Sustainable development

Supporting our communities and employees in a challenging year

The year 2020 was dominated by the coronavirus pandemic, the effects of which significantly disrupted our lives and global industries. Sulzer was quick to react, putting measures in place to ensure the safety of our employees, while working hard to ensure that essential infrastructure like medical, power and water facilities remained operational during this critical time. Demonstrating the spirit of “together we win”, our employees came together to support local communities around the world.

Maintaining critical infrastructure during lockdowns

As the first wave of the pandemic struck in early 2020, our first priority was to take quick and decisive action to ensure the safety of our employees. In addition, we also had a responsibility to help ensure that essential services could keep running. With stringent health and safety measures in place, our committed employees worked through the lockdowns to maintain vital services in power, water, hospitals, shipping, refineries and essential manufacturing around the world. These activities included emergency repairs for two US navy hospital ships that were hosting thousands of coronavirus patients in the US, as well as offering pro bono services for critical equipment in hospitals – ensuring that operations could continue without risk of breakdowns.

Sulzer united against COVID-19

Demonstrating our rich heritage of social responsibility and engagement, our employees rapidly mobilized to support local communities as they struggled to deal with the effects of the pandemic. With a mix of company-organized initiatives and individual efforts from employees, we donated hundreds of thousands of PPE items to those most in need, including hospitals and medical staff, care homes for the elderly and children’s homes. Coordinated efforts throughout the company enabled us to donate money, food and even computers to schools that have helped support our local communities.

We are proud of the role that Sulzer played, and continues to play, in supporting people and infrastructure in this critical time. In small ways, these efforts contribute to the ongoing recovery of our communities.

From good to great with our employee-centric workplace

While much of the year has been focused on the pandemic, we have not lost sight of our annual employee survey, the Voice of Sulzer. In 2020 we continued to implement concrete actions based on the feedback that we received from employees in our last survey – when we had a resounding 85% participation rate. We have made significant advances in the areas identified by employees, and we look forward to learning more when we conduct the next edition of our survey – anticipated in the first half of 2021.

Learning and development

Sulzer invests in on-the-job learning and in targeted development programs aimed at increasing management effectiveness, improving customer partnership, building awareness of digital technologies and more.

After its successful launch in 2019, we continued to structure offers under the Sulzer Learning Pathways – a global learning and development framework to increase visibility of and access to different learning opportunities. In 2020, nearly 500 people participated in virtual and in-person programs offered as part of this framework. 2020 also saw the launch of the Sulzer Finance Academy, an internal program aimed at helping finance employees to continue to develop their skills and knowledge through targeted training with in-house experts.

Supporting gender diversity in our industry

Sulzer has a long and continuing tradition of providing internship, apprenticeship and university support programs for students in many countries. In 2019, we launched the Sulzer Scholarship for Women in Science and Engineering, aimed at increasing the participation of women in the science and engineering professions. Reflecting Sulzer's presence and the unique requirements of the countries, we have awarded 15 scholarships to deserving candidates in South Africa, Indonesia, China and India. We maintain close contact with all the beneficiaries and continue to support them along their journey.

A new age of transparency and communication

As part of our efforts to respond to feedback from the Voice of Sulzer survey and to encourage open and transparent communication within our company, we launched our new global intranet platform in the first quarter of 2020. This new platform provides an easy-to-use, modern interface for our employees to collaborate with greater efficiency, easily access tools and information, and stay up to date with the latest news from around the company. With its seamless integration of Microsoft applications Yammer and Teams, the new intranet is a turning point in enabling dynamic communication and collaboration across the diverse divisions and functions within Sulzer.

Key figures

		2020	2019	Change in +/–%
Voluntary attrition rate	%	6.2	6.7	
Share of women (of total workforce)	%	17.9	17.3	
Number of employees	FTE	15'054	16'506	–8.8

Please find further sustainability data at www.sulzer.com/sustainability.

Decrease across energy, water and waste metrics – 100% renewable energy at UK sites

As an environmentally responsible company, we support our customers in managing their operations more sustainably. We focus our R&D activities on solutions for a circular economy and energy-efficient equipment, and we incentivize sustainable product development. In 2020, Sulzer's energy and water consumption declined, and our sites generated less waste. To date, 16 of our 17 UK sites have switched to 100% renewable energy sources. Sulzer plans to convert further facilities across Europe to the use of exclusively renewable energy sources in the course of 2021.

Large infrastructure depends on the reliable, safe and efficient handling of fluids of all kinds. Sulzer's solutions help to minimize the environmental impact. Our innovative and efficient technologies bring fresh water and sanitation to the population, reduce waste, avoid environmental pollution and provide alternatives to products with a high carbon footprint.

Setting incentives for sustainable product development

Sulzer actively drives research and development for sustainable solutions. A growing proportion of our development budget goes into areas that make our customers' plants safer and produce fewer emissions.

To encourage employees and highlight its importance, Sulzer has introduced ESG (Environment, Social, Governance) metrics in its compensation framework. ESG is included in the personal objectives of all our long-term-incentive eligible leaders, shining a spotlight on the contribution every employee can make to build a more sustainable and positive future. Some of the company's achievements in this area in 2020 were:

- Sulzer's beauty business Geka received the Platinum award from the prestigious EcoVadis business sustainability rating provider, placing Geka amongst the top 1% of companies assessed worldwide. Geka was also awarded the International Sustainability and Carbon Certification (ISCC) – an independent, globally applicable certification system for the sustainability of raw materials and products, traceability through the supply chain and the determination of greenhouse gas emissions and savings. On top of that, Geka scored a "B" in the Carbon Disclosure Program (CDP), while the average grade for peers was lower (C and D grades), recognizing the company's coordinated action on climate issues. As of July 2020, Geka has committed to reduce its CO_2 footprint in its global value chain via the Science Based Targets initiative (SBTi), taking the next step on its sustainability journey.
- Sulzer's equipment plays a vital role in a Danish flood protection project, designed to mitigate the impact of rising water levels in the Ringkøbing Fjord over the next 40 years and beyond. During the tendering process, Sulzer's virtual reality simulation of the installation also helped other contractors visualize the site.

— With the creation of a Global Bio-based and Renewables application development team, Sulzer's Chemtech division puts its innovation focus on the conversion of renewable feedstocks into oleochemicals (substances derived from natural sources, including plant fats), biofuels, bio-chemicals and biopolymers. It also supports the development of cutting-edge solutions for plastic and textile recycling.

Businesses with diverse footprints

Sulzer strives to continuously improve performance measured against working hours (whr) compared with the previous year in areas of water and waste management, energy usage and greenhouse gas emissions. Our products and services differ widely from one another, resulting in different requirements and ecological footprints. Thus, the business units and local sites evaluate their footprints and set their agendas individually to reduce their environmental impact.

Comprehensive reporting system

Sulzer has a comprehensive reporting system in place to collect financial and non-financial data at site level. The total number of working hours, which serves as a reference, remained at the previous year's level in 2020 because the additional hours of newly acquired businesses was counterbalanced by the COVID-19-related reduction in working hours. Global coverage of sites integrated in the reporting system remained high: all sites report on occupational health and safety data, and the coverage for environmental data was 80% of total working hours in 2020 (previous year: 79%). Sulzer collects non-financial data according to two different reporting cycles and confirms the accuracy of the figures through regular internal audits:

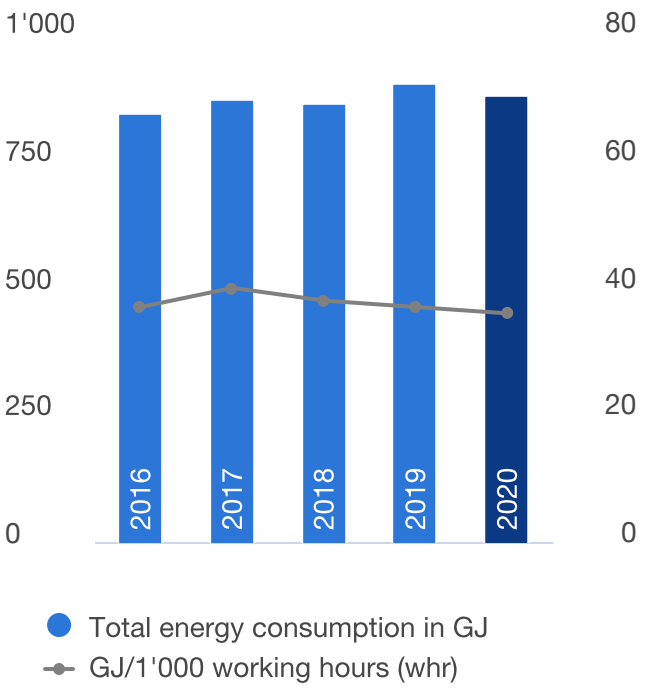
— The reporting period for environmental data was October 1, 2019, to September 30, 2020.
— The reporting cycle for HR data and the health and safety performance was January 1, 2020, to December 31, 2020.

Reduced energy consumption

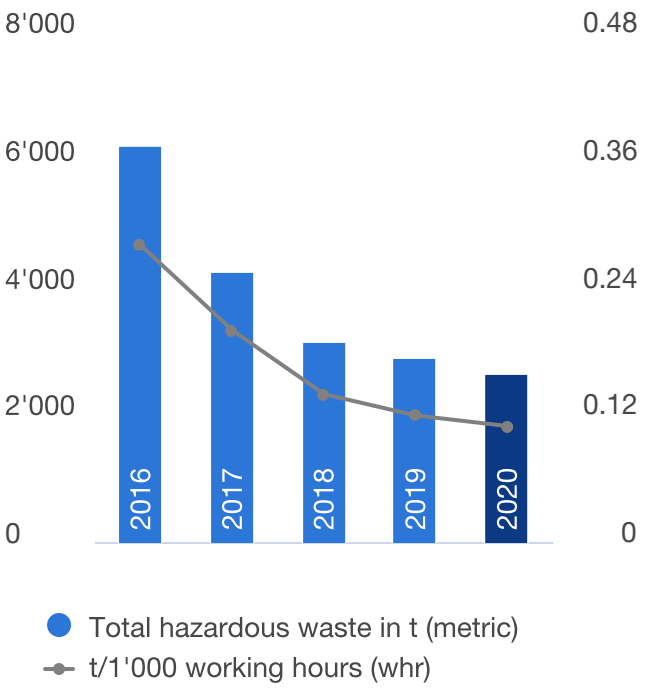
Due to the economic slowdown and the resulting sales contraction, the company's overall environmental impact decreased in 2020. Total energy consumption decreased by 2.7%, and by 2.4% relative to 1'000 working hours. The more efficient use of energy was partially mitigated by an extended scope of five new sites reporting on energy usage for the first time. As the Chinese market reemerged from lockdowns and went from strength to strength, Sulzer's sites in China saw higher demand. This resulted in increased energy consumption – a 23% rise at Sulzer Pumps Suzhou and 12% at Chemtech Shanghai.

In 2020, total greenhouse gas (GHG) emissions in absolute terms decreased by 6.4%, and by 6.3% relative to 1'000 working hours. While scope 1 emissions remained stable, scope 2 emissions increased by 6.4%. This increase can be attributed to switching to a more comprehensive set of emissions factors. Scope 3 emissions decreased by 27.8%, mostly due to the decrease in business travel activities as a result of the COVID-19 pandemic. The overall decline in GHG emissions was supported by the switch to renewable energy at Sulzer's UK sites: To date, 16 of Sulzer's 17 sites in the UK have switched to 100% renewable electricity from renewable sources consisting of a fuel mix from bioenergy, wind, photovoltaic and hydropower. The company intends to increase the use of renewable electricity for Sulzer sites across Europe and other locations in 2021 and beyond.

Energy consumption



Hazardous waste



Decrease in waste and water usage

Total waste produced was reduced by 6.9%. The sites saw a decline across many waste categories, partly due to the continued implementation of LEAN initiatives and helped by the reduced manufacturing capacity following lockdowns. Overall waste reduction was partially counterbalanced by five additional sites that were newly included in the reporting scope.

Sulzer's consumption of water declined by 4.1%, despite an increase in Pumps Equipment Finland of roughly 24'500 m^3 as part of a special pump testing project. The overall decrease resulted mainly from more efficient water management processes.

Key figures

		2020	2019	Change in +/–%
Energy	**GJ**	**878’109**	**902’751**	**–2.7**
Energy consumption per working hours (whr)	GJ per 1’000 whr	36.0	36.9	–2.4
Share of electricity	%	52.8	56.6	
Share of gases	%	24.5	25.3	
Share of fuels	%	11.6	13.8	
Share of fuel oils	%	5.0	1.3	
Share of district heating	%	3.2	3.0	
Share of other sources	%	3	<1	
Greenhouse gas emissions	**tons CO_2 eq.**	**111’176**	**118’805**	**–6.4**
GHG emissions per working hours	tons CO_2 eq. per 1’000 whr	4.5	4.8	–6.3
GHG scope 1[1)]	tons CO_2 eq.	21’545	21’245	1.4
GHG scope 2[2)]	tons CO_2 eq.	59’794	56’214	6.4
GHG scope 3[3)]	tons CO_2 eq.	29’837	41’346	–27.8
Waste	**tons**	**19’546**	**20’998**	**–6.9**
Waste per working hours	tons per 1’000 whr	0.8	0.9	–5.9
By treatment:				
Recycling	%	32.7	44.9	
Waste to landfill / incineration / other treatment	%	67.3	55.1	
By hazardousness:				
Non-hazardous waste	%	86.4	86.1	
Hazardous waste	%	13.6	13.9	
Water	**m^3**	**987’576**	**1’029’302**	**–4.1**
Water consumption per working hours	m^3 per 1’000 whr	40.2	42.0	–4.3

1) Direct emissions from Sulzer stemming from primary energy sources such as natural gas and fuels used on-site.

2) Indirect emissions from secondary (converted) energy sources such as electricity and district heating.

3) Indirect emissions from the production and transport of fuels and gases not included in scopes 1 or 2.

Please find further sustainability data at www.sulzer.com/sustainability.

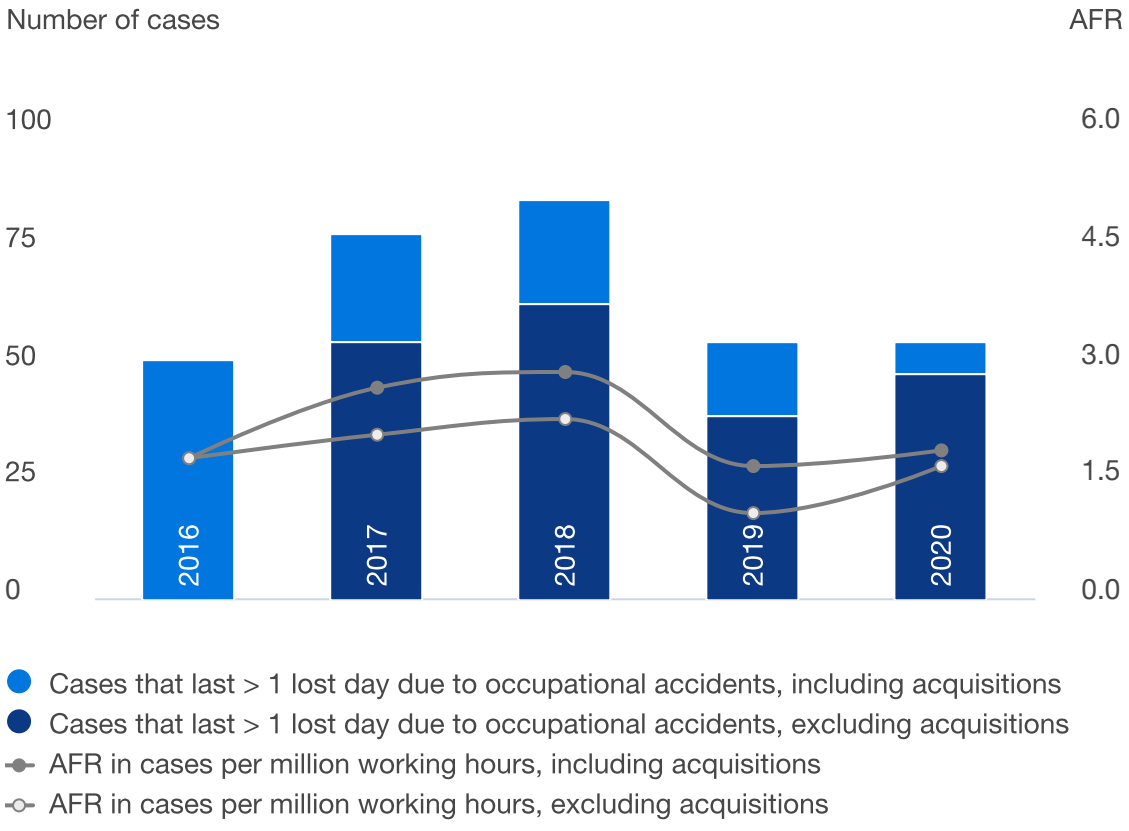
Maintaining strong safety performance

Safety awareness is deeply rooted in Sulzer's culture and shared by all. Our existing systems and programs to ensure employees can work in a safe and healthy environment helped us react quickly and effectively to the challenges caused by COVID-19. In 2020, we achieved an accident frequency rate (AFR) of 1.9 cases per million working hours, slightly above last year's record low number of accidents – despite the additional challenges posed by the pandemic.

In 2020, we undertook huge efforts to ensure the health and safety of our people and to protect them from the risk of COVID-19 infection. These efforts included the provision of personal protective equipment (PPE), including face masks and additional supplies such as hand sanitizers and disinfectants. A COVID-19 protection plan and procedures were implemented across Sulzer globally, and ways of working were adapted to enable safe interaction between colleagues, customers and suppliers.

Following our swift action to keep our people safe and healthy and to ensure operational continuity for our customers, authorities around the world granted our businesses license to continue operations during lockdowns. For example, Chemtech's Shanghai factory was among the first companies in the region to resume production at the beginning of February 2020.

Accidents



In 2020, AFR increased by 11.8% to 1.9 cases per million working hours. With COVID-19 putting unexpected additional pressure on our safety organization in 2020, we still managed a good overall safety performance for the year.

The overall accident severity rate (ASR) has declined significantly for two consecutive years. In 2020, the ASR declined by 35.7% to 37.5 lost days per million working hours.

Due to local and national lockdowns, with many managers forced to work from home, safety walks could not be conducted as planned, leading to a significant reduction of behavior-based safety observations (–54.3%).

Upscaling ESG reporting

To reflect our increased focus on ESG (Environment, Social, Governance), we upscaled our reporting capabilities with an integrated tool in 2020. The new automated ESH Incident Management system will further increase our capabilities in electronic reporting and automated analysis and trending. In 2020, 79 Sulzer sites moved to the new software. As we continue to roll out the platform across the organization, we will have more sophisticated data to enable a greater understanding of complex and multicausal factors related to unsafe behaviors and accidents.

Thanks to the increased use of online collaboration tools, best practices on COVID-19 measures as well as prevention and control techniques were quickly and effectively shared across the organization.

Divisional initiatives to manage safety risks

Due to the diversity of Sulzer's businesses and different working areas, there are potentially unique hazards within each division. In 2020, the divisions undertook the following activities to manage these specific risks:

- Rotating Equipment Services launched the RES Life-Saving Rules to communicate non-negotiable safety rules related to high hazard equipment and activities;
- Chemtech concentrated its efforts on its supervisor leadership initiative (EYE 5);
- Pumps Equipment took targeted measures at all operational sites to further improve safety and introduced a mandatory field service standard for confined space working;
- Applicator Systems continued to focus on implementing ESH processes and procedures as well as driving safety leadership.

Key figures

		2020	2019	Change in +/–%
Accident frequency rate (AFR)	Cases per million working hours	1.9	1.7	11.8
Accident severity rate (ASR)	Lost days per million working hours	37.5	58.3	–35.7
Behavior-based safety observations (including safety walks)	Cases	32'344	70'739	–54.3

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