulzer launched a series of new products in 2014. In Sulzer's key markets, but especially in the water business, there is great potential and demand for more energy-efficient solutions. In many regions of the world, the increasing lack of clean water is a pressing problem. Seawater desalination is an important means of providing a sustainable supply of clean water. These days, the market trend is turning away from traditional technologies based on evaporation/distillation towards reverse osmosis. It needs much less energy and is, in addition, more eco-friendly. Sulzer provides pumps for reverse osmosis processes, covering the full range for medium-to-large plants in this segment. Recently, the company has developed new high-pressure feed pumps. They have been designed especially for reverse osmosis plants and will be introduced in 2015 (see [www.sulzer.com/MBN-RO](http://www.sulzer.com/MBN-RO) or [www.sulzer.com/MSD-RO](http://www.sulzer.com/MSD-RO)).

By developing technologies that use less energy, the company reduces costs for its customers. In addition to reducing energy consumption, Sulzer also takes care of the discharge of the brine (leftover from processed seawater). It is important to ensure proper dilution and to find a suitable location where the brine can be led back to the ocean, so that sensitive species in the ocean can be protected.

## Maximizing efficiency without compromising flexibility

The oil and gas industry requires high-performance distillation columns. In many industrial applications, however, distillation towers consume a large amount of energy. The development of energy-saving mass transfer technologies is therefore becoming more and more important. Sulzer introduced a new generation of trays in 2014—the *UFMPlus™* and *VGPlus™*. These new trays substantially improve distillation efficiency and capacity (up to 30% higher than conventional trays) without compromising the operating range and flexibility of the column. This way, the *UFMPlus™* and *VGPlus™* chordal downcomer trays save energy, which results in a reduction of both operating costs and capital costs for customers.

## Extending lifetime with new service solutions

Sulzer is not only concerned with innovation on the product side, but also continuously works on new service solutions. For example, the company designs and manufactures gas turbine replacement parts that are compatible and interchangeable with the original equipment. In this way, Sulzer reduces in-service issues as well as unnecessary expenditures while offering the required flexibility demanded by today's market. Ultimately, this extends the lifetime of and improves the performance of gas turbines and thus reduces maintenance time and costs for Sulzer's customers.

## Giving rotating equipment a second life through retrofit upgrades

Pump systems have the highest potential for energy savings because they account for roughly 20% of the world's electrical energy demand. More than 90% of a typical pump's life cycle cost originates from energy use. Through retrofitting, i.e., upgrading and modernizing the equipment, Sulzer's customers can give their pumps or other rotating equipment a second life. *Retrofit upgrades* can be performed on virtually any piece of equipment regardless of age or original manufacturer. In this way, capital-intensive systems are upgraded with energy-efficient technologies and parts, and their disposal can be postponed. This process ultimately results in improved reliability and energy efficiency of the equipment, reduced operating cost, and maximized revenue generation.



# Collaborating with Partners to Develop New Solutions

Sulzer works with competent partners to master global environmental and societal challenges. Sulzer collaborates not only with traditional partners, such as customers, suppliers, and universities, but also with its peers and industry-oriented companies.

Sulzer participates in the Separation Technology Research (STAR) Program, a joint industry project for research, systematic testing, and the qualification of separation equipment. Initiated by ExxonMobil, Shell, Chevron, and the non-profit organization Southwest Research Institute® in 2014, it combines the knowledge, effort, and resources of members in the energy sector. Members actively participate; they identify and select the technologies to be tested, provide input on standard testing approaches, perform witness testing, and comment on results.

## Supporting companies to save energy

Also in 2014, Sulzer concluded a long-term frame agreement for the upgrade and supply of modern water injection pumps with a major oil and gas company. An analysis of the processing pumps involved in the production, treatment, and transportation of oil showed that the equipment was generally inefficient and that the performance had degraded over the years. Because the equipment consumed too much electricity, it was also very expensive.

For this reason, the company set a strategic goal to reduce energy consumption. In the context of its energy-saving program, the company installed Sulzer centrifugal pumps at its fields. Thanks to Sulzer's new, highly efficient, and energy-saving pumps, it was possible to reduce power consumption significantly (energy consumption is expected to drop more than 15%) and to save costs. In addition, there was not a single failure requiring a major overhaul over the entire operation period.

## Joining forces with industry partners and universities

By joining forces with other players in the industry, the company continuously extends its portfolio and presence. To become a major player for rotating equipment services in China's power market, Sulzer signed a joint venture agreement with *China Huadian Corporation*.

Also in 2014, the company formed a joint venture with the *Unaoil Group* for the service of all rotating equipment for oil and gas and power customers in Southern Iraq.

In addition to collaborating with industry partners, Sulzer has maintained relationships with academic institutions such as the ETH Zurich (Swiss Federal Institute of Technology Zurich) and Texas A&M for a long time. Furthermore, the company runs a project on standardized impeller design together with the Lucerne University of Applied Sciences and Arts. Thus, Sulzer benefits from research on topics relevant to the company and gains access to a large talent pool.

**“Everything we do is based on what the customer wants, not on what Sulzer thinks the customer should have.”**

*Andy Smith, Operations Manager,  
Pumps Equipment Wastewater UK*

# SOCIAL SUSTAINABILITY

---

Sulzer attaches great importance to a safe workplace and to the health of its employees. The company intends to be a socially responsible employer and strives to offer its diverse workforce many varied opportunities for development. Furthermore, Sulzer aims to be a good citizen and supports local communities.



**FACTS AND FIGURES**

---

# 2.6

Sulzer's accident frequency rate (AFR) was 2.6 cases per million working hours in 2014 (2013: 3.2). The accident severity rate (ASR) amounted to 53.9 lost days per million working hours (2013: 61.4)

---

# 14.4

A total of 14.4% of Sulzer employees were female (2013: 14.6%) in 2014. The company believes that diverse teams create better solutions.

---

# 89

In 2014, Sulzer filled 89% of leadership positions with internal talent (2013: 72%). The company provides its workforce with attractive career opportunities.

---

# 7.2

The voluntary attrition rate (VAR) amounted to 7.2% in 2014 (2013: 7.0%).

# Acting as Socially Responsible Company

Sulzer aims to be recognized as a socially responsible employer. Therefore, the company takes actions to strengthen employee engagement. Further goals are to decrease the voluntary attrition rate, to improve talent management, and to manage health and safety performance.

## Targets 2014

## Achievements 2014

## Future actions and targets

### Employee engagement

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>— Strengthening employee engagement through targeted measures on the team level</li> </ul> | <ul style="list-style-type: none"> <li>— In autumn 2014, Sulzer conducted the company-wide employee engagement survey (EES). The results of the survey will be communicated to all employees around the world in early 2015</li> </ul> | <ul style="list-style-type: none"> <li>— The employee engagement survey 2014 will show how successful the implemented measures have been and, at the same time, deliver a solid basis for further improvements</li> <li>— Key actions will be defined to improve Sulzer's performance, leadership, and behavioral aspects</li> </ul> |
|---|--|--|

### High level of employee retention

- |  |  |  |
|--|--|--|
| <ul style="list-style-type: none"> <li>— The voluntary attrition rate should not exceed 7.0%</li> <li>— Employee engagement survey covering more than 90% of employees and with a return rate greater than 85% in 2014</li> <li>— Program for development and impact (PDI) with an overall evaluation of greater than 8.5 out of 10</li> </ul> | <ul style="list-style-type: none"> <li>— Voluntary attrition rate remained stable at 7.2% in 2014 (2013: 7.0%) due to specific measures to increase employee commitment and engagement and to further drive talent management activities</li> <li>— At 83.3%, the return rate of the employee engagement survey was higher than for the last EES in 2011 (81.4% return rate)</li> <li>— PDI graded by internal participants with an overall evaluation of 8.5 out of 10</li> </ul> | <ul style="list-style-type: none"> <li>— Further improve company commitment, and measure results in 2015</li> <li>— Program for development and impact (PDI) with an overall evaluation of greater than 8.5 out of 10</li> </ul> |
|--|--|--|

### Talent management

- |   |   |  |
|---|---|--|
| <ul style="list-style-type: none"> <li>— Fill 70% of vacant leadership positions with internal candidates</li> <li>— Improve awareness of diversity and inclusion topics. Improve diversity of the Sulzer Management Group (more members from emerging markets and more female talent)</li> </ul> | <ul style="list-style-type: none"> <li>— In 2014, Sulzer filled 89% of leadership positions with internal candidates (2013: 72%)</li> <li>— All divisions defined aspirations and key actions to improve diversity and inclusion</li> <li>— In 2014, 12% of the Sulzer Management Group (SMG) was female and 10% of the SMG worked in emerging markets</li> </ul> | <ul style="list-style-type: none"> <li>— Continue to fill at least 70% of vacant leadership positions with internal candidates</li> <li>— Further improve awareness of diversity and inclusion topics. Improve diversity of the Sulzer Management Group (more members from emerging markets and more female talent)</li> </ul> |
|---|---|--|

### Health and safety

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>— Accident frequency rate (AFR) of 2.7 cases per 1 million working hours</li> <li>— Accident severity rate (ASR) of 38 lost days per 1 million working hours</li> <li>— Certification of all production and service sites according to OHSAS 18001 or SCC</li> </ul> | <ul style="list-style-type: none"> <li>— AFR: 2.6 cases per 1 million working hours (2013: 3.2)</li> <li>— ASR: 53.9 lost days per 1 million working hours (2013: 61.4)</li> <li>— Coverage of OHSAS 18001 or SCC in production and service sites was 78%</li> </ul> | <ul style="list-style-type: none"> <li>— In 2015, the goal for the AFR is 2.5 cases per 1 million working hours</li> <li>— In 2015, the goal for the ASR is 41 lost days per 1 million working hours</li> <li>— Ongoing recertification of all production and service sites and first certification of acquisitions according to OHSAS 18001 or SCC</li> </ul> |
|---|--|--|



# Committed Employees with Attractive Career Opportunities

Employees are at the core of Sulzer’s success. The company strives to foster the development and employability of its people. For Sulzer, they are a strong enabler of competitive advantage.

One of Sulzer’s values is having committed people (see page 4). The company’s sustainable success is dependent on the commitment of all employees. Sulzer considers every employee as an individual with unique capabilities and competencies. Thus, the company aims to foster the well-being and employability of its people.

The Human Resources (HR) strategy is based on Sulzer’s vision, its values, and its four strategic priorities (see page 24). The strategic HR road map was set out to create a competitive advantage through people and to take responsibility for a sustainable future. It addressed five fundamental areas:

- Differentiating the company as a recognized leader
- Building employee capabilities
- Protecting Sulzer’s human capital investment
- Enabling company growth
- Providing excellent HR services to the company

Since the beginning of 2014, Sulzer has had an adapted operational structure. Cross-divisional and interdepartmental collaboration has become more important. The newly created HR group function will revisit its HR strategy, road map, and services offered and make it fit the new structure and challenges of one company accordingly.

## Company-wide survey to collect ideas and thoughts

Sulzer encourages its employees to speak up. In autumn 2014, Sulzer launched a company-wide employee engagement survey (EES). The entire global workforce had the opportunity to give anonymous feedback on topics such as job content, working environment, leadership, values, goals, and company commitment. At 83.3%, the return rate was even higher than for the last EES, which was conducted in 2011 (81.4% return rate). The input will help Sulzer to improve its performance, leadership, and behavioral aspects systematically.

## 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.

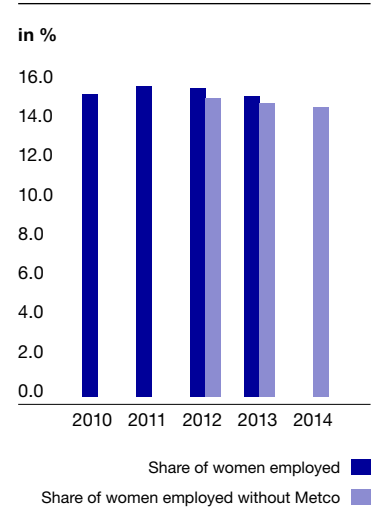
As part of its diversity strategy, Sulzer aims to increase the number of employees from emerging markets. Sulzer’s global footprint helps to balance the demographic change (for example, the aging trend in Europe). About 43% (2013: 40%) of the company’s employees work in emerging markets.

Sulzer engages 15 494 employees in over 150 locations and 41 countries. 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.

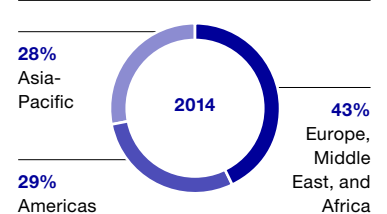
**“We treat all people with respect, and we cooperate across the whole company. We believe that this respect fosters teamwork and commitment.”**

*Marius Baumgartner,  
Head of Group Human Resources*

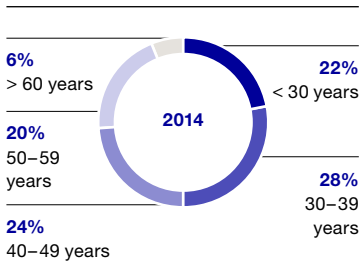
Share of women\*



Geographical spread of employees



**Age spread of employees**



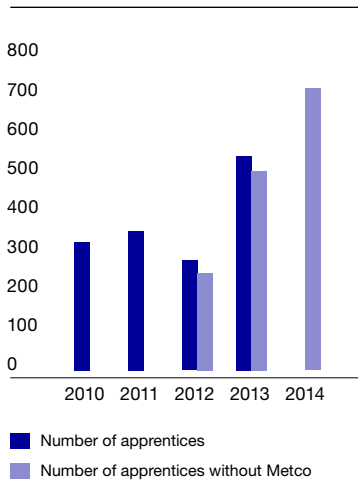
Sulzer’s teams are also diverse in terms of age; long-term and experienced employees work together with apprentices and recent university graduates. Bringing together younger and older employees increases the likelihood of new approaches to a solution. In 2014, 22% of the workforce was under 30 years 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.

**Recruiting and talent management as important enabler for growth**

It is important to prevent skill scarcity and to keep the leadership pipeline healthy by attracting, recruiting, developing, and retaining the right people. The recruiting process at Sulzer is supported by the eHR application SuccessFactors™. By the end of 2014, over 34 000 candidates were registered in more than 30 countries.

Talent reviews take place annually at Sulzer. Management teams around the world review and discuss employee potential and performance. Target-group-specific talent reviews further increase the visibility of particular talent segments and enable the company to drive the individual development and to identify needs of its employees. In this regard, international assignments help to provide critical capabilities across the globe and to position Sulzer as an attractive employer. Sulzer’s strong talent pipeline allowed 89% of vacant leadership positions to be filled by internal candidates in 2014 (2013: 72%).

**Apprenticeships\***



In order to benefit from the entire talent pool, including parents managing family and household, Sulzer allows for flexible time planning. All employees enjoy flexible working hours and part-time work whenever feasible. Parental leave is made available according to local requirements with a certain creative leeway for pragmatic, individual solutions. In 2014, about 443 (2013: 339) employees took parental leave that lasted on average 27 days (2013: 35 days).

**Fostering young talent through apprenticeships**

Sulzer invests in future employees by offering traineeships and apprenticeships. The young and future professionals receive the opportunity to combine practical on-the-job training with off-the-job education in an exciting and challenging work environment. In 2014, Sulzer educated 701 apprentices (2013: 491), equalling approximately 4.5% of all Sulzer employees (2013: 3%).

**Various learning and development opportunities across the company**

In 2014, Sulzer invested about 389 730 hours (2013: 444 360) in training. As a result, training hours per FTE decreased from 30 hours in 2013 to 25 hours in 2014. About 65% of these hours were in-house trainings. In 2014, 98% of the employees received Sulzer internal training (2013: 75%). The decrease in training hours is a result of the cost-saving measures.

**Collective bargaining agreement**

In total, an estimated 50% to 60%<sup>1)</sup> of all Sulzer employees are covered by national collective bargaining agreements.

<sup>1)</sup> 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.

Sulzer offers several programs to train its employees and to foster their operational and managerial skills as well as their leadership competencies. Sulzer’s leadership development architecture includes the Sulzer Management Training (SMT) for new leaders. Management basics, current leadership topics, and the ongoing reorganization are centerpieces of the SMT, which is designed to support Sulzer’s strategic goals. After a pilot phase, the SMT was rolled out in Europe, Middle East, and Africa (EMEA). In 2014, 45 participants in mixed groups from all business units in the EMEA region passed the SMT. The Program for Development and Impact (PDI) is a training program for ambitious leaders on different levels of the organization. The training focuses on fostering the capabilities of the individual (self-awareness, effectiveness), the team (collaboration, high-performance teams), and the business (business contribution, impact). PDI is a cornerstone of Sulzer’s investment in leadership development and a contributor to Sulzer’s talent pool. In 2014, 79 managers and experts participated in the PDIs (2013: 85). To manage training programs for employees, Sulzer began implementing a learning management system (LMS) in 2013. The LMS is a one-stop cloud-based solution for training and development administration. It includes classroom training, online learning, on-site training, social collaboration, and more. The global rollout will continue in 2015. Almost 5 000 users in more than 10 countries have access to the LMS in five languages. In 2014, the number of online training courses increased. Online training is now an integral part of learning activities of Sulzer employees.



### Cross-divisional workshops to support reorganization

Training is one of the key ingredients to successfully develop a common understanding of each other's business activities and to enable cross-selling. In view of the reorganization and the new divisional structure, employees of the pumps and the service divisions exchanged knowledge on their areas of expertise. To that end, several workshops with participants from both divisions and various functions were held across the globe. During the first cross-divisional workshop in Leeds (UK) in March 2014, participants discussed their common understanding of retrofit-related business activities and identified possible retrofit solutions to grow this particular business further.

### Standardized performance and competency appraisal process

Within Sulzer, the performance appraisal process, i.e., goal setting and evaluation, is standardized on a global level for all global grades as well as the local grades in Switzerland. Every employee with a global grade has a set of predefined financial targets and further agrees on individual targets with the line managers (management by objective). The eHR team is responsible for managing the process. At the end of the period, the eHR team calculates the bonus assignments on the basis of the evaluated targets.

In 2014, 74% of employees benefited from a performance appraisal (2013: 76%). The employees received feedback on their performance and discussed training and development needs with their line managers. The competency appraisal process was migrated to the eHR application SuccessFactors™ in 2014. The line managers evaluate the competency profile (Sulzer competencies) together with their employees and provide HR with further information about career interests and mobility directly in the tool. The new process is mandatory for all global grades and the local grades in Switzerland.

### Stable voluntary attrition rate

In 2014, the voluntary attrition rate remained stable at 7.2% (2013: 7.0%). This is due to specific measures to increase employee commitment and to further drive talent management activities.

### Performance-related compensation to promote a long-term view

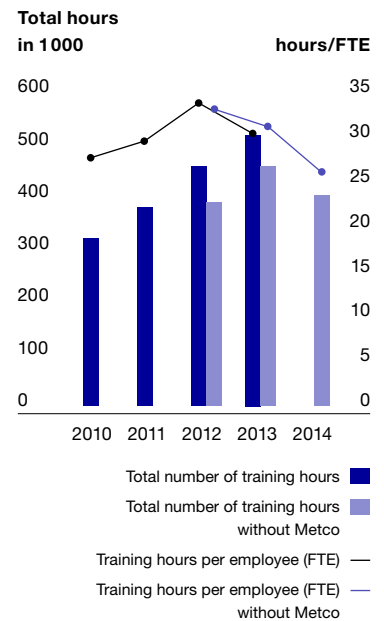
Sulzer's internally and externally benchmarked compensation and benefits system for managers is based on a non-discriminatory global grading system. Managerial positions have a variable target compensation component between 20 and 90%, which can be leveraged based on the extraordinary performance of the business and the individual to a maximum payout factor of two times the target bonus. The compensation packages of non-managerial employees are based on local practices and are at or above market median level. Compensation programs are systematically aligned to enhance cross-regional and cross-divisional mobility and to ensure equal incentive structures around the world. The restricted stock unit program introduced in 2009 and the Sulzer performance share plan (for the Executive Committee members) encourages managers to take a long-term view. Web-based HR solutions ensure an efficient performance evaluation and rewards process and facilitate the monitoring.

*Read more about compensation in Sulzer's Annual Report 2014.*

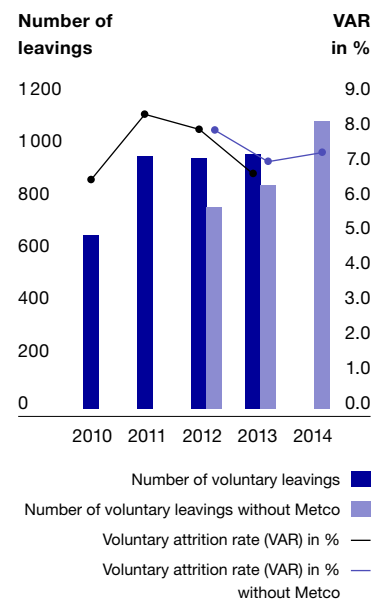
### Facilitated process thanks to harmonized global eHR tool

To improve the global HR system, Sulzer started to digitize the first HR processes in 2009. Two years later, globally harmonized HR processes were transferred to one global HR application called SuccessFactors. The responsibility for the setup lies within Group eHR. The eHR team is currently implementing the learning management system (LMS). The migration of further HR processes, such as competency, succession, or compensation, will be carried out gradually. The introduction of SuccessFactors facilitated administrative processes and eliminated maintenance work for outdated tools. With its venture into eHR, the company is ahead of many competitors and is well equipped for the future.

Training hours\*



Voluntary attrition rate\*



\*The charts display two different reporting scopes (2010-2013 vs. 2014). For more detailed information about scope and period of data in this section, see page 12.

# 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.

**“Before we can build a house, we must have a solid foundation. This means we need to have confidence that what we have been doing is not only working, but is also sustainably anchored. The cross-assessment campaign will give us the insights we need to be able to go forward successfully in 2015.”**

*Dr. Rajiv J. Damani,  
Project Lead Safe Behavior Program*

## 1500 days without any major occupational accident

Sulzer's Safe Behavior Program (SBP) makes a visible impact and contributes to the safety culture at Sulzer. The Rotterdam Service Center reached the milestone of 1500 days without any major occupational accidents in 2014. Pumps Equipment in Germany managed to stay accident-free for 31 consecutive months. Furthermore, the number of sites with more than 24 accident-free months is growing continuously at Sulzer. Thanks to exemplary leadership, regular discussions on the topic, and employees assuming responsibility for their own and others' safety, the number of accidents is being reduced systematically.

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.

The year 2014 was one of transition for the company. The ongoing reorganization of Sulzer resulted in uncertainty amongst Sulzer employees. To reinforce the message of safety as a priority and as part of the underlying transformation to a more collaborative organization, the management intensified its OHS efforts and increased its outreach to all employees. Sulzer worked hard to increase the momentum of its global Safe Behavior Program (SBP). Considerable investments were made in safety programs and trainings to strengthen the company's safety culture. As a rule, every individual working for and with Sulzer must comply with the “Safety Rules.” Additionally, all Sulzer manufacturing and service activities are obliged to implement and continuously improve OHS management systems like OHSAS 18001 and/or SCC certification.

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.

In 2014, the focus of the SBP was to implement the third level of the program. It aims to anchor safety at operational levels by fostering an attitude and understanding of safety ownership on all levels of management as well as by inspiring employees to engage proactively in safety initiatives. Because management was extensively trained on safety matters, the employees are experiencing increasingly tangible safety leadership. This will clear the way for a targeted safety culture, where employees will be encouraged and empowered to take on safety leadership themselves throughout all areas they influence.

To increase the effectiveness of the program at local and operational levels, three regional councils were held at Sulzer sites in Leeds (UK), Suzhou (China), and in Houston, TX (USA) in 2014. During these events, quality as well as health and safety experts with an in-depth understanding of local and regional cultural mores and challenges were able to share and align best practices. In total, about 100 experts conducted workshops on subjects such as:

- getting to the root causes of problems and incidents,
- fostering safety leadership by garnering and encouraging management involvement,
- improving risk awareness competence in management, and
- developing strategies to empower employees to intervene wherever necessary.

A particular highlight of these councils was the launch of a cross-assessment campaign. Within this framework, QESH experts are required and encouraged to visit each other’s sites to provide independent and fresh analysis on the effectiveness of the program, and to exchange views and knowledge on best practice.

In order to be able to move onto the next phase of the SBP, it is essential that the basics of levels 1 to 3 have been implemented thoroughly and effectively. The initial challenge is to get the mindset right. Sulzer is convinced that the regionalization of QESH efforts in combination with the strengthened and personalized expert network will bring the Sulzer safety culture forward. The next phase of the SBP will concentrate on encouraging peer-to-peer interactions and fostering a collaborative culture underscored by a learning organization.

**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:

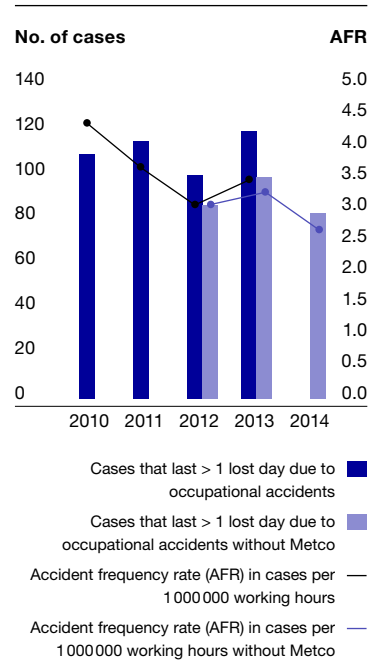
- The accident frequency rate (AFR)
- The accident severity rate (ASR)
- The number of major/minor accidents (including all cases of medical treatment and first aid)
- The number of occupational illnesses

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.

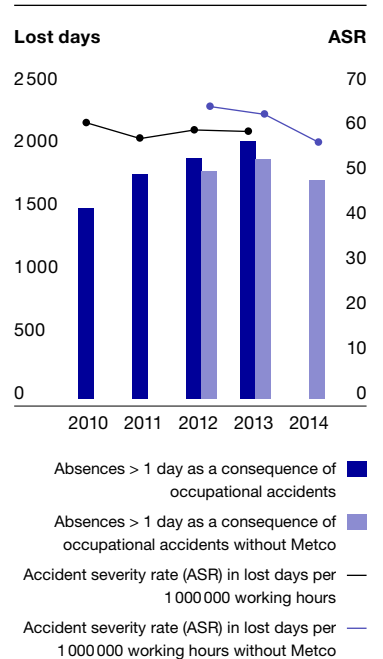
In 2014, the total lost-day rate (TLDR) due to accidents and illnesses increased to 2.2% (2013: 1.7%). Sulzer’s TLDR was above its five-year average of 1.8%. In absolute numbers, the total lost days increased by 23% to 85 947 days (2013: 66 427), which amounts to 5.5 days per FTE.

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)\***



**Accident severity rate (ASR)\***

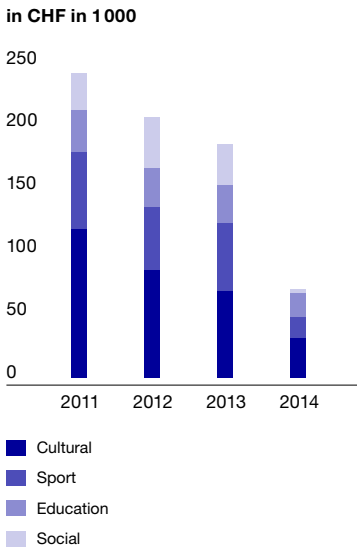


\*The charts display two different reporting scopes (2010-2013 vs. 2014). For more detailed information about scope and period of data in this section, see page 12.

# Being a Good Citizen

Sulzer is aware of its role in local communities and neighborhoods and interacts with its societal stakeholders. Through various sponsoring activities and the support of philanthropic projects all over the world, the company assumes its responsibility towards society.

## Sponsoring activities (Switzerland)



Sulzer employees are passionate about their living environments. The company enables them to interact with their communities by granting them the time, resources, and the incentive they need to do so.

For its substantial sponsoring activities, Sulzer sets a strategic rationale, establishes adequate transparency safeguards—such as clear responsibilities and targets—and monitors financial as well as social performance. General management has the freedom to decide the level of its community involvement. Sulzer supports the following instruments throughout the organization:

- Volunteerism (employee volunteering)
- Charitable cash and in-kind contributions
- Disaster and emergency relief

In 2014, Sulzer Ltd donated CHF 65 000 throughout Switzerland (2013: CHF 179 000)<sup>1)</sup>. Due to the company reorganization, the overall sponsoring activities in Switzerland were reduced in 2014. They included contributions to cultural and sports events, technical contributions, support for regional schools and universities, as well as for social establishments like the Aids Federation Winterthur.

## Local sponsoring to serve the public good

The Pumps Equipment site in Burgos, Spain, actively engages in community work by supporting various local philanthropic projects. For example, it collaborates with the local food bank by donating surplus non-perishable products such as unconsumed milk powder from the coffee supply. Furthermore, it supports the *Don Bosco Project* by sponsoring the Award for Research and Technological Innovation. The project recognizes innovative research of young high school and vocational education students. In addition, the Burgos site funds the local employees' football team as well as the basketball team. Among other things, it provides sports equipment to the teams and encourages employees to participate in the sports activities. This way, the company strives to promote teamwork and to build close relationships between employees.

## Thinking of tomorrow

Sulzer strives to be successful in the long run. The company supports *Avenir Suisse*, an independent think tank for economic and social issues in Switzerland. The goal of *Avenir Suisse* is to define relevant issues at an early stage and to point out proposals for solutions and causes for thought. Moreover, Sulzer is a member of *IngCH Engineers Shape our Future*. The association sensitizes the public to the importance of technology in economy, culture, and politics and fosters a better understanding of technique in society.

<sup>1)</sup> Amounts spent nationally/regionally in countries other than Switzerland are not communicated.

---

### Supporting people affected by breast cancer

---

Sulzer employees are concerned with fellow human beings in need. The Brisbane Service Center in Australia supports the *Mater Chicks in Pink*, a charity organization that helps women with breast cancer. The Brisbane staff organized a fund raiser by selling tea, coffee, and home-baked goods to colleagues. Likewise, the Gillette Service Center in Wyoming (USA) has been a supporter of *Bell-Nob Swing for the Cure* for many years. The foundation's mission is to raise money to aid the residents of Northeastern Wyoming with the detection and treatment of breast cancer. By participating in the annual golf tournament and providing financial support, the Gillette employees express their concern for the local community.

---

### Local donations all over the world

---

Sulzer's employees engage in their communities and are given the opportunity to make donations locally. For example, employees of Pumps Equipment South Africa supported a campaign of the *Little Fighters Cancer Trust* by collecting blankets for the children in various Pediatric Oncology wards in Johannesburg and Pretoria. Moreover, a team at Pumps Equipment Germany donated EUR 1 000 to a local children's home as a Christmas present.

---

Please find further social key performance indicators as well as the GRI G3 Index 2014 with information on core and additional indicators of the Global Reporting Initiative (GRI) on our website [www.sulzer.com/sustainability](http://www.sulzer.com/sustainability).

- Sulzer Sustainability Data Collection 2014 (and Sulzer Sustainability Data Collection 2009-2013)
- GRI G3.0 Content Index 2014

# ECOLOGICAL SUSTAINABILITY

---

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.







## FACTS AND FIGURES

---

# 3.8

Sulzer registered greenhouse gas emissions of 3.8 tons CO<sub>2</sub> eq. per 1 000 working hours in 2014 (2013: 3.3 t CO<sub>2</sub> eq./1 000 working hours).

---

# 37

Energy consumption increased by 10% to 37 GJ per 1 000 working hours compared with last year (2013: 34 GJ/1 000 working hours).

---

# 0.17

Hazardous waste per 1 000 working hours increased by 125% to 0.17 tons in 2014 (2013: 0.08 t/1 000 working hours).

---

# 61

Water consumption increased by 15% to 61 m<sup>3</sup> per 1 000 working hours in 2014 (2013: 53 m<sup>3</sup>/1 000 working hours).



# Monitoring Impact from Operations

Sulzer's environmental impact from its own operations stems mainly from energy consumption, related carbon dioxide emissions, water use, and hazardous waste production. The company applies targeted actions and measures to achieve its goals in these areas.

Targets 2014	Achievements 2014	Future actions and targets
<b>Environmental management</b>		
— Professionalize the life cycle assessment (LCA)/environmental product declarations (EPD) involvement (for example by implementing third-party software and establishing competence center)	— No additional EPDs were created in 2014	— Review and update existing EPDs, create new EPDs for additional key products
— Certify all production sites according to ISO 14001	— Coverage of ISO 14001 was 71%	— Ongoing recertification of all production and service sites and first certification of acquisitions according to ISO 14001
— Keep stable or reduce the amount of hazardous waste production per working hour	— Hazardous waste: 0.17 t/1 000 working hours (whr) (2013: 0.08 t/1 000 whr)	— Sharing of best practices on waste, i.e., recycling options of hazardous waste to keep stable or reduce the hazardous waste production per working hour compared with last year's level
<b>Energy efficiency</b>		
— Continue countermeasures at affected sites to systematically reduce or—at a minimum—keep the CO <sub>2</sub> emissions per working hour stable at last year's level	<ul style="list-style-type: none"> <li>— Energy consumption: 37 GJ/1 000 working hours (2013: 34 GJ/1 000 whr)</li> <li>— Total GHG emissions: 3.8 t CO<sub>2</sub> eq./1 000 working hours (2013: 3.3 t CO<sub>2</sub> eq./1 000 whr)</li> <li>— Direct CO<sub>2</sub> emissions: 0.84 t/1 000 working hours (2013: 0.60 t/1 000 whr)</li> </ul>	— Sharing of best practices on energy reduction measures to keep stable or lower the CO <sub>2</sub> emissions per working hour compared with last year's level

# Assuming Product Stewardship

Managing sustainability goes beyond the direct Sulzer operations. The company's solutions are used in various performance-critical applications. Thus, Sulzer attaches great importance to intensive consultation with and instruction of all parties involved.

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. Therefore, there are certain risks associated with the products, in particular:

- Unintended or incorrect use of the solutions
- Dispersion of chemical substances into the environment during maintenance work
- Incorrect disposal of a product solution

Hence, the company encourages close collaboration and intensive consultation on the appropriate technology and material as well as on the safe and efficient installation, operation, maintenance, and disposal of the customer's equipment.

Most of Sulzer's technologies and solutions are capital intense and sold in a B2B environment. A typical sales package includes:

- Intense consultation on and planning for (intended) use
- Assistance in safe assembly and installation of the solutions
- Optimized and safe handling and usage
- Extensive trainings on safe and efficient operations and maintenance of the equipment
- If required, consultancy on end-of-life solution

Through transparent communication and professional training for customers, employees, and third parties, Sulzer makes sure to pass on its expertise to its customers.

## Compliance with product regulations and standards

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.

# Considering Environmental Footprint of Products

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. Thereby, Sulzer supports its customers in creating a more sustainable economy.

## Environmental product declarations (EPDs)

To increase transparency as well as comparability and to highlight the ecological and economic benefits of its solutions, Sulzer provides its customers with *environmental product declarations (EPD)*. EPDs provide information on the consumption of resources (materials, water, energy) and environmental impacts (such as CO<sub>2</sub> emissions, acidification of water and soil, or photochemical smog). A number of EPDs from Sulzer go beyond the mandatory minimum standard and contain information on the product costs. This information is very important for the customers because the greatest costs and most of the emissions for “active” products, such as pumps, take place in the operating phase.

The EPDs are developed in accordance with the International EPD® System (IES) framework and the life cycle assessments conform to the ISO 14025 and 14040 standards. Sulzer's EPDs are externally verified by an independent British verification firm and, whenever available, follow preset product category rules that must improve comparability.

Customers increasingly pay attention to the environmental impact of products. This is true in all market segments—but particularly in the water market, where municipalities often ask for environmental data to inform investment decisions. 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 CO<sub>2</sub> emissions, acidification of water and soil, or photochemical smog.

## Life cycle management: from material extraction to recycling

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. 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. The following factors play an important role in design processes:

- Effective design and operations
- Energy efficiency and low emission rates during usage phase
- Safe usage
- Lifetime extensions (revamps, retrofits, or upgrades)
- Simple recycling
- Minimized weight

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 CO<sub>2</sub> 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 (see page 36). 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). Customers are mainly informed of local or regional recycling possibilities, because transporting products (such as pumps or entire separation column installations) back to a Sulzer plant is a comparatively environmentally unfriendly solution.

For more information on Sulzer's energy-efficient solutions, watch the video at [www.sulzer.com/energy-efficient-solutions](http://www.sulzer.com/energy-efficient-solutions).

---

### Improved pump design wastes less material and reduces costs

---

Pumps are critical operating components in many industries. A *beneficial design* not only ensures the reliability and efficiency of a pump, but also lowers the costs. Sulzer has made remarkable progress in reducing pump size over the last few years. The goal is to achieve the same performance with less material. Sulzer develops its own software tools to integrate all the design steps into an automated process. This improved system benefits the customer because it increases the accuracy and reliability of the results.

---

### Developing products that leave the smallest possible traces

---

Sulzer Mixpac Systems, a subsidiary of the Chemtech division, anchors responsibility for human life and the environment in their vision: “We want to develop products that leave the smallest possible traces at the end of their useful lives. To that effect, we develop our company, processes, and products continually.” In 2014, Sulzer Mixpac Systems took another step in this direction by developing a new “precol-lapsed cartridge” system. The advantages are a very low transport and waste volume, which amount to cost savings of 40% and more for the customer. Furthermore, the company introduced small, single-use applicators in the healthcare areas. These applicators are easily customizable and leave very little waste or residual material remaining in the cartridge.

---

### Reducing noise nuisance in the neighborhood

---

Sulzer Pump Solutions Finland Oy in Lappeenranta (Finland) produces turbocompressors (ABS HST product range) for wastewater treatment<sup>1)</sup>. The manufacturing process of the shafts for the HST blowers inevitably creates noise—noise that was a matter of concern by nearby residents. To methodically reduce the noise nuisance, the company started to better control the process (e.g., by assembling additional noise-reducing elements) and to monitor the level of noise in collaboration with local authorities. Hence, the site was able to reduce its noise level significantly.

---

---

1) The Lappeenranta factory has been moved to the Karhula site, Finland, in 2014. However, the shaft manufacturing in Lappeenranta is still in operation and will continue for the coming years.

## 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.

**“ISO 14001 is an excellent instrument with which to ensure the continuous improvement of Sulzer’s environmental performance, taking into account the variety of the company’s site activities.”**

*Daniel Oehler, Head of Group Environment, Health, and Safety*

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

- Energy consumption
- Greenhouse gas (GHG)/CO<sub>2</sub> 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, CO<sub>2</sub> 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.

Even though its biggest advantage is clearly in developing and selling energy-efficient product and service solutions, Sulzer works continuously on reducing the environmental impact of its own worldwide operations in a systematic way. The success of divisional and site-specific improvement programs demonstrate the commitment and keenness of Sulzer and its employees to contribute to one common goal: a safe and healthy environment.

Because of the large number of relatively small production (including workshops) and service sites at Sulzer, the aggregated effect of local initiatives is more substantial to the company’s overall environmental performance than globally coordinated high-visibility programs. In the reporting period, the company divested its coating business, Sulzer Metco. Further, the number of sites included in the data collection has grown; 85 sites reported on environmental data in 2014. This is because Sulzer consolidated its financial and extrafinancial data onto a single, harmonized, and centralized reporting platform. 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**

In 2014, the total energy consumption decreased by 5% to 965814 GJ (2013: 1 017 354 GJ); this reflects the changes in the product mix and the slight reduction in business activities. Sulzer has a rolling year-on-year target to maintain or lessen energy consumption per 1 000 working hours. In 2014, Sulzer did not meet this target—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). To date, Sulzer has no specific target to promote the use of energy from renewable sources.

In 2015, Sulzer’s QESH network will focus on sharing best practices on energy-reducing measures. In this way, the company strives to keep its energy use stable or lower it from last year’s level.

**Energy consumption by sources**

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 composition of the company’s energy sources changed only slightly from 2013. A total of 91% of energy use stemmed from electricity, natural gas, and district heating. Though approximately 32% derived from primary, non-renewable energy sources (of which 24% was natural gas), 67% originated from secondary energy sources. The secondary energy sources consisted of 7% district heating (2013: 17%) and 60% electricity bought (2013: 54%). Fuel oils, coal and coke, cooling energy, as well as wood and other renewable sources played minor roles in the energy sources mix. In 2014, roughly 1% of Sulzer’s energy consumption came from wood and other renewable sources (the composition of electricity bought is mostly country specific).

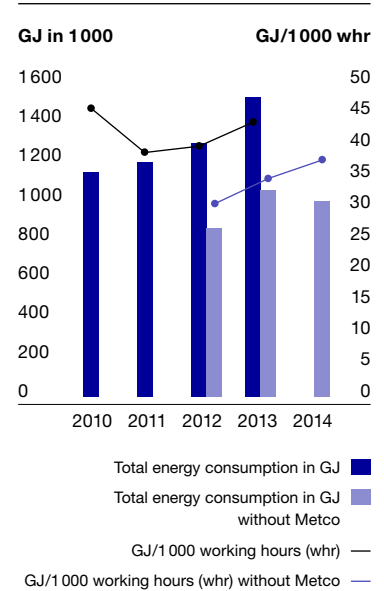
**Saving energy with local initiatives**

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, 2 000 kW transformers were not used any more. The changes resulted in saving of about 8 500 kWh, which is equivalent to more than CHF 43 000. 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 170 000 kWh.

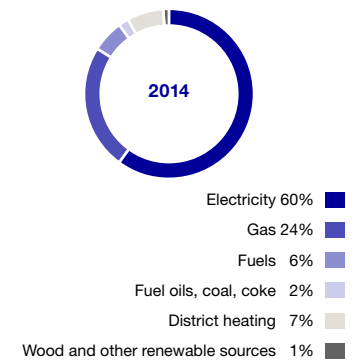
Most of the sites take measures to reduce power consumption by installing timers for air-conditioning systems as well as light sensors and using energy-saving bulbs or LED systems in their offices and factories. The Pumps Equipment site in Burgos (Spain), for example, replaced all its fluorescent lights 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, CO<sub>2</sub> 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.

**Energy consumption\***

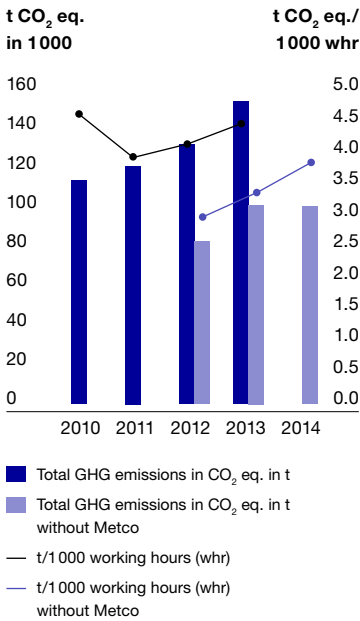


**Energy consumption by sources**





**Total greenhouse gas emissions\***



**Greenhouse gas emissions**

Sulzer reports greenhouse gas (GHG) emissions (scopes 1, 2, and 3)<sup>1)</sup> according to the *Greenhouse Gas Protocol* and the *CDP initiative*. In 2014, scope 3 reporting was—as in previous years—limited to fuel- and energy-related activities that are included in neither scope 1 nor 2. Please visit the *CDP website* to access Sulzer’s publicly available CDP. Measures to improve the scope 3 reporting in 2015 have been introduced and the results will be published in the next report.

In 2014, the total greenhouse gas emissions remained stable at 97500 tons (t) CO<sub>2</sub> eq. (2013: 98200 t CO<sub>2</sub> eq.). Sulzer did not meet its year-on-year rolling target to maintain or reduce GHG emissions in CO<sub>2</sub> eq. per 1000 working hours compared with last year’s values; because of the disproportional reduction of working hours, the greenhouse gas emissions (scopes 1-3) increased by 15% to 3.8 tons CO<sub>2</sub> eq. per 1000 working hours (2013: 3.3 t CO<sub>2</sub> eq./1 000 whr).

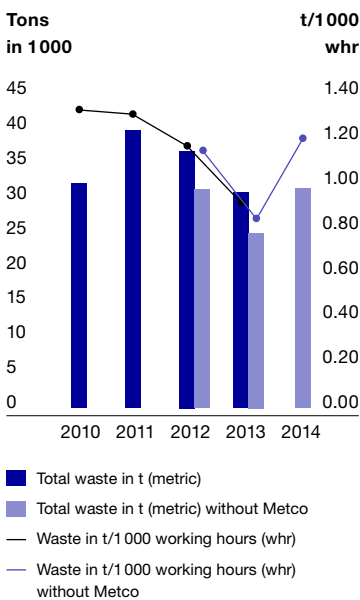
The various scopes contributed to the total GHG emissions as follows:

- Scope 1: 21 640 t CO<sub>2</sub> eq.
- Scope 2: 73 530 t CO<sub>2</sub> eq.
- Scope 3: 2 360 t CO<sub>2</sub> eq.<sup>2)</sup>

The direct greenhouse gas emissions (scope 1) mainly stem from the use of fossil energy sources, predominantly from the consumption of gas. Due to changes in the energy mix and emissions from refrigerants, the direct CO<sub>2</sub> emissions increased to 0.84 t CO<sub>2</sub> eq. per 1000 working hours (2013: 0.60 t CO<sub>2</sub> eq./1000 whr). The scope 2 emissions, on the other hand, decreased due to changes in the country specific energy mixes. The scope 3 emissions (transmission losses) were comparably small and stable.

Additional supply chain emissions from, for instance, business travel, employee commuting, or suppliers are not recorded.

**Waste production\***



**Waste production**

Waste is managed mostly on a local level as part of ISO-14001-certified environmental management systems (EMS). To decrease industrial waste, Sulzer follows the principle “reduce, reuse, and recycle”. Programs such as Sulzer LEAN and regular internal ISO 14001/QESH audits support the company in reducing waste of any kind systematically and in driving continuous improvement.

In 2014, Sulzer produced 30666 tons of waste (2013: 24322 t), which equals an increase of 26% from 2013. The company did not meet its goal to maintain or to decrease the amount of total waste (metric tons) produced per 1000 working hours from last year’s value; in 2014, the amount increased by 46% to 1.2 tons per 1000 working hours (2013: 0.8 t/1000 whr). The increase is partly due to the extended reporting scope; several sites reported waste for the first time. Furthermore, the rise was caused by an increased amount of hazardous waste (see “hazardous waste production” on page 57).

Sulzer evaluates waste production in two ways. It looks into the waste’s hazardousness, and it considers its treatment. In 2014, 15% of total waste was hazardous waste. With regard to treatment, 66% of total waste was recycled, 22% sent to landfill, and 5% incinerated in 2014. The remaining 7% was treated with other techniques. Recycling rates are comparatively high at Sulzer because steel and polymers are green materials that are relatively easy to recycle.

<sup>1)</sup> Scope 1: Direct emissions from Sulzer stemming from primary energy sources such as natural gas and fuels used on-site; scope 2: Indirect emissions from secondary (converted) energy sources such as electricity and district heating; scope 3: Indirect emissions from the production and transport of fuels and gases not included in scopes 1 or 2.

<sup>2)</sup> Due to the divestiture of Sulzer Metco, it is not possible to compare this year’s values with those from 2013.

---

## 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.

---

## Hazardous waste production

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 rise 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%).

By sharing best practices on waste management, e.g., recycling options for hazardous waste, Sulzer aims to maintain or to reduce its hazardous waste production per working hour in 2015.

---

## 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

---

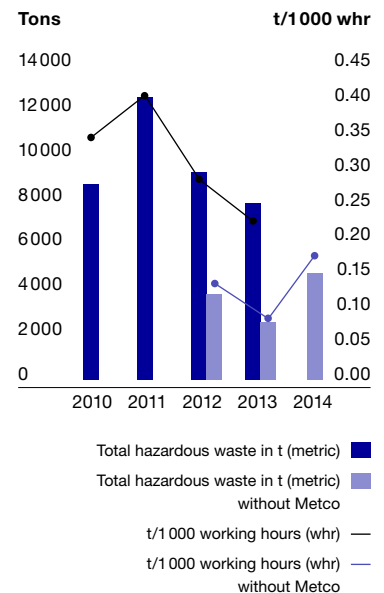
The Mass Transfer Technology business unit of the Chemtech division in Switzerland has been using trichloroethylene (PER) for the degreasing of structured packings. However, PER is categorized as harmful and environmentally dangerous. To produce structured packings without the use of PER, Chemtech developed 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.

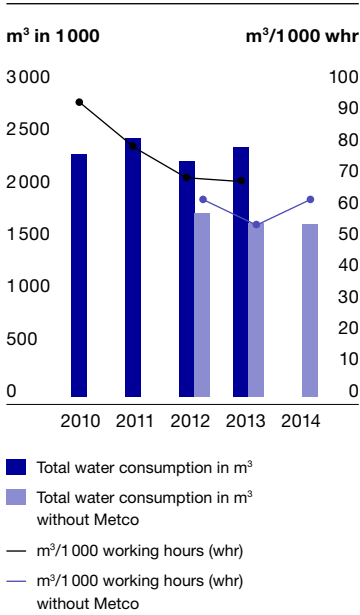
With these achievements, the business unit was able to terminate the operation of the PER degreasing unit in Switzerland by the end of 2013. Moreover, the unit was dismantled in mid-2014. As a result, approximately 3.5 tons of PER intake have been saved annually. In 2014, the company started to adapt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

---

## Hazardous waste production\*



**Water consumption\***



**Water consumption and discharge**

Sulzer collects data on the water consumption and discharge of its own operations. To optimize its organizational water footprint, Sulzer focuses primarily on reducing water consumption. Total water consumption remained stable at 1 581 631 m³ (2013: 1 591 611 m³). The consumption per 1 000 working hours increased by 15% to 61 m³ per 1 000 working hours (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.

For Sulzer, water risks are market related (pumps for water market) and, to a much lesser extent, related to operations. In operations, risks are not immediate; Sulzer does not systematically track water-related risks in its value chain. Sulzer’s contribution to providing secure access to water is addressed on page 31.

In the reporting period, total water discharge was 1 554 471 m³ (2013: 1 615 110 m³). Thereof, the majority was discharged to surface water (489 055 m³) and to water treatment plants (357 438 m³). The quality of wastewater is checked regularly and is discharged according to regulations.

**Treated wastewater for watering the green**

Sulzer’s Chemtech division in India takes great interest in protecting the environment with targeted measures. For example, the site in Pune has nearly doubled the green area on its premises to almost 10 000 m² during the last three years. Every year on the World Environment Day, the employees plant additional trees and participate in environmental awareness trainings.

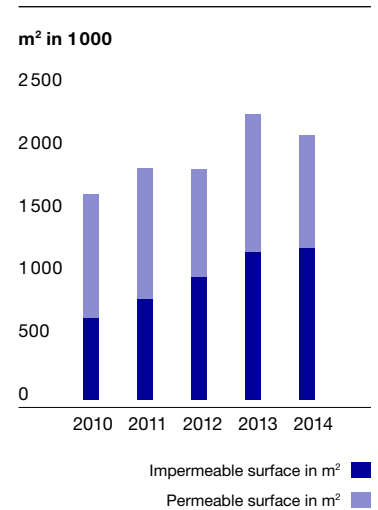
Pune is located in Maharashtra—an area marked with a high water stress level. Although the site does not have water-intensive production processes, the management set the goal of limiting the extraction of freshwater for gardening purposes. Thus, an effluent and sewage water treatment plant for domestic and industrial wastewater and one rainwater-harvesting pit were installed. The green area is exclusively watered with treated wastewater through automatic sprinklers. In 2014, an average of 1 900 m³ of wastewater was treated every month and used for gardening.

**Land conservation/biodiversity**

In 2014, Sulzer used roughly 2 million m<sup>2</sup> of land, whereof approximately 1.1 million m<sup>2</sup> were permeable. Sulzer sites are, on average, relatively small and have little impact on the social and natural environment.

According to risk assessments, no current sites are located in or adjacent to protected areas, areas of high biodiversity, or areas with habitats of protected or red-listed species. The company possesses a few operational and non-operational facilities and industrial sites that have been examined for potential contamination. Whenever necessary, contaminated elements have been disposed of in accordance with national law. This approach minimizes future risks and surprises. Targeted acquisition sites are also evaluated carefully for contamination and related risks during environmental due diligence.

**Land use\***



**Environmental incidents affecting society**

On December 19, 2013, a pickling and passivation unit at the Chemtech site in Tulsa (US) caught fire. The fire destroyed the passivation building; nobody was working at the time of the incident. It also affected the main production building. The fire did not cause any damage to persons, and there was no relevant negative effect on the environment. The fire department determined the cause of the fire to be electrical and declared that the loss did not originate from any act by Sulzer. After the incident, the pickling plant was removed, and it has not been replaced.

Please find further environmental key performance indicators as well as the GRI G3 Index 2014 with information on core and additional indicators of the Global Reporting Initiative (GRI) on our website [www.sulzer.com/sustainability](http://www.sulzer.com/sustainability).

— Sulzer Sustainability Data Collection 2014 (and Sulzer Sustainability Data Collection 2009-2013)  
 — GRI G3.0 Content Index 2014

\*The charts display two different reporting scopes (2010-2013 vs. 2014). For more detailed information about scope and period of data in this section, see page 12.

# APPENDIX

---

- Report Profile
- History of Sustainability at Sulzer
- List of Sites in SURE
- Glossary
- SGS Assurance Statement









# Report Profile

## Reporting cycle

Sulzer uses an annual reporting cycle for extrafinancial information.

## Reporting period

The Sulzer Sustainability Report 2014 contains data collected according to two different reporting cycles: The ESH data cover the reporting period October 1, 2013–September 30, 2014, if not otherwise stated. The following selected health and safety data are an exception and have a calendar reporting year, i.e., January 1, 2014–December 31, 2014:

- Accident frequency rate (AFR)
- Accident severity rate (ASR)
- Total lost day rate (TLDR)
- Non-occupational accidents and illnesses rate

The reporting period for HR data is the fiscal calendar year.

## Date of the most recent previous report

Sulzer published its most recent previous Sustainability Report 2013 (PDF) on February 20, 2014.

## Reporting standards

This report uses the voluntary Global Reporting Initiative (GRI) G3.0 extrafinancial reporting standard. The targeted application level is A.

## Economic performance and key financial performance indicators

In-depth economic information can be found in the Sulzer Annual Report 2014 ([www.sulzer.com/ar14](http://www.sulzer.com/ar14)).

## Third-party assurance

Since 2007, Société Générale de Surveillance (SGS) has been the independent assurance company for Sulzer's Sustainability Reports and reporting mechanisms. SGS provides Sulzer with a summary of the audit process in a letter of assurance and a written report to management with recommendations for improvement. The SGS assurance statement for the Sustainability Report 2014 is attached in the appendix at the end of this report.

## Tailored sustainability communication for external stakeholders

For its 2014 external sustainability reporting, Sulzer is using a three-channel approach:

- Sulzer Annual Report 2014: combined annual report with condensed extrafinancial information (print) (*see [www.sulzer.com/ar14](http://www.sulzer.com/ar14)*)
- Sulzer Sustainability Report 2014: PDF report according to GRI G3.0
- Online summary with focus on Sulzer's sustainability performance in 2014 (condensed)

In 2012, Sulzer started its journey towards an integrated report. Sulzer's most relevant extrafinancial KPIs and narrative evidence are communicated in Sulzer's Annual Report 2014. Additional information is available in the PDF report according to the GRI G3.0 standard. The main audience of the Sulzer Annual Report 2014 is the financial community and shareholders, whereas the online summary targets a wider stakeholder circle such as customers, employees, partners, the public, and other interested parties. The GRI G3.0 Sustainability Report 2014 presents the most comprehensive picture and was mainly written for experts and raters who expect a high level of detail on Sulzer's sustainability performance.

## Extrafinancial reporting to the management

Sulzer reports on its sustainability performance to Sulzer management through different channels:

- Monthly occupational health and safety (OHS) performance report, including accident frequency rate (AFR) and accident severity rate (ASR), backed by narrative evidence
- Quarterly OHS performance report, including lost day rates (LDR) for non-occupational accidents and illnesses, backed by narrative evidence
- Annually extended sustainability report on group, divisional, and site level, including quantitative physical and monetary OHS, social and environmental measures, backed by narrative evidence.

# History of Sustainability at Sulzer

Sulzer has a long tradition of responsible action. The company builds on its strong industrial heritage and engineering competence. Sulzer has consistently improved its economic, social, and ecological performance over time.

<b>Year</b>	<b>Measures</b>
1834	First statement on “getting it right the first time” from Johann Jakob Sulzer
1845	Sickness Benefit Association for factory workers
1870	Company-owned apprentice workshop for young craftsmen
1872	Society for Low-Cost Housing Construction
1890	First Workers' Council in Switzerland
1919	Switzerland's first regularly published in-house magazine Sulzer Technical Review (STR)
1945	First working memberships in ISO committees
1988	Founding member of the European Foundation for Quality Management (EFQM)
1990	First employee participation program
1991	First environmental policy
1992	Reissue of traditional quality principles, quality as “the attitude in all we do”
1993	Official launch of ISO 9001 certification campaign; start of environmental data collection
1995	First product life cycle analysis
1996	First external environmental report; first ISO 14001 certificate
1997	First external social report; corporate values with important total quality elements
1998	Principles of Cooperation
2000	Integrated QESH management systems based on ISO 9001:2000
2001	First comprehensive sustainability data collection
2002	Corporate values; Code of Business Conduct; SEED database for sustainability data collection; first internal SA 8000 and OHSAS 18001 audits
2003	Corporate Risk Council; first lean production initiative
2004	First external report on sustainability; SEED light database for smaller sites
2005	QESH as a key process for operational excellence; Programs for Development and Impact (PDI)
2007	Health and safety awareness program; SEED mini database for service sites
2008	First GRI A+ rating for the Sulzer Sustainability Report; Sulzer safety rules; new competency framework
2009	Sulzer values; new employer brand strategy; Sustainability Council established
2010	First environmental product declarations (EPDs); corporate-wide LEAN platform to foster organizational excellence
2011	Global employee engagement survey; corporate-wide initiative to increase diversity
2012	New strategic priorities; rollout of global Safe Behavior Program; initiation of integrated annual reporting
2013	Consolidation of financial and extrafinancial reporting platforms onto SAP-BPC (SURE database) initiated
2014	Global employee engagement survey; consolidation of financial and extrafinancial reporting platforms onto SAP-BPC (SURE database) completed

## List of Sites in SURE

All sites listed (212 in total) report on human resources data.

	Country	Name	Environmental data	Health & safety data
1	Arab Emirates	Sulzer Pumps Middle East FZCO, Abu Dhabi (spare parts production)		X
2	Arab Emirates	Sulzer Pumps Middle East FZCO, Abu Dhabi (Service Center)		X
3	Arab Emirates	Intersel Dowding & Mills FZCO, Dubai		
4	Arab Emirates	Sulzer Ali & Sons Oil Field Supplies LLC, Umm Al Naar (Service Center)		X
5	Argentina	Sulzer Turbo Services Argentina S.A., Buenos Aires	X	X
6	Australia	Sulzer Chemtech Pty Ltd., Adelaide		X
7	Australia	Dowding & Mills (Australia) Pty Ltd., Brendale	X	X
8	Australia	Sulzer Pumps Wastewater Australia Pty Ltd., Brisbane	X	X
9	Australia	Sulzer Turbomachinery Services (Oceania) Pty Ltd., Dandenong South		
10	Australia	Dowding & Mills (Australia) Pty Ltd., Melbourne		X
11	Australia	Dowding & Mills (Australia) Pty Ltd., Newcastle		X
12	Australia	Dowding & Mills (Australia) Pty Ltd., Salisbury		X
13	Australia	Dowding & Mills (Australia) Pty Ltd., Sydney		X
14	Australia	Sulzer Pumps (ANZ) Pty Ltd., Wangara Perth (spare parts production)		X
15	Australia	Sulzer Pumps (ANZ) Pty Ltd., Wheelers Hill	X	X
16	Austria	Sulzer Pumpen Oesterreich Ges.m.b.H., Wels		X
17	Austria	Sulzer Pumps Wastewater Austria GmbH, Wiener Neudorf		X
18	Bahrain	Sulzer Chemtech Middle East S.P.C., Al Seef		X
19	Belgium	Sulzer Pumps Wastewater Belgium N.V./S.A., St. Stevens-Woluwe		X
20	Brazil	Sulzer Brasil S.A., Buenos Aires (Service Center)		X
21	Brazil	Sulzer Process Pumps Brasil Ltda., Curitiba		
22	Brazil	Sulzer Pumps Wastewater Brasil Ltda., Curitiba	X	X
23	Brazil	Sulzer Brasil S.A., Jundiá	X	X
24	Brazil	Sulzer Brasil S.A., Jundiá (Service Center)		X
25	Brazil	Sulzer Brasil S.A., Macaé (Service Center)	X	X
26	Brazil	Sulzer Brasil Indústria, Comércio e Serviços Ltda., Município de Vinhedo		X
27	Brazil	Sulzer Chemtech Brasil, Triunfo		X
28	Brazil	Sulzer Chemtech Brasil, Vinhedo		X
29	Canada	Sulzer Pumps (Canada) Inc., Burnaby	X	X
30	Canada	Sulzer Pumps (Canada) Inc., Edmonton (Service Center)		X
31	Canada	Sulzer Turbo Services Canada Ltd., Edmonton	X	X
32	Canada	Sulzer Chemtech Canada Inc., Edmonton	X	X
33	Canada	Sulzer Pumps Wastewater Canada Inc., Mississauga		
34	Canada	Sulzer Pumps (Canada) Inc., Toronto (Service Center)	X	X
35	Chile	Sulzer Sistemas e Instalaciones (Chile) S.A., Santiago		
36	Chile	Sulzer Bombas Chile Ltda., Vitacura/Region Metropolitana		X
37	China	Sulzer Pumps Suzhou Ltd., Chengdu (Service Center)		X
38	China	Sulzer Dalian Pumps & Compressors Ltd., Dalian	X	X
39	China	Sulzer Dalian Pumps & Compressors Ltd., Dalian (Service Center)		X
40	China	Sulzer Pumps Suzhou Ltd., Guangzhou (Service Center)		X

	<b>Country</b>	<b>Name</b>	<b>Environmental data</b>	<b>Health &amp; safety data</b>
41	China	Sulzer Pump Solutions Kunshan Co Ltd., Kunshan	X	X
42	China	Sulzer Turbo Services China, Kunshan		X
43	China	Sulzer Shanghai Engineering & Machinery Works Ltd., Minhang	X	X
44	China	Sulzer Shanghai Engineering & Machinery Works Ltd., Shanghai	X	X
45	China	Sulzer Pumps Suzhou Ltd., Shanghai (Service Center)		X
46	China	Sulzer Pumps Wastewater Shanghai Co Ltd., Shanghai		X
47	China	ABS Production China Co. Ltd, Shanghai		
48	China	Sulzer Chemtech Xi'an Ltd, Shanghai		X
49	China	Sulzer Pumps Suzhou Ltd., Suzhou	X	X
50	China	Sulzer Pumps (Wuxi) Ltd., Wuxi, Jiangsu		
51	Colombia	Sulzer Pumps Colombia S.A.S., Cota	X	X
52	Czech Republic	Sulzer Pumps CZ + SK s.r.o., Praha		
53	Denmark	Sulzer Pumps Denmark A/S, Farum		X
54	Denmark	Sulzer Mixpac Denmark A/S, Greve	X	X
55	Estland	ABS Pumps A/S, Tallinn		
56	Finland	Tartek Oy, Rauma		
57	Finland	Sulzer Pumps Finland Oy, Karhula Foundry		X
58	Finland	Sulzer Pumps Finland Oy, Karhula (Water Service Center)		X
59	Finland	Sulzer Pumps Finland Oy, Karhula	X	X
60	Finland	Sulzer Pump Solutions Finland Oy, Lappeenranta		
61	France	Sulzer Pompes Process SASU, Mantes la Ville		X
62	France	Sulzer Pompes France SASU, Mantes-la-Ville	X	X
63	France	Sulzer Pompes France SASU, Velaux (Service Center)	X	X
64	France	Sulzer Pumps Wastewater France SAS, Villemomble	X	X
65	Germany	Sulzer Pumps Wastewater Germany GmbH, Bonn	X	X
66	Germany	Sulzer Pumpen (Deutschland) GmbH, Bruchsal	X	X
67	Germany	Sulzer Chemtech GmbH, Duisburg		X
68	Germany	Sulzer Pumpen (Deutschland) GmbH, Hamburg (Service Center)		X
69	Germany	Sulzer Pumpen (Deutschland) GmbH, Janschwalde (Service Center)	X	X
70	Germany	Sulzer Chemtech GmbH, Linden		X
71	Germany	Sulzer Pump Solutions Germany GmbH, Lohmar	X	X
72	Germany	Sulzer Pumpen (Deutschland) GmbH, Mannheim (Service Center)	X	X
73	Germany	Sulzer Pumpen (Deutschland) GmbH, Neuss (Service Center)	X	X
74	Germany	Sulzer Pumpen (Deutschland) GmbH, Schkopau (Service Center)	X	X
75	Greece	Sulzer Pumps Wastewater Greece SA, Athens		
76	India	Sulzer Chemtech Tower Field Services (India) Pvt. Ltd., Mumbai		X
77	India	Sulzer Pumps India Ltd., Navi Mumbai (Service Center)	X	X
78	India	Sulzer Tech India Pvt. Ltd., Navi Mumbai		X
79	India	Sulzer India Ltd., Pune	X	X

	<b>Country</b>	<b>Name</b>	<b>Environmental data</b>	<b>Health &amp; safety data</b>
80	India	Sulzer Pumps India Ltd., Raipur (Service Center)		X
81	Indonesia	PT Bakti Energi Sejahtera, Jakarta Selatan		
82	Indonesia	PT Sulzer Turbo Services Indonesia, Purwakarta	X	X
83	Indonesia	Sulzer Pumps Indonesia, Purwakarta (Service Center)		
84	Ireland	Sulzer Pump Solutions Ireland Ltd, Wexford	X	X
85	Italy	Sulzer Chemtech Italia S.r.l., Milano		X
86	Italy	Sulzer Pumps Wastewater Italy Srl, Vimodrone	X	X
87	Korea	Sulzer Korea Ltd., Busan	X	X
88	Malaysia	Advanced Separation Asia, Kuala Lumpur		X
89	Malaysia	Sulzer Pumps Wastewater Malaysia Sdn. Bhd, Selangor Darul Ehsan		X
90	Mexico	Sulzer Pumps México, S.A. de C.V., Coatzacoalcos (Service Center)	X	X
91	Mexico	Sulzer Pumps México, S.A. de C.V., Cuautitlán Izcalli (Service Center)		X
92	Mexico	Sulzer Pumps México, S.A. de C.V., Cuautitlán Izcalli	X	X
93	Mexico	Sulzer Chemtech, S. de R.L. de C.V., Cuautitlán Izcalli	X	X
94	Mexico	Renogas Mexico S. DE R.L. C.V., Mexico		X
95	Mexico	Sulzer Pumps Wastewater Mexico S.A. de C.V., Zapopan		
96	Nigeria	Sulzer Pumps (Nigeria) Ltd., Lagos		X
97	Norway	Sulzer Pumps Norway A/S, Drammen		
98	Norway	Sulzer Pumps Norway A/S, Stavanger	X	X
99	Norway	Sulzer Pumps Wastewater Norway A/S, Sandvika		X
100	Poland	Sulzer Pumps Wastewater Portugal SA, Loures		X
101	Poland	Sulzer Turbo Services Poland Sp. z o.o., Lublin	X	X
102	Poland	Sulzer Pumps Wastewater Poland Sp.z.o.o., Warszawa		X
103	Russia	Sulzer Pumps Rus LLC, Khimki (Service Center)	X	X
104	Russia	Sulzer Turbo Services Rus LLC, Moscow		X
105	Russia	Sulzer Pumps Rus LLC, Oktyabrsky (Service Center)		
106	Russia	Sulzer Chemtech LLC, Serpukhov	X	X
107	Russia	ZAO Sulzer Pumps, St. Petersburg		X
108	Russia	Sulzer Pumps Wastewater Russia CJSC, St. Petersburg		
109	Saudi Arabia	Sulzer Pumps (Saudi Arabia) LLC, Al Khobar (Service Center)		X
110	Singapore	Sulzer Asia Pacific Pte Ltd., Jakarta (Service Center)		
111	Singapore	Sulzer Asia Pacific Pte Ltd., Singapore (Service Center)	X	X
112	Singapore	Sulzer Chemtech Pte Ltd., Singapore	X	X
113	Singapore	Sulzer Turbo Services Singapore, Singapore		X
114	Singapore	Sulzer Asia Pacific Pte Ltd., Singapore		X
115	Singapore	Sulzer Pumps Wastewater Asia Pacific PTE Ltd, Singapore		X
116	Singapore	Sulzer Asia Holding Pte Ltd., Singapore		X
117	South Africa	Sulzer Pumps (South Africa) (Pty) Ltd., Capetown (Service Center)		X
118	South Africa	Sulzer Zambia Ltd., Chingola (Service Center)		X
119	South Africa	Sulzer Pumps (South Africa) (Pty) Ltd., Durban (Service Center)		X

	<b>Country</b>	<b>Name</b>	<b>Environmental data</b>	<b>Health &amp; safety data</b>
120	South Africa	Sulzer Pumps (South Africa) (Pty) Ltd., Johannesburg (Service Center)		X
121	South Africa	Sulzer Pumps (South Africa) (Pty) Ltd., Elandsfontein	X	X
122	South Africa	Sulzer Pumps (South Africa) (Pty) Ltd., Elandsfontein (Service Center)		X
123	South Africa	Sulzer Pumps Wastewater South Africa PTY Ltd, Johannesburg		X
124	South Africa	Sulzer Pumps (South Africa) (Pty) Ltd., Welkom (Service Center)		X
125	Spain	Sulzer Pumps Spain S.A., Burgos	X	X
126	Spain	Sulzer Pumps Spain S.A., Madrid (Service Center)	X	X
127	Spain	Sulzer Pumps Wastewater Spain S.A., Rivas Vaciamadrid	X	X
128	Sweden	Sulzer Pump Solutions AB, Malmö		X
129	Sweden	Sulzer Pump Solutions Sweden AB, Mölndal		X
130	Sweden	Sulzer Pump Solutions Nordmaling AB, Nordmaling	X	X
131	Sweden	Sulzer Pumps Holding Sweden AB, Norrköping		
132	Sweden	Sulzer Pumps Sweden AB, Norrköping		X
133	Sweden	Sulzer Pumps Sweden AB, Vadstena	X	X
134	Switzerland	Sulzer Chemtech AG, Allschwil	X	X
135	Switzerland	Sulzer Mixpac AG, Haag	X	X
136	Switzerland	Sulzer Chemtech AG, Pfäffikon	X	X
137	Switzerland	Sulzer Pumpen AG, Winterthur	X	X
138	Switzerland	Sulzer Chemtech AG, Winterthur	X	X
139	Switzerland	Sulzer Markets and Technology AG Switzerland, Winterthur		X
140	Switzerland	Sulzer Management AG, Winterthur		X
141	Thailand	ABS Nopon Co Ltd, Rayong		
142	Thailand	Sulzer Chemtech Co., Ltd., Rayong		X
143	The Netherlands	Sulzer Chemtech Nederland B.V., Breda		X
144	The Netherlands	ATI Advanced Technologies & Innovations B.V., Arnhem		X
145	The Netherlands	Advanced Separation ASCOM B.V., Arnhem		X
146	The Netherlands	ProLab Netherlands B.V., Arnhem		X
147	The Netherlands	Sulzer Netherlands Holding B.V., Breda		X
148	The Netherlands	Sulzer Turbo Services Rotterdam B.V., Europoort Rt.	X	X
149	The Netherlands	Sulzer Turbo Services Venlo B.V., Lomm	X	X
150	The Netherlands	Sulzer Pumps Wastewater Netherlands BV, Maastricht	X	X
151	The Netherlands	Sulzer Pumps (Benelux) N.V., Moerdijk (Service Center)	X	X
152	The Netherlands	Sulzer Pumps (Benelux) N.V., Sluiskil (Service Center)		X
153	United Kingdom	Dowding & Mills Plc., Aberdeen		X
154	United Kingdom	Sulzer Wood Ltd., Aberdeenshire (Service Center)	X	X
155	United Kingdom	Dowding & Mills Plc., Ashford		X
156	United Kingdom	Dowding & Mills Plc., Avonmouth		X
157	United Kingdom	Dowding & Mills Plc., Birmingham	X	X
158	United Kingdom	Dowding & Mills Plc., Daventry		X
159	United Kingdom	Sulzer Pumps (UK) Ltd., Bristol (Service Center)		X



	<b>Country</b>	<b>Name</b>	<b>Environmental data</b>	<b>Health &amp; safety data</b>
160	United Kingdom	Dowding & Mills Plc., Bromborough		X
161	United Kingdom	Dowding & Mills Plc., Chessington		X
162	United Kingdom	Sulzer Pumps Wastewater UK Ltd., Crawley	X	X
163	United Kingdom	Dowding & Mills Plc., Falkirk		X
164	United Kingdom	Dowding & Mills Plc., Glasgow		X
165	United Kingdom	Dowding & Mills Plc., Ipswich		X
166	United Kingdom	Sulzer Chemtech (UK) Ltd., Kettering		X
167	United Kingdom	Sulzer Pumps (UK) Ltd., Leeds	X	X
168	United Kingdom	Sulzer Pumps (UK) Ltd., Leeds (Service Center)		X
169	United Kingdom	Dowding & Mills Plc., London		X
170	United Kingdom	Sulzer Pumps (UK) Ltd., Maidstone (Service Center)		X
171	United Kingdom	Dowding & Mills Plc., Manchester		X
172	United Kingdom	Dowding & Mills Plc., Middlesbrough		X
173	United Kingdom	Dowding & Mills Plc., Nottingham		X
174	United Kingdom	Dowding & Mills Plc., Scarborough		X
175	United Kingdom	Dowding & Mills Plc., Sheffield		X
176	United Kingdom	Dowding & Mills Plc., Southampton		X
177	United Kingdom	Dowding & Mills Plc., Southampton Mech		X
178	United Kingdom	Sulzer Chemtech (UK) Ltd., Stockton on Tees		X
179	United Kingdom	Dowding & Mills Plc., York		X
180	Uruguay	Sulzer Turbo Services Uruguay S.A., Montevideo		
181	USA	Sulzer Pumps (US) Inc., Barboursville	X	X
182	USA	Sulzer Pumps (US) Inc., Baton Rouge (Service Center)	X	X
183	USA	Sulzer Turbo Services New Orleans Inc., Belle Chasse	X	X
184	USA	Sulzer Pumps (US) Inc., Bridgeport (Service Center)	X	X
185	USA	SUSH International FSC Inc., Bridgetown		
186	USA	Sulzer Pumps (US) Inc., Brookshire	X	X
187	USA	Sulzer Pumps (US) Inc., Chattanooga (Service Center)	X	X
188	USA	Sulzer Pumps Solutions Inc., Easley	X	X
189	USA	Sulzer EMS Inc., Farmington	X	X
190	USA	Sulzer EMS Inc., Gillette	X	X
191	USA	Sulzer Pumps (US) Inc., Houston		
192	USA	Sulzer Pumps (US) Inc., Houston (Service Center)	X	X
193	USA	Sulzer Chemtech USA Inc., Humble		X
194	USA	Sulzer Pumps (US) Inc., Joliet (Service Center)	X	X
195	USA	Sulzer Turbo Services Houston Inc., La Porte	X	X
196	USA	Sulzer Pumps (US) Inc., Los Angeles (Service Center)	X	X
197	USA	Sulzer Pump Solutions (US) Inc, Meriden		
198	USA	Sulzer Pumps (US) Inc., Mobile (Service Center)	X	X
199	USA	Sulzer Pumps (US) Inc., Odessa (Service Center)	X	X

	<b>Country</b>	<b>Name</b>	<b>Environmental data</b>	<b>Health &amp; safety data</b>
200	USA	Sulzer Grayson Inc., Orange		X
201	USA	Sulzer Grayson Inc., Pasadena		X
202	USA	Sulzer EMS Inc., Phoenix	X	X
203	USA	Sulzer Pumps (US) Inc., Piedmont (Service Center)	X	X
204	USA	Sulzer Pumps (US) Inc., Portland	X	X
205	USA	Sulzer Pumps (US) Inc., Rocky Mountain (Service Center)	X	X
206	USA	Sulzer Mixpac USA Inc., Salem NH	X	X
207	USA	Sulzer Pumps (US) Inc., Salt Lake City (Service Center)	X	X
208	USA	Sulzer Pumps (US) Inc., Standard Cell (Service Center)		
209	USA	Sulzer US Holding Inc., Sugar Land		X
210	USA	Sulzer Chemtech USA Inc., Tulsa	X	X
211	Venezuela	Sulzer Pumps (Venezuela) S.A., Barcelona (Service Center)		X
212	Venezuela	Sulzer Turbo Services Venezuela S.A., Caracas		X

# Glossary

**Acidification:** A process whereby air pollution—mainly composed of ammonia, sulfur dioxide, and nitrogen oxides—is converted into acidic substances that cause damage, for example, to forests, lakes and buildings. Sulfur dioxide and nitrogen oxides are mainly emitted by burning fossil fuels.

**AFR:** Accident frequency rate, indicates the number of occupational accidents with more than one lost day per 1 million working hours.

**AME:** Americas (North, Central, and South America).

**ASR:** Accident severity rate, indicates the number of lost days of occupational accidents with more than one lost day per 1 million working hours.

**CDP:** Carbon Disclosure Project.

**CE:** Conformité Européenne (European health and safety product label).

**EBIT:** Earnings before interest and taxes.

**EBITA:** Earnings before interest, taxes, and amortization. To further increase transparency, Sulzer introduces with operational EBITA a new performance indicator.

**EBITR:** Earnings before interest, taxes, restructuring, and impairment on goodwill.

**EMEA:** Europe, Middle East, and Africa.

**Employees:** If not otherwise stated, numbers of employees are full-time equivalents (FTE).

**Eq.:** Equivalents.

**ESH:** Environment, safety, and health.

**GHG:** Greenhouse gases.

**GHG-Protocol:** Greenhouse Gas Protocol.

**GJ:** Gigajoule.

**Greenhouse Gases:** The Kyoto Protocol regulates the most important greenhouse gases: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), and synthetic gases such as fluorocarbons (FKW/HFC), perfluorinated hydrocarbon, and sulfur hexafluoride. Fossil fuels are the main cause of emissions of CO<sub>2</sub> and N<sub>2</sub>O.

**GRI:** Global Reporting Initiative, a global standard for sustainability reporting.

**Hazardous Materials Emissions and Exposure (HMEE) standards:** Sulzer internal risk mitigation program to mitigate exposure of Sulzer employees to hazardous emissions and materials.

**Hazardous waste:** In 2009, Sulzer introduced an internal Sulzer list that defines 18 types of hazardous waste. Until 2008, the sites reported hazardous waste as it has been defined by the diverse local legislations. The treatment of a significant share of these materials could be defined as recycling (for example, waste oil). At Sulzer, hazardous waste includes liquid and solid waste.

**HR:** Human resources.

**ILO:** International Labor Organization.

**ISO:** International Standard Organization.

**ISO 9001:** International standard that defines the general conditions of a quality management system, requiring it to be a process-oriented approach and to have the commitment to demonstrating continuous improvement.

**ISO 13485:** The ISO 9001 derivative standard for suppliers of medical devices or related services.

**ISO 14001:** International standard that defines the general conditions of an environmental management system.

**ISO 14025:** ISO 14025:2006 establishes the principles and specifies the procedures for developing Type III environmental declaration programs and Type III environmental declarations. It specifically establishes the use of the ISO 14040 series of standards in their development.

**ISO 14040:** ISO 14040:2006 describes the principles and framework for life cycle assessment (LCA). It includes: definition of the goal and scope of the LCA, the life cycle inventory analysis (LCI) phase, the life cycle impact assessment (LCIA) phase, the life cycle interpretation phase, reporting and critical review of the LCA, limitations of the LCA, the relationship between the LCA phases, and conditions for use of value choices and optional elements.

**ISO 14067:** ISO/TS 14067:2013 specifies principles, requirements, and guidelines for the quantification and communication of the carbon footprint of a product (CFP). These are based on international standards for life cycle assessment (ISO 14040 and ISO 14044) for quantification and based on environmental labels and declarations for communication.

**ISO 16949:** The ISO 9001 derivative standard for suppliers to the automotive industries.

**ISO 17025:** International standard that specifies requirements for the competence to carry out tests and/or calibrations, including sampling.

**kW:** Kilowatt.

**kWh:** Kilowatt hours.

**Kyoto Protocol:** International agreement linked to the United Nations Framework Convention on Climate Change. It sets binding targets for 37 industrialized countries and the European community for reducing GHG emissions.

**LEAN:** The term lean management stands for all principles, methods, and procedures to structure the entire value chain of production processes effectively and efficiently. Sulzer LEAN has the goal of creating value for customers and other stakeholders by reducing waste of all kinds.

**Municipal waste:** Non-hazardous waste that cannot be given to recycling, such as waste from households (for example, composite packaging). It can be treated in a waste incineration plant or disposed of in a landfill.

**Net value added:** Operating income (EBIT) plus personnel expenses.

**Occupational accidents:** Work-related accidents that occur while working at a Sulzer site or on behalf of Sulzer at a customer site, that is, in working areas that are under Sulzer's control. Accidents that occur while traveling on request of Sulzer are included.

**OHS/OHSAS 18001:** Occupational Health and Safety Assessment Series 18001 is an internationally applied standard that defines an occupational health and safety management system designed to create a safer workplace.

**Organizational Environmental Footprint:** Method based on life cycle assessment (LCA) to calculate the environmental performance of an organization. The European Commission's Joint Research Centre developed the method.

**Photosmog (or photochemical smog):** The impact of high ozone concentration levels on ground-level air layers, which originates from the interaction of sunlight, hydrocarbons, and nitrogen oxides.

**Product Environmental Footprint:** Method based on life cycle assessment (LCA) to calculate the environmental performance of a product. The European Commission's Joint Research Centre developed the method.

**QESH:** Quality, environment, safety, and health.

**ROCE:** Return on capital employed.

**RoHS:** Restriction of Hazardous Substances. Directive regulating the use of certain hazardous substances in electrical and electronic equipment 2002/95/EC of the European Community.

**ROS:** Return on sales.

**ROSA:** Return on sales before restructuring, impairment on goodwill, and amortization (EBITA/sales).

**SA 8000:** The Social Accountability 8000 is an auditable social standard based on the Conventions of the International Labour Organisation, the Universal Declaration of Human Rights, and the United Nations Convention on the Rights of the Child.

**SCC:** The Safety Certificate Contractors is a certifiable, international standard of safety management systems for suppliers of technical services who work as subcontractors on the customer sites.

**Scope:** Defines the operational boundaries in relation to indirect and direct GHG emissions.

**Scope 1 inventory:** A reporting organization's direct GHG emissions.

**Scope 2 inventory:** A reporting organization's emissions associated with the generation of electricity, heating and cooling, or steam purchased for its own consumption.

**Scope 3 inventory:** A reporting organization's indirect emissions other than those covered in scope 2.

**SEED:** The database that Sulzer used to collect, validate, and report on social, economic, and ecological data until 2013. It consisted of three different types: 1) SEED full (full version of SEED for production sites), 2) SEED light (simplified version of SEED for smaller sites), and 3) SEED mini (simplified version of SEED adopted for service sites). Since 2014, SURE has been used as reporting platform for financial and extrafinancial data.

**SURE:** The SAP-BPC consolidation software that Sulzer has used to collect and report on financial and extrafinancial data since 2014. SURE data are generated and collected on the site level. All reporting entities and sites upload data into the system once a month.

**TLDR:** Total lost day rate, indicates the total number of lost days of occupational and non-occupational absences with more than one lost day per case in relation to the total working hours at Sulzer.

**UN Global Compact:** The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, the environment, and anticorruption.

**VOC:** Volatile organic compounds, for example, solvents. There are non-halogenated and halogenated VOCs; halogenated VOCs destroy the ozone layer.

**Voluntary Attrition Rate (VAR):** Leavings initiated by the employee or leavings that are based on a signed leaving agreement. The rate does not include retirements.

**WEEE:** The European Waste Electrical and Electronic Equipment Directive applies to a wide range of electronic and electrical products. It encourages the collection, treatment, recycling, and recovery of waste from electrical and electronic equipment.

**Working hours (Whr):** The new indicator basis Sulzer has used since 2014 for many performance indicators. It replaces net value added (NVA) that was used as reference in the past.





## ASSURANCE STATEMENT

### SGS STATEMENT ON ASSURANCE of Sulzer Ltd GRI Sustainability Disclosure 2014

#### SCOPE

SGS was commissioned by Sulzer Ltd to conduct an independent assurance of the GRI-based disclosure on sustainability in 2014. Our assurance scope included the GRI disclosure obligations and figures in accordance with the GRI-G3 Index 2014 published at [www.sulzer.com/sustainability](http://www.sulzer.com/sustainability). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included all texts and 2014 data in accompanying tables and referenced information on the webpage of Sulzer Ltd as quoted in the GRI Index Table. The assurance process did not consider any data from previous years.

#### CONTENT

The Board of Directors or the Executive Board and the Management of the organisation are responsible for the details provided in the annual report and on the website. SGS was not involved in the preparation of any of the material included in the GRI Index and acted as an independent assessor of the data and text using the Global Reporting Initiative Sustainability Reporting Guidelines 3.0 (2006) as a standard. The content of this Assuror's Statement and the opinion(s) it gives is the responsibility of SGS.

#### CERTIFIER INDEPENDENCE AND COMPETENCIES

The SGS Group is active as a globally leading company in the areas of assurance, testing, verifying and certifying in more than 140 countries and provides services, including the certification of management systems and services. SGS confirms that it is independent from Sulzer Ltd. It is unbiased and no conflicts of interest exist with the organisation, its subsidiaries and beneficiaries. The assurance team was assembled based on knowledge, experience and qualifications for this assignment.

#### METHODOLOGY

The SGS Group has developed a set of protocols for the assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines 3.0 (2006). The assurance comprised the evaluation of external sources, meetings with relevant employees, a verification of the documentation and recordings as well as the validation of these with external institutions and/or beneficiaries, where required. Financial data drawn directly from independently audited financial accounts was not checked back to its source as part of this assurance process.

#### OPINION

On the basis of the above methodology, we did not detect any instances from which we would have to conclude that the information and data disclosed by Sulzer Ltd in accordance with the GRI-G3 Index 2014 may be incorrect. The information and data disclosed represent, to our mind, a fair and balanced picture of the sustainability efforts made by Sulzer Ltd in 2014. Recommendations regarding areas for improvement of the sustainability disclosure and management system at Sulzer Ltd were communicated to the firm in an internal report. We believe that the existing minor gaps are well under control due to corrective actions taken and the Corporate Responsibility Report 2014 meets the requirements of level A+ of the Global Reporting Initiative Sustainability Reporting Guidelines 3.0 (2006) in accordance with the GRI Index.

#### SIGNED FOR AND ON BEHALF OF SGS

Elvira Bieri,  
Zurich, January 28, 2015

Dr. Albert von Daniken, Lead Auditor  
[WWW.SGS.COM](http://WWW.SGS.COM)

This document may contain forward-looking statements, including, but not limited to, projections of financial developments and future performance of materials and products, containing risks and uncertainties. These statements are subject to change based on known and unknown risks and various other factors that could cause the actual results or performance to differ materially from the statements made herein.

A condensed version of the Sulzer Sustainability Performance 2014 is also available in the Sulzer Annual Report 2014.

For ecological reasons this report is only published electronically.

## Imprint

---

Published by:  
Sulzer Ltd, Winterthur,  
Switzerland, © 2015

---

Layout:  
wirDesign, Berlin Braunschweig,  
Germany  
Sulzer Group Communications,  
Winterthur, Switzerland

---

Photographs:  
Andy Wilson, London, UK (pages  
14-15/34-35/38-39/48-49/60-61);  
Geri Krischker, Zurich, Switzerland  
(page 2);  
plainpicture/Cultura (pages 22-23)

---

Standard:  
Global Reporting Initiative G3.0  
Standard (2006) Level A

---

External verifier:  
Société Générale de Surveillance (SGS)



**Sulzer Ltd**

8401 Winterthur

Switzerland

Phone +41 52 262 11 22

Fax +41 52 262 01 01

[www.sulzer.com](http://www.sulzer.com)