



Compensation report

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Paying for sustainable performance

Winterthur, February 17, 2020

Dear Shareholder,

On behalf of the Board of Directors and the Nomination and Remuneration Committee (NRC), I am pleased to present the Compensation Report for 2019. I appreciated the ongoing opportunity in 2019 to work together with my colleagues and our stakeholders towards ensuring that the Sulzer compensation structure continues to reflect best practice standards, proves to be attractive and competitive for employees, rewards sustainable performance and drives value creation for our shareholders.

In April 2018, Sulzer was unexpectedly exposed to existence-threatening US sanctions. The Executive Committee took effective countermeasures in a very short time to avert the sanctions. Therefore, this crisis also demanded that effective measures be taken to mitigate its negative consequences for Executive Committee's compensation in a fair manner. These measures have only been applied for the duration of this extraordinary situation and to offset its effects, and we consider the crisis to be over at this stage. Therefore, we include an additional section in this year's Compensation Report, which explains measures taken.

Executive Committee's compensation

Our Executive Committee's compensation system stands for a modern and tailor-made system to lead Sulzer successfully through the next years:

- A significant portion of variable compensation ensures a strong pay-for-performance orientation.
- Performance criteria are selected to provide appropriate incentives to achieve operational and strategic goals, thereby ensuring a strong alignment with Sulzer's corporate strategy.
- Variable compensation is granted in the form of performance share units, which are subject to malus and clawback provisions, to align interests of the Executive Committee with those of shareholders.
- Share Ownership Guidelines are introduced in 2020 obliging the Executive Committee members to hold Sulzer shares for the term of their office.
- Compensation levels are competitive and in line with market practice to attract and retain highly qualified employees who will keep Sulzer on the road to success through severe crises and beyond.

Paying for performance: our year 2019

In 2019, Sulzer successfully progressed on its growth path. The company acquired and integrated GTC Technology end of April and Alba Power in July, which in both cases supplements and further boosts local expertise and delivery power in important target markets. This is all part of Sulzer's growth-based business strategy, which is reflected in our compensation models.

The compensation model and structure for EC members remained unchanged, and – apart from an increase in the LTI (long-term incentives) for two individuals – there was no increase in base salaries, target STI (short-term incentives) levels or regular LTI grant amounts. In 2019, the roles of two current EC members were reevaluated. This reevaluation, which also comprised market benchmarking, led to higher LTI grant entitlements. The Board also recognized the EC's continued exceptional performance during and since the US sanctions episode. In this context, the Board decided to award all EC members a special grant of performance share units in addition to the regular annual LTI grants ([details in special report](#)).

The cash compensation for the EC was 25% lower in 2019 than in 2018. The aggregate EC compensation, including potential payments made over time, is reduced by 8.0% year on year and is below the maximum amount previously approved by the AGM for the respective period.

For 2020, two major changes to the current system have been decided. Firstly, mandatory shareholding requirements for members of the Executive Committee will be introduced. According to these Share Ownership Guidelines (SOG) the members of the Executive Committee are obliged to hold shares until the end of their service period. The value of the shares to be held is set at 200% of the gross base salary for the CEO and 100% of the gross base salary for the other members of the Executive Committee. Secondly, the TSR threshold for the industrial peer group will be set “back to normal” at the 25th percentile as before the US sanctions.

On October 21, 2019, Girts Cimermans joined Sulzer as the new President of our Applicator Systems (APS) division, succeeding Amaury De Menthère, who retired at the end of the year. As the new leader of APS, Girts will focus on profitably expanding the business and strengthening the APS offering, as well as capitalizing on opportunities across our diverse business segments. In the same context, the Board decided that the role of Division President APS should now be part of the Executive Committee (EC), with immediate effect.

Board of Directors compensation

The aggregate Board of Directors compensation paid in 2019 was below the maximum amounts previously approved by the AGM for the respective periods. An external and independent third-party expert assessed the Board compensation in the context of market benchmarks. Based on these findings, the NRC has suggested to revise the additional fees for chairmanship and membership in the Board committees. No additional changes to Board compensation were deemed necessary.

The aggregate Board of Directors compensation paid in 2019 was 3.6% lower than in 2018, and 5.7% lower than in 2017, the latter reflecting the resizing of the Board in 2018.

Governance

The Nomination and Remuneration Committee (NRC) performed its regular activities in 2019, including recommending EC performance targets to the Board, compensation of Board, CEO and EC members. You will find further information on the NRC's activities, as well as compensation models and governance, in the following pages.

At the AGM in 2020, you will be asked to vote on the maximum aggregate compensation for the Board for its 2020–2021 term and on the maximum aggregate compensation for the EC for 2021. For the second consecutive year, the maximum aggregate for the Board will remain flat. Notwithstanding the addition of the new EC member, the maximum aggregate for the EC will be reduced by CHF 2 million.

As per practice, this Compensation Report will be submitted for a non-binding, consultative vote to our shareholders. We encourage and pursue an open, regular dialogue with our stakeholders. Your constructive input is highly valued and appreciated as we continue to improve and align our compensation system. On behalf of Sulzer, the NRC and the Board, I thank you for your supportive feedback and for your continued trust in our company.

Sincerely,

A handwritten signature in blue ink, consisting of a stylized 'G' followed by a long, sweeping horizontal line that ends in a small hook.

Gerhard Roiss
Chairman of the Nomination and Remuneration
Committee

Special report

A return to normalcy – from extraordinary compensation decisions recognizing exceptional performance in an extreme situation.

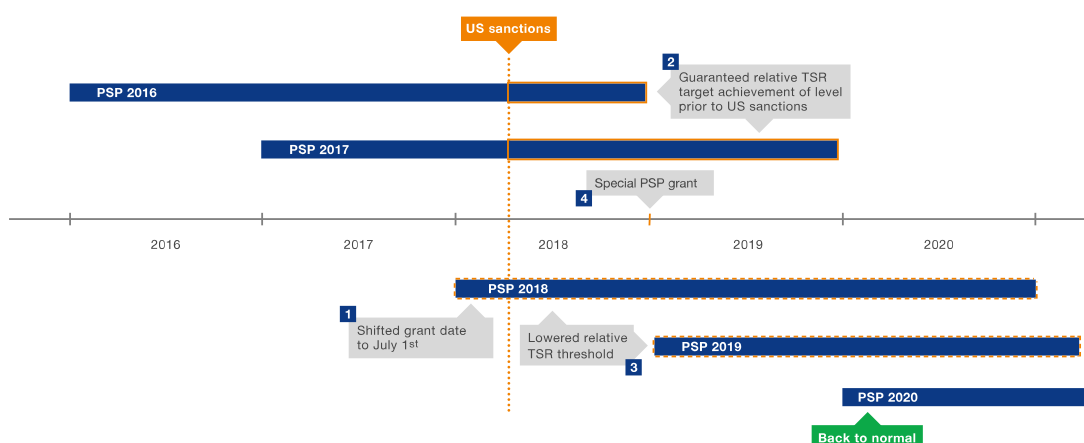
In 2018, Sulzer's business was impacted by exceptional, existence-threatening circumstances. Against this background, Sulzer's Executive Committee members were granted special concessions for the successful resolution of the impending consequences.

What happened?

Renova became the target of US sanctions on the afternoon of Friday, April 6th, 2018, which immediately severely affected Sulzer's business, as these sanctions were extended to all companies held by Renova as a majority shareholder and entities doing "significant" business with a sanctioned company. Already on Saturday the company credit cards were no longer working. In addition, Sulzer was no longer allowed to acquire new businesses and transactions in dollars were prohibited with immediate effect. The situation was dramatic. Sulzer was in danger of becoming insolvent within a short period of time, since a large part of our business is conducted in dollars. Another immediate consequence was a drastic collapse in the share price.

In order to protect Sulzer from further sanctions and to work towards the cancellation of already imposed sanctions, the Executive Committee negotiated an immediate share buyback with Renova in order to reduce its shareholding below 50% and affirm Sulzer's independence vis-à-vis US authorities. Sulzer's Executive Committee's decisive and fast reaction averted the US sanctions within three days by taking the most appropriate course of action and implementing it expediently.

Timing of the events and our reactions



How did the Nomination and Remuneration Committee react?

1. We changed the PSU grant date in 2018 to allow for a grant unaffected by US sanctions

In line with the flexibility provided for by the PSP regulation, the PSU grant date in 2018 was shifted from April 1 to July 1 to allow the share price to stabilize after the massive fluctuations triggered by the US sanctions. This shift mitigated short-term volatility concerns by having the PSU grants based on a less volatile three-month average price, which also included the off-exchange share buyback of

5.00 million shares in the same period. This shift of the PSU grant date in 2018 was a one-time adjustment to reflect the extraordinary circumstances at that time.

2. We guaranteed the relative TSR performance prior to US sanctions for PSP tranches 2016 and 2017

The US sanctions targeting Renova in April 2018 were deemed to be an extraordinary event, given its dramatic mid-term impact on the share price of Sulzer and this despite sustained strong operational performance and positive strategic developments. The PSP regulation in its article 15 allows for corrections in case of extreme market situations or in the event of activities or decisions of large Sulzer shareholders which have a significant impact on Sulzer's TSR. In order to quickly reassure the Executive Committee and ensure its focus on the acute problems, the effects of the sanctions on Sulzer's TSR performance – which have direct impact on the payout value of the active PSP tranches – were compensated by the following:

The relative TSR performance which had been achieved directly prior to the event was assessed and guaranteed. The TSR component of the PSP (weighted at 50%) was affected while the two other components – opEBITA growth and opROCEA – stayed unchanged. The relative TSR performance was 100% for PSP 2017 and 213% for PSP 2016 just before the sanctions occurred. This guarantee was given for the PSP tranches granted in 2016 and 2017. No other tranches were affected. The guarantee led to a higher payout of the PSP 2016 at 213% versus 120% without guarantee. For the payout of the PSP 2017, the guarantee was not applied as the actual performance ended up higher than the guarantee. The introduction of the pre-April guaranteed TSR target achievement level in May 2018 resulted in a one-time step-up in fair value of outstanding tranches (PSP 2016 and PSP 2017) which was duly disclosed in the compensation tables of the Annual Report 2018.

3. We lowered the relative TSR threshold to allow for a volatile share development

The threshold for Sulzer's relative TSR performance in the industrial peer group was lowered from the 25th percentile to the 10th percentile. The lowered TSR threshold at the 10th percentile has been in place for two PSP tranches in 2018 and 2019. We understand that this adjusted TSR curve is not perceived as ambitious enough for our investors under normal circumstances. As we regard the immediate and mid-term effects of the US sanctions as settled, the original TSR threshold at the 25th percentile is reinstated as of 2020. Please note that as the TSR stayed higher than 100%, the temporarily lowered TSR threshold didn't come into play and didn't benefit management.

4. We decided on a special PSP grant for the Executive Committee in 2019 (spread over 2019 and 2020 for the CEO)

The Board of Directors recognized the Executive Committee's continued exceptional performance during and since the US sanctions episode. The executive team successfully protected the company and worked in the interest of all our shareholders, customers and employees. Team stability remains paramount as we work to put this unfortunate incident behind us. In this context, the Board decided to award all Executive Committee members a special grant of performance share units in addition to the regular annual PSP grant in 2019. This special grant, subject to the usual three-year progressive vesting, both rewards outstanding management team performance during and after the sanctions and acts as a retention instrument in a turbulent period. This special grant is a one-off reward. For the CEO, the special grant is spread over the 2019 and 2020 PSP tranches. It is disclosed in the respective Annual Report's compensation tables. Even with the special grant, the compensation for the CEO in 2019 was 6.5% lower than in 2018.

	Regular PSP grant 2019	Special PSP grant 2019	Special PSP grant 2020
CEO	CHF 1'440'000	CHF 720'000	CHF 720'000

How do we proceed? Back to normal

We consider the substantial effects of the US sanctions on Sulzer's business to be over and therefore see no need for further exceptions. We understand that our shareholder's guidelines on compensation underpinning your votes are against "exceptions". We though believe that no policy, no plan rules and no contingency plans would have ever been able to ex-ante address what happened to our company in April 2018. We feel highly confident in our leadership team and their performance in safely navigating Sulzer through the eye of the storm. From 2020 we will return to "normal" regarding our compensation plans and decisions. We hope that transparency provided will help to understand and support our decisions.

Compensation governance and principles

Compensation policies and plans at Sulzer reward performance, sustainable growth and long-term shareholder value creation. The compensation programs are competitive, internally equitable, straightforward and transparent. The Compensation Report is prepared in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations (Compensation Ordinance), the SIX Swiss Exchange Directive on Information relating to Corporate Governance (RLCG) and the principles of the Swiss Code of Best Practice for Corporate Governance.

Nomination and Remuneration Committee

The Articles of Association, the Board of Directors and Organization Regulations, and the Nomination and Remuneration Committee Regulations (please find them at www.sulzer.com/governance, under “Regulations”) define the functions of the Nomination and Remuneration Committee (NRC). The NRC supports the Board of Directors in nominating and assessing candidates for positions to the Board of Directors and Executive Committee positions, in establishing and reviewing the compensation strategy and principles, and in preparing the respective proposals to the Shareholders’ Meeting regarding the compensation of the members of the Board of Directors and of the Executive Committee.

The NRC is responsible for the following activities and submits all proposals concerning these activities to the Board of Directors, which has the final decision authority:

- Periodic assessment of the membership structure of the Board of Directors, determination of selection principles, and identification of potential candidates to the Board of Directors
- Succession planning for the CEO and Executive Committee positions (two upper management levels)
- Periodic assessment of the compensation policy and programs
- Determination of performance targets for the CEO and the Executive Committee positions for the purpose of the incentive plans
- Preparation of the respective proposals to the Shareholders’ Meeting on the maximum aggregate amounts of compensation for the Board of Directors and for the Executive Committee
- Determination of the target compensation for the CEO and for the Executive Committee positions
- Preparation of the Compensation Report

The table below describes the levels of authority:

	CEO	NRC	Board	Shareholders' Meeting
Selection criteria and succession planning for Board of Directors		proposes	approves	
Selection criteria and succession planning for Executive Committee	proposes	reviews	approves	
Compensation policy and programs		proposes	approves	
Aggregate maximum compensation amounts for the Executive Committee and for the Board of Directors to be submitted to vote at the Annual General Meeting		proposes	reviews	approves (binding vote)
Individual compensation of the members of the Board of Directors		proposes	approves	
Compensation of the CEO		proposes	approves	
Individual compensation of the members of the Executive Committee	proposes	reviews	approves	
Performance objectives and assessment of the CEO		proposes	approves	
Performance objectives and assessment of the Executive Committee	proposes	reviews	approves	
Compensation Report		proposes	approves	consultative vote

The NRC consists of a maximum of three members who are non-executive and independent and who are elected individually and annually by the Shareholders' Meeting for the period of office until the following ordinary Annual General Meeting (AGM). At the 2019 AGM, Gerhard Roiss (Chairman), Marco Musetti and Hanne Birgitte Breinbjerg Sørensen were reelected as members of the NRC.

The NRC meets as often as the business requires, but at least twice a year. In 2019, the NRC held four regular meetings that were attended by all members. Besides the standard agenda items, the NRC concentrated its efforts on talent pipeline and succession planning for positions on the Board of Directors and the Executive Committee, including the recruitment of a new Division President APS; market review of Board and management remuneration models and levels; and considerations regarding an exceptional one-off grant of performance share units to Sulzer's management, as further detailed in this Compensation Report.

The CEO and the Chief Human Resources Officer, who serves as the Secretary of the NRC, generally attend the meetings. The Chairman of the Committee may invite other executives to join the meeting in an advisory capacity, when appropriate. However, the CEO and any other executives do not participate in the meetings, or parts of it, when their own remuneration and/or performance is discussed.

The Chairman of the NRC reports to the next meeting of the full Board of Directors on the activities of the NRC and the matters debated. The Chairman, as far as necessary, submits the respective proposals for approval by the Board of Directors. The minutes of the NRC meetings are available to all members of the Board of Directors.

The NRC may appoint third-party companies to provide independent advice or perform services as it deems necessary for the fulfillment of its duties. In the reporting year, independent third-party market compensation data was provided to the NRC, especially by Mercer with respect to executive management's remuneration. They have no other mandate with Sulzer.

Shareholders' role and engagement

The company is keen to receive shareholders' feedback on the compensation policy and programs, and it began the practice of holding a consultative vote on the Compensation Report in 2011. Further, the company regularly meets with shareholders and shareholder representatives to understand their perspectives. At the Annual General Meeting, shareholders approve the maximum

aggregate compensation amounts for the Board of Directors and for the Executive Committee in an annual binding vote.

Further, the Articles of Association, which are also subject to shareholders' approval, regulate the principles of compensation. They include the following provisions related to compensation (full version of the Articles of Association: www.sulzer.com/governance, under "Articles of Association"):

- Principles of compensation (Article 31): non-executive members of the Board of Directors receive fixed compensation only. Members of the Executive Committee receive fixed and variable compensation elements. The variable compensation may include short-term and long-term variable compensation components. These are governed by performance metrics that take into account the performance of the company, the group or parts of it, targets in relation to the market, other companies or comparable benchmarks and/or individual targets, as well as strategic and/or financial objectives. Compensation may be paid in the form of cash, shares, options, financial instruments or similar units, in kind, in services, or in other types of benefits;
- Shareholders' binding vote on remuneration (Article 29): the Shareholders' Meeting shall approve the maximum aggregate amount of compensation for the Board of Directors for the next term of office and the maximum aggregate amount of compensation for the Executive Committee for the following financial year. The Board of Directors shall submit the annual Compensation Report to an advisory vote at the Annual General Meeting;
- Additional amount for members of the Executive Committee hired after the vote on remuneration by the Shareholders' Meeting (Article 30): to the extent that the maximum aggregate amount of compensation as approved by the Shareholders' Meeting does not suffice, up to 40% of the maximum aggregate amount of compensation approved for the Executive Committee is available, without further approval, for the compensation of the members of the Executive Committee who were appointed after the Annual General Meeting;
- Loans, credit facilities, and post-employment benefits for members of the Board of Directors and of the Executive Committee (Article 34): the company may not grant loans or credits to members of the Board of Directors and of the Executive Committee.

Compensation architecture for the CEO and EC members

Compensation principles

The compensation of the Executive Committee is driven by the main principle of pay for performance. The compensation policy and programs are designed to reward performance, sustainable growth and long-term shareholder value creation, while offering competitive remuneration to be able to attract and retain highly qualified employees. The compensation principles are:

Pay for performance	A substantial portion of the compensation is delivered in the form of variable incentives based on company and individual performance.
Strategy alignment	The performance criteria are selected to create adequate incentives for achieving the operational and strategic objectives.
Ownership	Part of the compensation is delivered in the form of company equity to foster ownership and to align the interests of executives with those of shareholders.
Market competitiveness	Compensation levels are competitive and in line with market practice to attract and retain highly qualified employees.
Internal equity	The internal compensation structure is based on a job-grading methodology applied globally.
Transparency	Compensation programs are straightforward and transparently explained in the Compensation Report.

Method of determination of compensation: benchmarking

To ensure compensation levels that are competitive and in line with market practice, the compensation of the Board of Directors and of the Executive Committee is benchmarked against that of similar roles in comparable companies every one to two years. For this purpose, the NRC selected a peer group of international industrial companies headquartered in Switzerland based on their revenue and number of employees. Sulzer is positioned between the first quartile and median of the peer group.

Compensation benchmark

The comparison group reflects Sulzer's ambitious business strategy:

- ABB
- Clariant
- Georg Fischer
- Lonza
- OC Oerlikon
- Rieter
- Schindler
- Sika
- Sonova
- Tetra Laval Group

The intention is to pay target compensation around the median of the relevant market. Nevertheless, compensation increases are not granted based on benchmark results alone. The role and responsibility as well as current performance of the individual Executive Committee member is assessed at the same time. A globally applied job-grading fosters internal equity.

The compensation of the Executive Committee is governed by internal regulations such as the total reward policy, the bonus plan, the performance share plan and benefits plans. The compensation of the Executive Committee is reviewed by the NRC annually and, if necessary, adjusted and approved by decision of the Board of Directors based on a proposal by the NRC. The compensation of the Executive Committee summarizes as follows:

Compensation elements for the members of the Executive Committee

	Base salary	Benefits	Short-term incentive plan (bonus plan)	Long-term incentive plan (PSP 2019)	Share ownership guidelines (SOG)
Main parameters	Function, level of role, profile of incumbent (skill set, experience)	Pension and social security contributions, fringe benefits	Achievement of annual financial and individual objectives	Achievement of long-term, company-wide objectives, share price development	Level of role
Key drivers	Labor market, internal job-grading	Protection against risks, labor market, internal job-grading	Operational EBITA, sales, operational operating net cash flow (opONCF)	Operational EBITA growth, operational return on average capital employed adjusted (opROCEA), relative total shareholder return (TSR)	Share price development
Link to compensation principles	Competitive compensation	Competitive compensation	Pay for performance, strategy alignment	Pay for performance, strategy alignment, ownership	Ownership
Vehicle	Cash	Pension and insurance plans, perquisites	Cash	Performance share units (PSU) settled in shares	Obligation to privately invest in Sulzer shares and to hold these shares until the end of the service period
Amount	Fixed	Fixed	Variable, capped at 200% of target bonus. Target bonus amounts to 90% of annual base salary for the CEO and 60% of annual base salary for the other members of the Executive Committee.	Variable. Grant value is defined based on the Global Grade and corresponds to CHF 1'440'000 for the CEO and between CHF 330'000 and CHF 400'000 for the other members of the Executive Committee (EC). Vesting payout percentage is capped at 250% and vesting value is capped at CHF 3'600'000 for the CEO and at CHF 825'000 to CHF 1'000'000 for the other members of the EC. Malus and clawback provisions implemented.	CEO: 200% of base salary. Other members of the Executive Committee: 100% of base salary.
Grant/vesting/payment date	Monthly	Monthly and/or annually	March of the following year	Grant: April 1, 2019 Vesting: December 31, 2021 Share delivery: March 2022	–
Performance period	–	–	1 year (January 1, 2019–December 31, 2019)	3 years (January 1, 2019–December 31, 2021)	–

The compensation of the Executive Committee contains fixed, performance-independent elements to provide a secure income and to ensure that no unreasonable risks are taken. In order to create reasonable incentives for the Executive Committee, align interests of Executive Committee and shareholders, ensure pay for performance and implement the company's strategy into the Executive Committee's compensation, it contains also short-term and long-term performance-dependent elements:

Overview of compensation elements

Fixed compensation

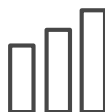


Base salary
Base salary



Benefits
Pension and social security contributions, fringe benefits

Variable compensation



Short-term incentive plan
Bonus plan



Long-term incentive plan
Performance share plan (PSP)



In line with the pay-for-performance principle, a significant portion (over 50%) of the compensation of the CEO and the other members of the Executive Committee consists of variable incentives based on performance. Furthermore, the compensation structure ensures sustainable long-term growth as the long-term variable compensation makes up the largest portion of the target total compensation (see “Overview of compensation elements”).

Base salary (fixed, in cash)

The base salary is determined at the discretion of the Board of Directors based on the market value of the respective position and the incumbent's qualifications, skills set and experience. An internal job grading provides orientation and fosters internal equity.

Benefits

Members of the Executive Committee participate in the regular employee pension fund applicable to all employees in Switzerland. The retirement plan consists of a basic plan that covers annual earnings up to CHF 147'876 per year and a supplementary plan in which income over this limit, up to the ceiling set by law, is insured (including variable cash remuneration). The contributions are age-related and are shared between the employer and the employee.

Furthermore, each member of the Executive Committee is entitled to a representation allowance in line with the expense regulations for all members of management in Switzerland and approved by the tax authorities.

Bonus (variable, performance-based, cash remuneration)

The bonus rewards the financial performance of the company and/or its businesses, as well as the achievement of individual performance objectives over one calendar year. Performance objectives are defined at the beginning of the year during annual target setting. Achievement is assessed against each of those objectives after year-end and directly influences the variable incentive payouts.

Performance appraisal

→ Target setting Definition of two to four individual performance objectives at the beginning of the year	→ Performance assessment Performance assessment at year-end	→ Compensation determination Determination of incentive payouts on the basis of the company's/division's performance and achievement of individual objectives
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The target bonus is expressed as a percentage of annual base salary. It amounts to 90% for the CEO and to 60% for the other members of the Executive Committee. For the CEO and the other members of the Executive Committee, 70% of the bonus is based on the achievement of financial objectives at company and/or division level, and 30% is based on the achievement of individual objectives as described below:

Category	Weight	Objectives	Rationale		CEO/CFO/ CHRO	Division President
Financial performance	70%	Operational EBITA in % of sales	Measure of profitability (bottom line)	Sulzer	25%	7.5%
				Division		17.5%
		Sales	Measure of growth (top line)	Sulzer	25%	7.5%
				Division		17.5%
		Operational operating net cash flow (opONCF)	Measure of cash generated by the revenues	Sulzer	20%	6%
				Division		14%
Individual performance	30%	Cost optimization	Objectives linked to cost and profitability in context with “Sulzer Full Potential” initiative	Individual	10%	10%
		Growth initiatives	Include initiatives that support the growth of Sulzer, such as M&A projects, breaking into new markets or new accounts	Individual	10%	10%
		Faster and better	Initiatives focused on the profitability of Sulzer, with objectives linked to speed (“faster”) and quality (“better”)	Individual	10%	10%
				Total	100%	100%

The objectives are set within the annual target-setting process. For each financial objective, the following parameters are set upfront:

- An expected level of performance ("target"), the achievement of which leads to a payout factor (on the respective performance metric) of 100%.
- A minimum level of performance ("threshold") below which the respective payout factor is zero.
- A maximum level of performance ("cap") above which the respective payout factor is capped at 200%. With respect to the financial objectives, a performance of 200% of the target figure is required to achieve a payout factor of 200%.

Between threshold and target, as well as between target and cap, the payout factor is interpolated linearly.

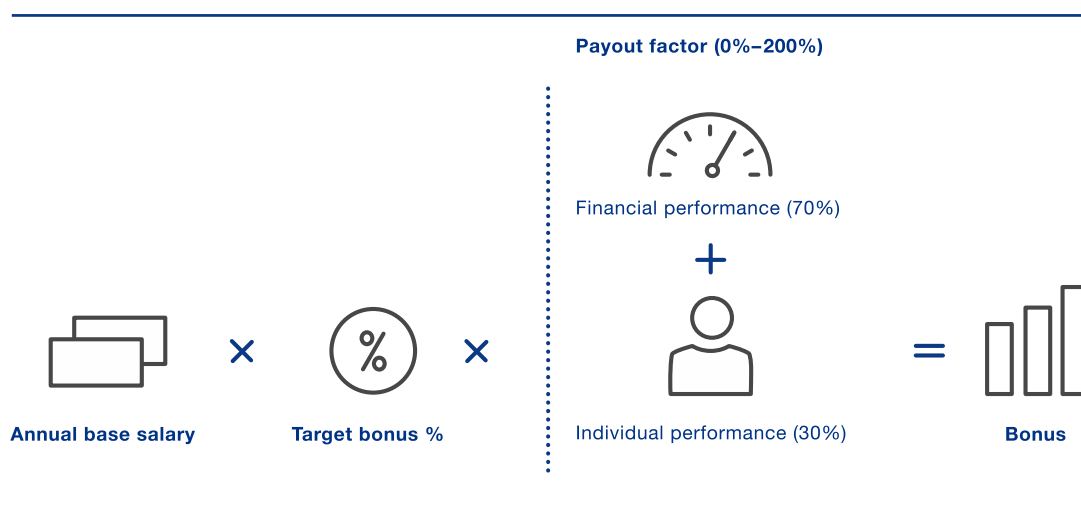
In order to measure individual performance, each Executive Committee member is given different personal objectives for each of the three individual performance categories ("Cost optimization", "Growth initiatives" and "Faster and Better") at the beginning of the financial year. "Cost optimization", for example, includes objectives like cost saving (travel spend reduction, real estate costs reduction, etc.) whereas objectives for the category "Faster and Better" are, among others, on time delivery percentage improvement, employee engagement progression (measured through external opinion survey) or health and safety accident frequency rates (AFR) reduction. "Growth

initiatives” include for example successful completion of M&A actions or sales growth in specific countries. The CEO reviews the individual performance based on the personal objectives of each EC member which in turn is reviewed by the NRC, the CEO’s individual performance is assessed by the NRC.

Sulzer strives for transparency in relation to pay for performance. However, further disclosure of financial and individual objectives may create a competitive disadvantage to the company, because it renders sensitive insights into Sulzer’s strategy. To ensure transparency while avoiding competitive risk, Sulzer provides a general performance assessment for each financial objective as well as the aggregated individual performance at the end of the performance cycle (see chapter “[Compensation of the Executive Committee for 2019](#)”).

On the basis of this performance assessment, a payout factor is determined for each financial objective as a result of the actual performance. The weighted average of the resulting payout factors on each performance metric will be multiplied by the target bonus amount to derive the actual bonus which will be paid out in March of the following year.

Bonus calculation



The objectives for the bonus plan are linked to Sulzer’s strategic goal of promoting sustainable and profitable growth of the company. They are chosen to provide different incentives for growth and shareholder value creation.

Strategic link of bonus plan

	Growth	Profitability	Long-term shareholder value creation
Bonus Plan	✓	✓	✓
Operational EBITA		✓	
Sales	✓		
opONCF			✓
Cost optimization		✓	
Growth Initiatives	✓		✓
Faster and better		✓	

Performance share plan (variable, performance-based, share-based remuneration)

The long-term shareholder orientation and value creation is incentivized by a performance share plan (PSP) granting performance share units to the members of the Executive Committee. Performance share units (PSU) are a conditional right to a certain number of shares of the company, subject to ongoing employment and to the achievement of strategic/financial performance targets on group level over the three-year performance period. The performance share plan selected participants based on the performance of the company over three years and aligns the interests of the participants with those of the shareholders by delivering a substantial portion of the compensation as company equity. This emphasizes and supports Sulzer's focus on pay for performance and sustainable growth, with a long-term perspective and additional retention effect on employees.

The performance share plan (PSP) is a plan with annual grants and is available exclusively to the members of the Executive Committee and of the Sulzer Management Group. The grant value is determined based on the level of the executive's role and amounts to CHF 1'440'000 for the CEO and to between CHF 330'000 and CHF 400'000 (determined by the Board of Directors) for the other members of the Executive Committee. The number of performance share units (PSU) granted is calculated by dividing the grant value by the three-month volume-weighted average share price before the grant date.

The key performance criteria being measured over the three-year performance period of PSU are:

- Operating income before restructuring, amortization, impairments and non-operational items (opEBITA) growth, weighted with 25%;
- Average operational return on capital employed (opROCEA), weighted with 25%;
- Relative total shareholder return (TSR) weighted with 50% and measured against two different peer groups: 75% of this part of the performance measurement is based on the performance against international peers measured as percentile ranking, and 25% is based on the performance against the companies of the Swiss Market Index Mid (SMIM) measured as a delta (see box "Peer group for relative TSR performance of PSP 2019").

Peer group for relative TSR performance of PSP 2019

International peers

- Ebara
- Flowserve
- ITT
- Kirloskar Brothers
- KSB
- Pentair
- SPX Flow
- Weir
- Wood Group
- Xylem

Swiss Market Index Mid (SMIM)

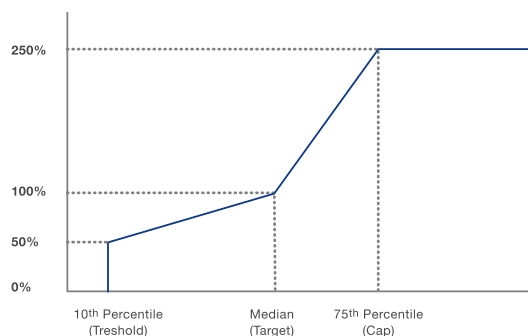
All companies of the SMIM

Both peer groups did not change in the reporting year. The Board of Directors can alter the composition of the peer group if deemed necessary, e.g. in case of a merger or acquisition or any other change leading to a delisting or a fundamental change in the scope of the business of a peer group company. In such a situation, the Board will select new peer companies. There is a predefined successor list of companies to support the Board of Directors in the selection process.

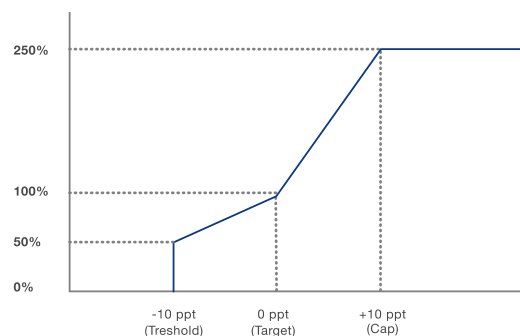
The Board of Directors deems these metrics to be the most relevant key performance indicators for the sustainable development of the Sulzer group, combining growth, profitability and shareholder return in comparison to the relevant peers and markets.

For each performance condition of the PSP, a threshold, target and cap performance level is determined, which in turn determines the achievement factor. Sulzer strives for transparency in relation to pay for performance and discloses all information whose exposure cannot lead to strategic disadvantages.

In 2019: Relative TSR – Industrial peers

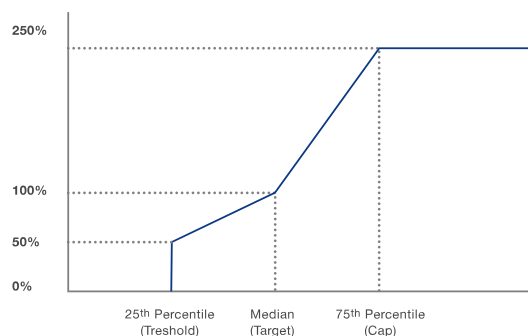


Relative TSR – SMIM



From 2020, the threshold for the relative TSR in the industrial peer group will be changed back to the 25th percentile (as described in detail in chapter “[Special report](#)”). The performance metric for the relative TSR in the SMI Mid remains unchanged.

From 2020: Relative TSR – Industrial peers



Disclosure of internal financial objectives may create a competitive disadvantage to the company because it renders sensitive insights into Sulzer’s strategy. To ensure transparency while avoiding competitive risk, Sulzer provides a general performance assessment for each performance criteria at the end of the performance cycle based on the following metric (see chapter “[Compensation of the Executive Committee for 2019](#)”).

Level of performance

- Below threshold
- Threshold
- Target
- Cap
- Points in between

Achievement factor

- 0%
- 50%
- 100%
- 250%
- Linear interpolation

On the vesting date, the number of vested PSU is calculated by multiplying the initial number of PSU granted by the weighted average of the achievement factor of each performance condition. For each vested PSU, a Sulzer share will be delivered to the participant.

Number of PSU vested

Number of PSU granted	×	Achievement opEBITA growth (0–250%)x25%	+	Achievement average opROCEA (0–250%)x25%	+	Achievement relative TSR (0–250%)x50%	=	Number of PSU vested
Number of PSU granted Grant values are defined based on the level of the role: • CEO: CHF 1'440'000 • EC: CHF 330'000 to CHF 400'000		Factor based on operational EBITA growth Operational EBITA growth is the percentage change between opEBITA in the last fiscal year before the start of the performance period and opEBITA in the last fiscal year of the performance period.		Factor based on average opROCEA Average opROCEA is the sum of adjusted opROCE based on audited figures in each fiscal year of the performance period, divided by the number of such years.		Factor based on relative TSR Relative TSR is defined as share price growth plus dividends during the vesting period divided by the ending share price, measured against peers.		Number of PSU vested The maximum vesting value is capped at a multiple of the value at grant: • CEO: CHF 3'600'000 • EC: CHF 825'000 to CHF 1'000'000

However, while the above-mentioned performance assessment impacts the number of PSU vested and, consequently, the number of shares delivered, there might also be an increase in value per share over the three-year performance period, which may have a relevant impact on the actually delivered total value after three years. Therefore, the number of vested PSU is subject to an absolute value cap representing, in each case, 2.5 times the original grant value.

The objectives for the PSP are linked to Sulzer's strategic goal of promoting sustainable and profitable growth of the company. They are chosen to provide different incentives for growth and shareholder value creation.

Strategic link of PSP

	Growth	Profitability	Long-term shareholder value creation
PSP	✓	✓	✓
Operational EBITA growth	✓	✓	✓
opROCEA		✓	
Relative TSR	✓	✓	✓

In case of termination of employment, the following provisions apply:

Type of termination	Provision
By the employer for cause	Unvested PSU forfeit
As a result of retirement	Vesting and performance measurement of PSU continues according to plan, no early allocation of the shares.
Any other reason	The number of unvested PSU vest on a pro rata basis (number of months between grant date and termination date) according to the achievement factor at the end of the vesting period. There is no early allocation of the shares.

Upon the occurrence of a change of control, PSU will vest immediately on a pro rata basis, subject to a performance assessment by the Board of Directors. In such a case, the Board of Directors may also determine a cash settlement of the awards.

Malus and clawback

The Board of Directors may determine that a PSU is forfeited in full or in part (malus) or that a vested award will be recovered in full or in part (clawback) in situations of material misstatement of the financial results, an error in assessing a performance condition or in the information or assumptions on which the award was granted or vested, serious reputational damage to the company, gross negligence, or willful misconduct on the part of the participant.

Further information on share-based compensation can be found in [note 31](#) to the “Consolidated Financial Statements of Sulzer Ltd.”

Contracts of employment

The employment contracts of the Executive Committee are of undetermined duration and have a notice period of maximum 12 months. Members of the Executive Committee are not entitled to any impermissible severance or change of control payments. The employment contracts of the Executive Committee may include non-competition agreements with a time limit of one year and with a maximum total compensation of one annual target compensation.

Shareholding requirements

There are currently no contractual shareholding requirements for Executive Committee members or other employees. Beginning 2020, such shareholding requirements for members of the Executive Committee will be introduced. According to these Share Ownership Guidelines (SOG) the members of the Executive Committee are obliged to hold part of their shares until the end of their service period. The value of the shares to be held is set at 200% of the annual gross base salary for the CEO and 100% of the annual gross base salary for the other members of the Executive Committee.

Function	Shareholding requirement in % of base salary
CEO	200%
Other EC members	100%

Compensation of the Executive Committee for 2019

In 2019, the Executive Committee received a total compensation of CHF 15'370'180 (previous year: CHF 16'703'113). Of this total, CHF 6'845'153 was in cash (previous year: CHF 7'773'076); CHF 6'290'403 was in PSU (previous year: CHF 4'462'417); CHF 1'908'991 was in pension and social security contributions (previous year: CHF 2'066'420), and CHF 325'632 was in other payments (previous year: CHF 2'401'200).

Compensation of the Executive Committee (audited)

	2019					
	Cash compensation					Deferred compensation based on future performance
	Base salary	Bonus ²⁾	Other ³⁾	Pension and social security contributions ⁴⁾	Total cash-based compensation	Estimated value of share-based grant under the Performance Share Plan (PSP) ⁵⁾
thousands of CHF						Total (incl. conditional share-based grant)
Highest single compensation, Greg Poux-Guillaume, CEO	1'021	1'183	67	493	2'765	2'709
Total Executive Committee¹⁾	3'663	3'182	326	1'909	9'080	6'290

	2018					
	Cash compensation					Deferred compensation based on future performance
	Base salary	Bonus ²⁾	Other ³⁾	Pension and social security contributions ⁴⁾	Total cash-based compensation	Estimated value of share-based grant under the Performance Share Plan (PSP) ⁵⁾
thousands of CHF						Total (incl. conditional share-based grant)
Highest single compensation, Greg Poux-Guillaume, CEO	1'021	1'375	1'081	528	4'005	1'841
Total Executive Committee¹⁾	4'090	3'683	2'401	2'066	12'241	4'462

1) The total Executive Committee compensation for 2019 includes the compensation of Greg Poux-Guillaume, CEO since December 1, 2015; Jill Lee, CFO since April 2018; Daniel Bischofberger, Division President Rotating Equipment Services since September 2016; Torsten Wintergerste, Division President Chemtech since June 2016; Armand Sohet, Chief Human Resources Officer since March 2016; Frédéric Lalanne, Division President Pumps Equipment since January 2019; Girts Cimermans, Division President Applicator Systems since October 21, 2019. The total Executive Committee compensation for 2018 includes Greg Poux-Guillaume, CEO since December 1, 2015; Thomas Dittrich, CFO until March 2018; Jill Lee, CFO since April 2018; Michael Streicher, Division President Pumps Equipment until December 2018; Daniel Bischofberger, Division President Rotating Equipment Services since September 2016; Torsten Wintergerste, Division President Chemtech since June 2016; Armand Sohet, Chief Human Resources Officer since March 2016; Frédéric Lalanne, Chief Commercial and Marketing Officer until December 2018.

2) Expected bonus for the performance years 2019 and 2018 respectively, that is paid out in the following year (accrual principle). Includes pro rata short-term incentive (STI) payments for EC members whose employment contracts started or were terminated during the year.

3) Other consists of housing allowances, relocation allowance, schooling allowances, tax services and child allowances. For 2018, this category also includes the step-up in fair value of outstanding PSU (PSP 2016 and PSP 2017) resulting from the Board's 2018 decision to set TSR floors reflecting the exceptional market conditions and share price collapse following the US sanctions against Russia and the collateral damages to Sulzer.

4) Includes the employer contribution to social security (including the expected employer contributions on equity awards), based on the fair value of all grants made in 2019 and 2018, respectively (PSP).

5) Represents the full fair value of the PSU granted under the PSP in 2019 (including regular annual grants as well as one-off special grant as further detailed in the Compensation Report, which were granted on the same date and based on the same reference price as the regular annual grants) and 2018 respectively. PSU granted in 2019 had a fair value of CHF 115.95 at grant date, based on a third-party fair value calculation. While the share price to convert the grant value into a number of granted PSU is based on the three-month weighted average share price before the grant date (CHF 92.46 per PSU for April 2019 grants), the disclosed fair values are calculated on the grant dates by using market value approaches, which typically leads to differences between the original grant value according to the compensation architecture and the disclosed fair market values.

The total compensation of CHF 15'370'180 awarded to the members of the Executive Committee for the 2019 financial year is within the maximum aggregate compensation amount of CHF 21'505'000 that was approved by the shareholders at the 2018 AGM.

No severance payments to members of the Executive Committee were made during the reporting year.

As of December 31, 2018 and December 31, 2019, there were no outstanding loans or credits granted to the members of the Executive Committee or former members of the Executive Committee (audited).

In 2018 and 2019, no compensation was granted to former members of the Executive Committee or related parties (audited).

Compensation for the Executive Committee: pay-for-performance assessment

In 2019, Sulzer successfully progressed on its expansion path. We acquired and integrated:

- End of April 2019: GTC Technology
- July 2019: Alba Power

In both cases, this will supplement and further boost our local expertise and delivery power.

In the following, we elaborate further on how the relevant business performance impacted the variable compensation models of our Executive Committee. More detailed information about Sulzer's operational and strategic performance in 2019 can be found in the financial report.

a) Total compensation and pay for performance relation

Total compensation of Executive Committee

Fixed compensation



Base salary
Base salary

24%

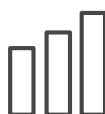


Benefits
Pension and social security contributions, fringe benefits

14%

38%

Variable compensation



Short-term incentive plan
Bonus plan

21%



Long-term incentive plan
Performance share plan (PSP)

41%

62%

Total compensation of EC

In 2019, the Executive Committee received a total compensation of CHF 15'370'180 (previous year: CHF 16'703'113). This is an overall decrease of 8.0% from the previous year. The main changes compared with the previous year are as follows:

- The roles and corresponding job sizes of two current EC members were reevaluated. This reevaluation and subsequent market benchmarking led to higher LTI grant entitlements.
- Since October 2019, the role of the Division President APS newly also forms part of the EC, and as such the respective compensation is included in the 2019 compensation table for the Executive Committee.
- The exceptional one-off grant of additional performance share units under the PSP as further detailed in section c) below.

For the entire Executive Committee, the variable component amounted to between 40% and 246% of the fixed component (base salary, other, pension and social security contributions). This pay for performance relation reflects Sulzer's high-performance orientation. Further, it represents the company's strong emphasis on aligning the interests of the Executive Committee and the shareholders to create long-term shareholder value and profitable growth.

On a like-for-like basis (EC members employed in both 2019 and 2018), the base salaries of the EC members increased by 1.1% on average. Regarding cash bonus payments and LTI amounts, see the following paragraphs.

b) Short-term incentive (cash bonus payouts)

In 2019, Sulzer again made good progress towards its transformation goals. We grew organically but also through acquisitions in all divisions. The financial component of the bonus ranged from 109% to 133% of targeted payout (on average 127%) and significant progress on our transformation path led to a high level of achievement of individual objectives. The financial performance on group level was as follows:

KPI	Weighting	Payout factor
Operational EBITA in % of sales	25%	130.7%
Sales	25%	97.3%
opONCF	20%	179.6%
Total	70%	132.5%

The individual performance was set at 120% to consider the exceptional team performance. For the newly appointed Executive Committee member Girts Cimermans, individual performance was determined at 100%. In recent years, however, the individual performance was very diverse among the members of the Executive Committee.

Overall, this translated into an overall bonus payout factor ranging from 106% to 129% (on average 124%) for the members of the Executive Committee.

c) Long-term incentive (PSP)

We are convinced that the conditional awards to receive Sulzer shares, subject to operational return on capital employed (opROCEA), operating income before restructuring, amortization, impairments and non-operational items (opEBITA) and total shareholder return (TSR) performance as well as ongoing employment through the three-year vesting period:

- constitutes a very attractive element of variable long-term remuneration for our key management;
- supports and underlines the company's focus on excellent, sustainable performance;
- and provides for a strong alignment of interests with shareholders also in the longer term.

The PSP framework (apart from the specific performance targets for each grant cycle), eligibility and grant entitlement remained unchanged in 2019 compared to previous years.

The roles and corresponding job sizes of two current EC members were reevaluated which resulted, based on a corresponding benchmark, in a higher LTI grant entitlement for those two individuals. This is reflected in the PSP grant amounts disclosed in this report.

The special grant in 2019 for the EC members is included in the PSP grant amounts disclosed in the above compensation tables.

The PSP 2017 vested on December 31, 2019. The relevant key performance indicators (KPI's) were operating income before restructuring, amortization, impairments and non-operational items (opEBITA) growth, operational return on capital employed (opROCEA) and relative total shareholder return (TSR) over the three-year period from 2017 to 2019. Operational performance in this period was very good, even beyond expectations. The result was a total payout factor of 129% for the PSP 2017, which reflects growth and performance, both against budget targets and against market peers, in the three-year period from 2017 to 2019. The total payout factor results as follows:

KPI	Weighting	Payout factor
opEBITA	25%	150%
opROCEA	25%	127%
Rel. TSR	50%	120%
Total	100%	129%

Overall, the PSP vesting levels fairly reflected the operational performance, also against direct peers, over the respective three-year performance cycles, so Sulzer fully achieved the desired strong link between sustainable company performance and competitive long-term incentive payouts.

Shareholdings of the Executive Committee

As of the end of 2018 and 2019, the members of the Executive Committee held the following shares in the company:

Shareholdings at December 31, 2019

2019					
	Sulzer shares	Share units under vesting in equity plans (RSU and PSP)			
	Sulzer shares	Restricted share units (RSU)	Performance share units (PSU) 2017	Performance share units (PSU) 2018	Performance share units (PSU) 2019
Executive Committee	68'838	–	25'292	28'133	54'251
Greg Poux-Guillaume	46'181	–	13'196	12'820	23'363
Daniel Bischofberger	2'562	–	3'024	2'938	6'491
Frédéric Lalanne	4'492	–	3'024	2'938	6'491
Jill Lee	7'945	–	–	3'561	6'491
Armand Sohet	4'204	–	3'024	2'938	5'355
Torsten Wintergerste	3'454	–	3'024	2'938	5'355
Girts Cimermans	–	–	–	–	705

Shareholdings at December 31, 2018

2018					
	Sulzer shares	Share units under vesting in equity plans (RSU and PSP)			
	Sulzer shares	Restricted share units (RSU)	Performance share units (PSU) 2016	Performance share units (PSU) 2017	Performance share units (PSU) 2018
Executive Committee	34'035	3'513	28'852	26'667	31'071
Greg Poux-Guillaume	21'381	–	18'641	13'196	12'820
Daniel Bischofberger	–	–	1'424	3'024	2'938
Frédéric Lalanne	2'237	3'513	2'314	3'024	2'938
Jill Lee	7'945	–	–	–	3'561
Armand Sohet	–	–	3'560	3'024	2'938
Torsten Wintergerste	1'708	–	971	3'024	2'938
Michael Streicher	764	–	1'942	1'375	2'938

Compensation architecture for the Board of Directors

The compensation of the Board of Directors is fixed and does not contain any performance-based variable component. This ensures that the Board of Directors is truly independent in fulfilling its supervisory duties towards the Executive Committee.

The compensation of the Board of Directors is governed by a compensation regulation, is reviewed by the Nomination and Remuneration Committee (NRC) annually and, if necessary, adjusted by a decision of the full Board of Directors based on a proposal by the NRC.

The compensation of the Board of Directors consists of a fixed cash component and a restricted share unit (RSU) component with a fixed grant value. Each RSU represents a right to receive a Sulzer share free of charge after a certain period, as further detailed below. Further, Board members are entitled to a lump sum to cover business expenses. The RSU component strengthens the long-term alignment of the interests of the Board members with those of the shareholders. To reinforce the focus of the Board of Directors on the long-term strategy and to strengthen its independence from the Executive Committee, the compensation of the Board of Directors contains no performance-related elements and Board members are not entitled to pension benefits.

The amount of compensation for the Chairman and for the other members of the Board of Directors is determined based on the relevant compensation benchmarks. The compensation reflects the responsibility and complexity of their respective function, the professional and personal requirements placed on them, and the expected time required to fulfill their duties. At the end of 2018, an independent external third party (with no further mandates at Sulzer) provided to the NRC specific market data regarding Board compensation. Based on those data and considering the increased importance of committees, the NRC performed an assessment and decided to increase the committee fees for Committee Chairmanship and Committee membership, effective for the compensation period starting at the AGM 2019. The ongoing Board compensation structure and amounts are described in the table below:

Annual compensation of the Board of Directors¹⁾

in CHF	Cash component (net of social security contributions)	Grant value of restricted share units (net of social security contributions)	Lump-sum expenses
Base fee for Board Chairmanship ²⁾	420'000	250'000	10'000
Base fee for Board Vice Chairmanship	100'000	155'000	5'000
Base fee for Board membership	70'000	125'000	5'000
Additional committee fees:			
Committee Chairmanship	60'000 (previously 40'000)		
Committee membership	35'000 (previously 25'000)		

1) Compensation for the period of service (from AGM to AGM).

2) The Chairman of the Board of Directors does not receive additional remuneration for committee activities.

The members of the Board of Directors are remunerated for their service during their term of office (from AGM to AGM). The cash remuneration is paid in quarterly installments for Board members and monthly installments for the Chairman; the expense lump sum is paid out in December and the RSU are granted once a year. The number of RSU is determined by dividing the fixed grant value by the volume-weighted average share price of the last ten trading days before the grant date, which lies between the date of the publication of the year-end results and the Annual General Meeting. One-third of the RSU each vest after the first, second and third anniversaries of the grant date respectively.

Upon vesting, one vested RSU is converted into one share of the company. The vesting period for RSU granted to the members of the Board of Directors ends no later than on the date on which the member steps down from the Board. Although the value of the RSU grant is fixed (at grant), it then fluctuates with the share price during the vesting period, which means that the value at vesting can differ from the value at grant.

Compensation of the Board of Directors for 2019

In 2019, the Board of Directors received a total compensation of CHF 2'542'208 (previous year: CHF 2'637'654). Of this total, CHF 1'281'957 was in the form of cash fees (previous year: CHF 1'225'730); CHF 1'030'000 was in RSU (previous year: CHF 1'155'000) and CHF 230'251 was in the form of social security contributions (previous year: CHF 256'923).

The aggregate Board compensation paid in 2019 was 3.6% lower than in 2018, which is due to the lower number of Board members since May 2018.

Apart from the increase of the committee fees, the structure and level of the Board compensation remained unchanged compared with the previous year.

The portion of compensation delivered in restricted share units (RSU) amounts to 56% of the cash compensation for the Chairman, and to between 74% and 114% for the other active members of the Board of Directors. The RSU are subject to a staged three-year vesting period.

Compensation of the Board of Directors (audited)

	2019				2018			
	Cash fees ⁸⁾	Restricted share unit (RSU) plan ⁹⁾	Social security contributions ¹⁰⁾	Total	Cash fees ⁸⁾	Restricted share unit (RSU) plan	Social security contributions ¹⁰⁾	Total
thousands of CHF								
Board of Directors	1'282	1'030	230	2'542	1'226	1'155	257	2'638
Peter Löscher, Chairman ¹⁾	446	250	64	760	446	250	69	765
Matthias Bichsel, Vice Chairman	140	155	32	327	133	155	33	322
Hanne Birgitte Breinbjerg Sørensen ²⁾	168	125	30	323	108	125	27	260
Lukas Braunschweiler ³⁾	109	125	26	260	76	125	25	226
Mikhail Lifshitz	109	125	26	260	102	125	27	253
Marco Musetti	144	125	28	297	117	125	28	270
Gerhard Roiss ⁴⁾	165	125	25	315	132	125	16	273
Axel C. Heitmann ⁵⁾	–	–	–	–	40	125	23	187
Thomas Glanzmann ⁶⁾	–	–	–	–	40	0	4	44
Jill Lee ⁷⁾	–	–	–	–	32	0	4	36

1) Chairman of the Board of Directors and Chairman of the Strategy Committee.

2) Member of the Board of Directors and Chairwoman of the Audit Committee since April 4, 2018.

3) Member of the Board of Directors since April 4, 2018.

4) Member of the Board of Directors since April 1, 2015. Chairman of the Nomination and Remuneration Committee since April 4, 2018.

5) Member of the Board of Directors until May 25, 2018.

6) Chairman of the Nomination and Remuneration Committee until April 4, 2018.

7) Chairwoman of the Audit Committee until December 11, 2017. Member of the Board of Directors until April 4, 2018.

8) Disclosed gross.

9) RSU awards granted in 2019 had a fair value of CHF 97.76 at grant date. The amount represents the full fair value of grants made in 2019.

10) The amount includes mandatory social security contributions on the cash fees and estimated contributions on the RSU (based on their fair value at grant) and includes both the employer and employee contributions paid by the company on behalf of the Board members.

At the 2019 and 2018 AGM respectively, shareholders approved a maximum aggregate compensation amount of CHF 2'984'000 for the Board of Directors for the period of office from the 2019 AGM until the 2020 AGM and of CHF 2'984'000 for the period of office from the 2018 AGM until the 2019 AGM. The table below shows the reconciliation between the compensation that is/will be paid out for the two periods of office and the maximum aggregate compensation amounts approved by the shareholders.

Reconciliation between the reported Board compensation and the amount approved by the shareholders at the Annual General Meeting

	Compensation earned during financial year as reported (A)	Minus compensation earned from Jan to AGM of financial year (B)	Plus compensation accrued from Jan to AGM of year following financial year (C)	Total compensation earned for the period from AGM to AGM (A-B+C)	Amount approved by shareholders at respective AGM	Ratio between compensation earned for the period from AGM to AGM versus amount approved by shareholders
AGM 2019–AGM 2020	2019	Jan 1, 2019 to 2019 AGM	Jan 1, 2020 to 2020 AGM	2019 AGM to 2020 AGM	2019 AGM	2019 AGM
Board (total)	2'542'208	324'428	354'767	2'572'548	2'984'000	86.2%
AGM 2018–AGM 2019	2018	Jan 1, 2018 to 2018 AGM	Jan 1, 2019 to 2019 AGM	2018 AGM to 2019 AGM	2018 AGM	2018 AGM
Board (total)	2'637'654	387'961	366'336	2'616'029	2'984'000	87.7%

As of December 31, 2018 and December 31, 2019, there were no outstanding loans or credits granted to the members of the Board of Directors, former members of the Board of Directors or related parties (audited).

In 2018 and 2019, no compensation was granted to former members of the Board of Directors or related parties (audited).

Shareholdings of the Board of Directors

As of the end of 2018 and 2019, the members of the Board of Directors held the following shares in the company:

Shareholdings at December 31, 2019

	2019		
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares
Board of Directors	47'461	18'549	66'010
Peter Löscher	17'121	4'692	21'813
Matthias Bichsel	6'801	2'911	9'712
Hanne Birgitte Breinbjerg Sorensen	249	1'951	2'200
Lukas Braunschweiler	335	1'951	2'286
Mikhail Lifshitz	3'622	2'348	5'970
Marco Musetti	7'480	2'348	9'828
Gerhard Roiss	11'853	2'348	14'201

Shareholdings at December 31, 2018

	2018		
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares
Board of Directors	38'114	16'516	54'630
Peter Löscher	14'607	4'647	19'254
Matthias Bichsel	5'241	2'884	8'125
Hanne Birgitte Breinbjerg Sorensen	–	1'005	1'005
Lukas Braunschweiler	–	1'005	1'005
Mikhail Lifshitz	1'449	2'325	3'774
Marco Musetti	6'222	2'325	8'547
Gerhard Roiss	10'595	2'325	12'920



Report of the Statutory Auditor

To the General Meeting of Sulzer Ltd, Winterthur

We have audited the Compensation Report of Sulzer Ltd for the year ended December 31, 2019. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables and sections labeled “audited” in the chapters “[Compensation of the Executive Committee for 2019](#)” and “[Compensation of the Board of Directors for 2019](#)” of the Compensation Report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Compensation Report for the year ended December, 31 2019 of Sulzer Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Simon Niklaus
Licensed Audit Expert

Zurich, February 17, 2020

KPMG AG, Râffelstrasse 28, PO Box, CH-8036 Zurich

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