Compensation report

Paying for sustainable performance

Winterthur, February 23, 2021

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 2020. I appreciated the ongoing opportunity in 2020 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.

After a good start to 2020, COVID-19 turned the world upside down. It comes as no surprise that Sulzer has also been heavily challenged by COVID-19 and its economic impact. However, I am proud to say that Sulzer has proven to be extremely resilient this year. We achieved this thanks to our broad regional presence and a balance between early and late-cyclical business. And most importantly – thanks to the support of our employees and the enormous team effort. This also includes the great performance of our Executive Committee which, through its swift action and thoughtful measures, has been instrumental in successfully managing the COVID-19 consequences.

Executive Committee's compensation

Our Executive Committee's compensation framework is a modern and tailor-made system designed to lead Sulzer successfully through the coming 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 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 oblige 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 – even in the face of difficult circumstances.

Paying for performance: our year 2020

In 2020, Sulzer continued its strategic investments in sustainable technology leaders to complement its portfolio and provide innovative cutting-edge solutions for a more environmentally friendly future.

We implemented the following changes in 2020 with regard to the Executive Committee's compensation model:

- A fourth performance category was introduced for measuring individual performance in the short-term incentive plan: “Environmental, Social, Governance (ESG)”. ESG considers aspects such as improvements in health and safety, emissions, water and energy efficiency or initiatives and actions taken to increase employee and community engagement or efforts in R&D for more efficient or sustainable products such as eco-packaging, biopolymers or energy-efficient pumps.

- Share ownership guidelines were implemented to align interests of the Executive Committee with those of shareholders and further strengthen the equity culture. 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.
- The threshold for total shareholder return performance in the industrial peer group will be set “back to normal” at the 25th percentile (for details see special report 2019).
- The Board has decided to adjust the international peer group. Due to M&A activities, Weir Group was replaced by Andritz, which was the predefined successor in case of necessary adjustments to the international peer group.

The short-term measures applied to the compensation plans in 2020 with regards to COVID-19 are explained in detail in the special report.

Otherwise, the general compensation model and structure for Executive Committee members remained unchanged. There was no increase in base salaries, target short-term incentives levels or regular performance share plan grant amounts and there will also be none in 2021. The CEO received the last tranche of the special grant under the performance share plan which was granted in 2019 due to the exceptional performance during and after the US sanctions in 2018, and was spread over 2019 and 2020 (for details see special report 2019).

The aggregate Executive Committee compensation is below the maximum amount previously approved by the Annual General Meeting for the respective period. Including potential payments made over time, aggregate compensation decreased by 4.7% year on year and by 11.2% like for like, considering we increased the number of Executive Committee members by one at year-end 2019.

Board of Directors compensation

The aggregate Board of Directors compensation paid in 2020 was below the maximum amounts previously approved by the AGM for the respective periods. No changes to Board compensation were deemed necessary.

The aggregate Board of Directors compensation paid in 2020 was 10.4% higher than in 2019, due to the appointment of Mr. Alexey Moskov as a new member of the Board in 2020, thus returning to the former size of the Board of Directors.

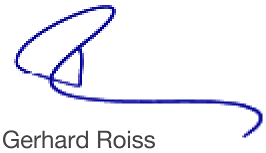
Governance

The Nomination and Remuneration Committee (NRC) performed its regular activities in 2020, including making recommendations to the Board for EC performance targets, as well as for compensation of Board, CEO and EC. 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 2021, you will be asked to vote on the maximum aggregate compensation for the Board for its 2021–2022 term and on the maximum aggregate compensation for the EC for 2022. For the third consecutive year, the maximum aggregate compensation for the Board will remain flat. Notwithstanding the addition of the new EC member, the maximum aggregate for the EC will be the same as for 2021.

As per practice, this compensation report will be submitted for a non-binding, consultative vote to our shareholders. We encourage and pursue 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,



Gerhard Roiss
Chairman of the Nomination and Remuneration Committee

COVID-19 report

A year ago, as we prepared to publish our 2019 business results, like many others we hoped that the COVID-19 crisis that China was already experiencing would not impact the rest of the world. As the months since then have so dramatically illustrated, the COVID-19 crisis continues and the aftershocks are being felt across all industries. Through this period, the critical issue for Sulzer has been to keep our people safe, while keeping our operations running.

How was Sulzer affected by the COVID-19 crisis?

The global spread of COVID-19 and the numerous countermeasures restricted the global economy and led to a highly volatile and uncertain business environment. Companies faced a decline in demand for products and services, order cancellations, a standstill of business activities, logistical bottlenecks, a lack of supplier goods and challenges in supply chain and sales channels.

Naturally, COVID-19 also had a massive impact on Sulzer's business. For example, through the closing of beauty stores and dental practices and the slump in the oil and gas industry. Furthermore, we had to face a highly volatile order situation as decisions on larger projects were postponed.

Nonetheless, Sulzer proved very resilient and delivered robust results in this adverse market environment. Thanks to a strong performance in 2019 and a good first quarter 2020, we were able to pay and even increase dividend payments related to 2019, despite the economic circumstances. We also honored agreed salary rises for all employees. Sulzer made significant progress in its working capital management despite the logistics disruptions generated by the pandemic, leading to a record free cash flow of CHF 272 million, our highest level in years. Furthermore, we improved or maintained the profitability of three out of our four divisions through a combination of flawless execution and strong cost actions. Only Applicator Systems, with the effective suspension of dental procedures worldwide in the second quarter, temporarily dipped. Through the extraordinary efforts of team members around the world, Sulzer ended the most complicated year on record with orders and sales down by less than 5%[1)], and an operational profitability of 9.0% – at the top of its guidance. This bodes well for 2021.

How did Sulzer manage the crisis?

To maintain Sulzer's stability and reliability for employees and customers throughout the COVID-19 crisis and beyond, we swiftly introduced a COVID-19 committee dedicated to the pandemic response, implemented a resilience program and took action to further prepare Sulzer for the future.

Recognizing the need to anticipate and respond rapidly to a dynamic situation, we put the dedicated COVID-19 committee in place in March 2020. The committee has led our efforts, steering open and regular communications with our employees, establishing a common focus on safety measures across our 180 locations – amidst fluctuating and at times unclear public health guidance.

Preparing for the challenges that lay ahead, we initiated a resilience program aimed at controlling our cost base to better reflect this unique situation. The program was built around three pillars: measures to protect jobs, measures to adapt to market conditions and measures to support the new normal. Significantly, this program has met its objective while limiting the impact on existing jobs in our company. We achieved this by implementing a global hiring freeze, addressing accrued paid time off, reducing travel and related expenses, delayering our leadership structure and reducing headcount in support functions based out of our Swiss headquarters – primarily by managing attrition. These measures have helped us secure CHF 59 million in 2020, thus meeting the cost reduction target.

Besides the resilience program, our teams took swift action to ensure business continuity for our customers while implementing cost measures. This also helped mitigate the impact of lower sales volumes, temporary factory closures and supply chain disruptions, resulting in an operational profit of CHF 297.6 million and an operational profitability of 9.0%.

Despite the challenging circumstances back in March 2020, we chose to honor the agreed salary rises for all employees and performance bonus payments, as well as dividend payments related to 2019. While we moved to freeze the base salaries for the Executive Committee, there were no additional adjustments to compensation in 2020.

To prepare for the future, we launched structural actions to make our energy-related businesses leaner, in anticipation of adverse conditions in the oil and gas market which we expect to continue well into 2021. Further, we doubled down on investments that prepare us for the future – in additive manufacturing, data platforms, remote systems and digital production methods that will make us faster and more flexible.

What remuneration related measures has the Nomination and Remuneration Committee (NRC) taken, and why?

1. Compensation levels: We froze Executive Committee compensation levels for 2020 and 2021

Even though Sulzer has proven very resilient so far, the economic environment remains challenging. Therefore, as in 2020, there will be no increase in base salaries, target STI (short-term incentives) levels or regular LTI grant amounts in 2021 for the Executive Committee.

2. Short-term incentive plan 2020: We adjusted the actual operational profit to adequately reflect the performance and effort of all our employees

Aiming to stay the course for the year ahead, the NRC did not adjust financial targets for 2020 in February – keeping the budget unchanged and leaving the option to review the consolidated impact of COVID-19 at year-end to make appropriate adjustments. This review was completed in December 2020 and the Board decided to keep the operational operating net cash flow (operational ONCF) and sales targets unchanged. Reflecting the severe challenges stemming from COVID-19, the profitability target was revised to consider COVID-19 effects. To be precise, the COVID-19 impact on our operational profit is estimated at roughly CHF 105 million. The NRC decided on a 30% relief of the calculated COVID-19 impact on actual operational profit. This benefits the nearly 5’000 employees who participate in our performance bonus plan this year and recognizes the extraordinary efforts we have made as a company. In the case of the Executive Committee, the adjustment results in an increase in the financial performance of 13% – from 100% (pre-adjustment) to 113% (post-adjustment).

3. Long-term incentive plan 2020: We postponed the performance share units grant date in 2020 to allow for a more stable economic environment

The COVID-19 crisis hit the markets at the end of February with a steep downwards progression until almost the end of March, with a slight initial recovery at the very end of March. At that time, it was impossible to assess the further course of the crisis. In line with the flexibility provided for by the performance share plan regulation, the NRC therefore decided to postpone the grant, initially planned in April, by two months and to use this delay to assess the performance share plan validity and other possible vehicles for long-term incentives, namely restricted share units. The assessment was made by an independent advisor and led to the conclusion that even if some companies were switching back to restricted share units, the overall market practice and proxy’s recommendations were confirming performance shares as a preferred vehicle for long-term incentive. Therefore, the performance share plan remained unchanged in its structure and the grant was issued on June 1, 2020, following the Board decision on May 25.

This shift of the performance share units grant date in 2020 was a one-time adjustment to reflect the extraordinary circumstances of an unprecedented crisis. Apart from the postponed grant date for the performance share units in 2020, there were no further measures taken. The performance period remains unchanged. This is also the case for running performance share tranches from previous years. With the 2018 performance share plan vesting on December 31, 2020, the COVID-19 impacts on Sulzer's performance are fully reflected in the Executive Committee's long-term compensation which accounts for the largest share of Executive Committee's variable compensation.

1) Adjusted for currency effects.

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 2020 AGM, Gerhard Roiss (Chairman), Hanne Birgitte Breinbjerg Sørensen and Marco Musetti were reelected as members of the NRC.

The NRC meets as often as the business requires, but at least twice a year. In 2020, the NRC held four regular and three extraordinary meetings that were attended by all members. Besides the standard agenda items, the NRC further focused its efforts on ensuring continuity and succession planning for the positions on the Board of Directors and the Executive Committee, so that the Board of Directors could now return to its usual number of Directors with the election of Alexey Moskov at the Annual General Meeting. In addition, the NRC engaged in conceptual considerations for dealing with the effects of the COVID-19 pandemic in terms of ensuring the incentive effect of the compensation policy.

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.

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 is summarized 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 2020)	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 profit, sales, operational operating net cash flow (operational ONCF)	Operational profit growth, operational return on average capital employed adjusted (operational ROCEA), 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[1)]: June 1, 2020 Vesting: December 31, 2022 Share delivery: March 2023	–
Performance period	–	–	1 year (January 1, 2020–December 31, 2020)	3 years (January 1, 2020–December 31, 2022)	–

1) Due to the unstable economic environment caused by COVID-19 at the time of the original grant date, the grant date was postponed from April 1, 2020, to June 1, 2020. The reasoning is described in detail in the COVID-19 report.

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		Variable compensation	
Base salary Base salary	**Benefits** Pension and social security contributions, fringe benefits	**Short-term incentive plan** Bonus plan	**Long-term incentive plan** Performance share plan (PSP)
26%	14%	23%	37%
40%		60%	

CEO's target compensation structure

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

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
		Operational profitability	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 (operational ONCF)	Measure of cash generated by the revenues	Sulzer	20%	6%
Financial performance	70%			Division		14%
		Cost-effectiveness	Objectives linked to cost reduction or optimization	Individual	15%	15%
		Growth initiatives	Include initiatives that support the growth of Sulzer, such as M&A projects, breaking into new markets or new accounts	Individual	5%	5%
		Faster and better	Initiatives focused on the profitability of Sulzer, with objectives linked to speed ("faster") and quality ("better")	Individual	5%	5%
Individual performance	30%	Environment, Social, Governance (ESG)	Objectives linked to improvements in the areas of environment, employee engagement and local communities, corporate governance	Individual	5%	5%
				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%.

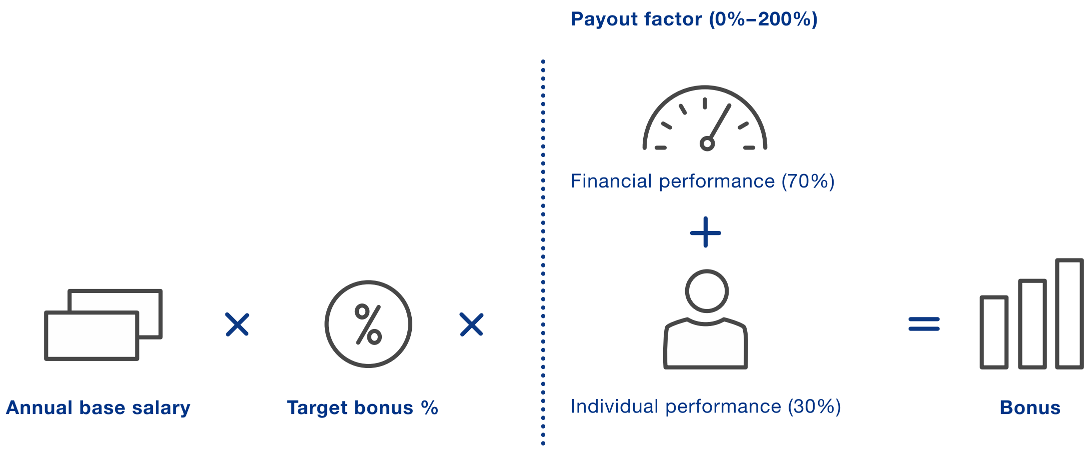
Between threshold and target, as well as between target and cap, the payout factor is interpolated linearly.

In order to measure individual performance, each Executive Committee member is given different personal objectives for each of the four individual performance categories ("Cost-effectiveness", "Growth initiatives", "Faster and better" and "Environment, Social, Governance (ESG)") at the beginning of the financial year. "Cost-effectiveness", 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. “ESG” includes improvements in health and safety, emissions, water and energy efficiency or initiatives and actions taken to increase employee and community engagement or efforts in R&D for more efficient or sustainable products such as eco-packaging, biopolymers or energy-efficient pumps. 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 2020”).

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 profit		✓	
Sales	✓		
Operational ONCF			✓
Cost-effectiveness		✓	
Growth initiatives	✓		✓
Faster and better		✓	
ESG	✓	✓	✓

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 (operational profit) growth, weighted with 25%;
- Average operational return on capital employed (operational ROCEA), 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 "Peer group for relative TSR performance of PSP 2020").

Peer group for relative TSR performance of PSP 2020

International peers

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

Swiss Market Index Mid (SMIM)

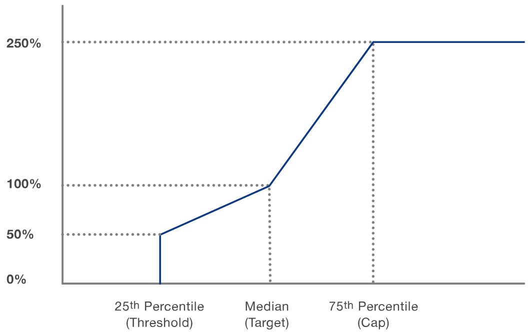
All companies of the SMIM

The Board of Directors can alter the composition of the peer group if deemed necessary, such as in the 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. On October 30, the Board decided to adjust the international peer group. Due to Weir Group's divestment of its oil and gas division, Weir Group was replaced by Andritz, which was the predefined successor.

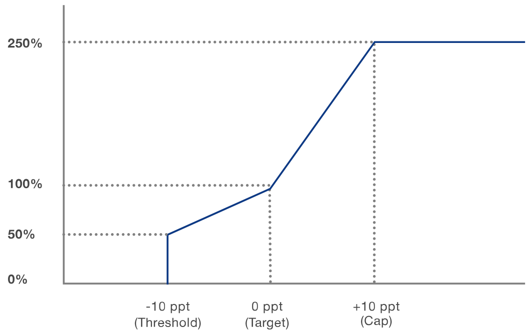
The Board of Directors deems these metrics to be the most relevant key performance indicators for the sustainable development of the Sulzer group, combining growth, profitability and shareholder return in comparison to the relevant peers and markets.

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.

Relative TSR – Industrial peers



Relative TSR – SMIM



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 2020").

Level of performance	Achievement factor
• Below threshold	0%
• Threshold	50%
• Target	100%
• Cap	250%
• Points in between	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 operational profit growth (0–250%)x25%	+	Achievement average operational ROCEA (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 profit growth** operational profit growth is the percentage change between operational profit in the last fiscal year before the start of the performance period and operational profit in the last fiscal year of the performance period.		**Factor based on average operational ROCEA** Average operational ROCEA is the sum of adjusted operational ROCE 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 profit growth	✓	✓	✓
Operational ROCEA		✓	
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

Beginning 2020, shareholding requirements for members of the Executive Committee have been 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 2020

In 2020, the Executive Committee received a total compensation of CHF 14’647’266 (previous year: CHF 15’370’180). Of this total, CHF 7’297’984 was in cash (previous year: CHF 6’845’153); CHF 5’237’982 was in PSU (previous year: CHF 6’290’403); CHF 1’964’563 was in pension and social security contributions (previous year: CHF 1’908’991), and CHF 146’738 was in other payments (previous year: CHF 325’632).

Compensation of the Executive Committee (audited)

							2020
	Cash compensation					Deferred compensation based on future performance	
thousands of CHF	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]	Total (incl. conditional share-based grant)
Highest single compensation, Greg Poux-Guillaume, CEO	1’021	1’141	82	491	2’735	2’601	5’335
Total Executive Committee[1]	**4’071**	**3’227**	**147**	**1’965**	**9’409**	**5’238**	**14’647**

							2019
	Cash compensation					Deferred compensation based on future performance	
thousands of CHF	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]	Total (incl. conditional share-based grant)
Highest single compensation, Greg Poux-Guillaume, CEO	1’021	1’183	67	493	2’765	2’709	5’474
Total Executive Committee[1]	**3’663**	**3’182**	**326**	**1’909**	**9’080**	**6’290**	**15’370**

1) The total Executive Committee compensation for 2020 and 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.
2) Expected bonus for the performance years 2020 and 2019 respectively, to be paid out in the following year (accrual principle).
3) Other consists of housing allowances, relocation allowance, schooling allowances, tax services and child allowances.
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 2020 and 2019, respectively (PSP).
5) Represents the full fair value of the PSU granted under the PSP in 2020 and 2019, respectively (including regular annual grants as well as a one-off special grant as outlined in the 2019 compensation report, which was granted on the same date and based on the same reference price as the regular annual grants). PSU granted in 2020 had a fair value of CHF 78.18 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 64.93 per PSU for June 2020 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 14’647’266 awarded to the members of the Executive Committee for the 2020 financial year is within the maximum aggregate compensation amount of CHF 21’505’000 that was approved by the shareholders at the 2019 AGM.

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

As of December 31, 2019, and December 31, 2020, there were no outstanding loans or credits granted to the members of the Executive Committee or former members of the Executive Committee (audited).

In 2019 and 2020, no compensation was granted to former members of the Executive Committee or related parties (audited).

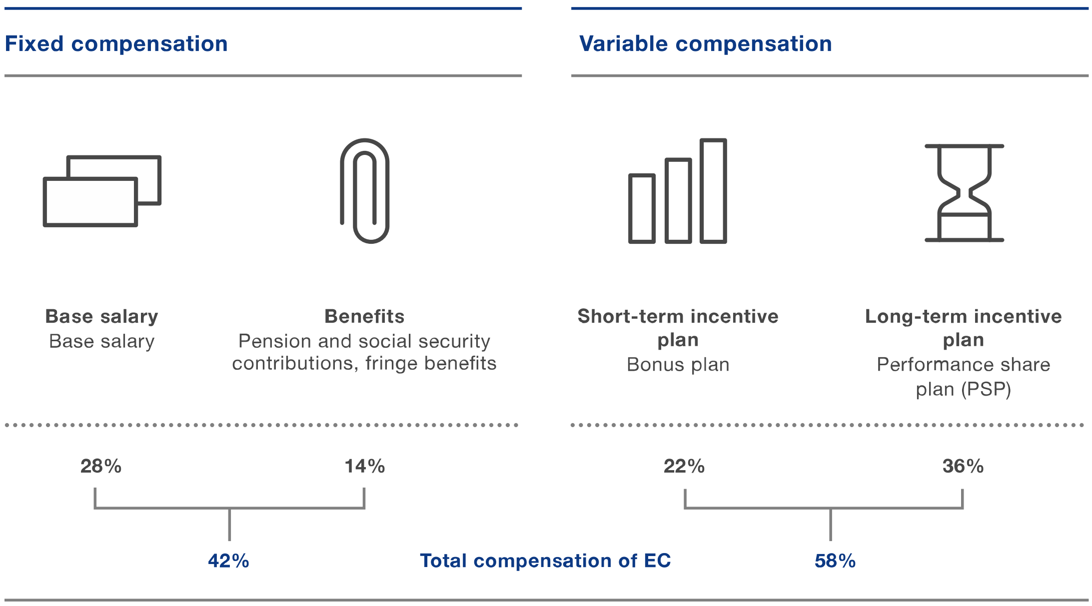
Compensation for the Executive Committee: pay-for-performance assessment

With the acquisition of drug delivery device developer and manufacturer Haselmeier in October 2020, Sulzer successfully progressed on its expansion path.

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 2020 can be found in the financial report.

a) Total compensation and pay for performance relation

Total compensation of Executive Committee



In 2020, the Executive Committee received a total compensation of CHF 14'647'266 (previous year: CHF 15'370'180). This is an overall decrease of 4.7% from the previous year and 11.2% like for like, considering we have increased the number of Executive Committee members by one at year-end 2019. In comparison to 2019, there was no special grant under the PSP for EC members except for the CEO, for whom the special grant was spread over 2019 and 2020 (for details see special report 2019).

For the entire Executive Committee, the variable component amounted to between 95% and 235% 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 2020 and 2019), the base salaries of the EC members remained unchanged. Regarding cash bonus payments and LTI amounts, see the following paragraphs.

b) Short-term incentive (cash bonus payouts)

In 2020, Sulzer again made good progress towards its transformation goals. We grew organically but also through acquisitions in all divisions. Due to the impacts of COVID-19, the NRC decided to make minor adjustments to the short-term incentive, which are described in detail in the COVID-19 report. The financial component of the bonus ranged from 100% to 113% of targeted payout (on average 110%), 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 profitability	25%	85%
Sales	25%	72%
Operational ONCF	20%	200% [1)]
Total	**70%**	**113%**

1) Actual operational ONCF overachieved in 2020, therefore the maximum payout factor was capped at 200%.

The individual performance ranged from 100% to 150% to consider the exceptional team performance.

Overall, this translated into an overall bonus payout factor ranging from 103% to 124% (on average 115%) 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 (operational ROCEA), operating income before restructuring, amortization, impairments and non-operational items (operational profit) 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 2020 compared to previous years.

The CEO was granted the second tranche of the special grant under the PSP which was granted to the EC in 2019 due to the exceptional performance during and after the US sanctions in 2018, and which was spread over 2019 and 2020 for the CEO (for details see special report 2019).

The special grants in 2019 for the EC members and in 2020 for the CEO are included in the PSP grant amounts disclosed in the above compensation tables.

With the 2018 performance share plan vesting on December 31, 2020, the COVID-19 impacts on Sulzer's performance are fully reflected in the Executive Committee's long-term compensation which accounts for the largest share of the Executive Committee's variable compensation.

The relevant key performance indicators (KPIs) were operating income before restructuring, amortization, impairments and non-operational items (operational profit) growth, operational return on capital employed (operational ROCEA) and relative total shareholder return (TSR) over the three-year period from 2018 to 2020. Operational performance in this period was very good, even beyond expectations. The result was a total payout factor of 126% for the PSP 2018, which reflects growth and performance, both against budget targets and against market peers, in the three-year period from 2018 to 2020. The total payout factor results as follows:

KPI	Weighting	Payout factor
Operational profit	25%	100%
Operational ROCEA	25%	162%
Relative TSR	50%	120%
Total	**100%**	**126%**

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 2019 and 2020, the members of the Executive Committee held the following shares in the company:

Shareholdings at December 31, 2020

	2020				
	Sulzer shares	Share units under vesting in equity plans (RSU and PSP)			
	Sulzer shares	Restricted share units (RSU)	Performance share units (PSU) 2018	Performance share units (PSU) 2019	Performance share units (PSU) 2020
Executive Committee	**92’944**	**–**	**28’133**	**54’251**	**66’999**
Greg Poux-Guillaume	58’062	–	12’820	23’363	33’267
Daniel Bischofberger	6’233	–	2’938	6’491	6’161
Girts Cimermans	–	–	–	705	5’083
Frédéric Lalanne	6’955	–	2’938	6’491	6’161
Jill Lee	7’945	–	3’561	6’491	6’161
Armand Sohet	6’624	–	2’938	5’355	5’083
Torsten Wintergerste	7’125	–	2’938	5’355	5’083

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
Girts Cimermans	–	–	–	–	705
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

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. The ongoing Board compensation structure and amounts are described in the table below:

Annual compensation of the Board of Directors[1)]

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		
Committee membership	35'000		

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 2020

In 2020, the Board of Directors received a total compensation of CHF 2’807’649 (previous year: CHF 2’542’208). Of this total, CHF 1’395’856 was in the form of cash fees (previous year: CHF 1’281’957); CHF 1’155’000 was in RSU (previous year: CHF 1’030’000) and CHF 256’793 was in the form of social security contributions (previous year: CHF 230’251).

The aggregate Board compensation paid in 2020 was 10.4% higher than in 2019, which is due to the appointment of Mr. Alexey Moskov as a new member of the Board in 2020, thus returning to the former size of the Board of Directors. Nevertheless, the aggregated Board compensation was still below the maximum aggregate compensation for the Board, which was approved at the AGM 2020 and remained flat for the second consecutive year. 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 72% and 149% 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)

				2020				2019
thousands of CHF	Cash fees[2]	Restricted share unit (RSU) plan[3]	Social security contributions[4]	Total	Cash fees[2]	Restricted share unit (RSU) plan	Social security contributions[4]	Total
Board of Directors	**1’396**	**1’155**	**257**	**2’808**	**1’282**	**1’030**	**230**	**2’542**
Peter Löscher, Chairman	447	250	66	763	446	250	64	760
Matthias Bichsel, Vice Chairman	142	155	27	324	140	155	32	327
Lukas Braunschweiler	112	125	26	264	109	125	26	260
Mikhail Lifshitz	112	125	26	264	109	125	26	260
Alexey Moskov[1]	84	125	25	234	–	–	–	–
Marco Musetti	150	125	29	304	144	125	28	297
Gerhard Roiss	173	125	26	324	165	125	25	315
Hanne Birgitte Breinbjerg Sørensen	176	125	31	332	168	125	30	323

1) Member of the Board of Directors since April 15, 2020.
2) Disclosed gross.
3) RSU awards granted in 2020 had a fair value of CHF 65.22 at grant date. The amount represents the full fair value of grants made in 2020.
4) 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 2020 and 2019 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 2020 AGM until the 2021 AGM and of CHF 2’984’000 for the period of office from the 2019 AGM until the 2020 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 2020–AGM 2021	2020	Jan 1, 2020 to 2020 AGM	Jan 1, 2021 to 2021 AGM	2020 AGM to 2021 AGM	2020 AGM	2020 AGM
Board (total)	**2’807’649**	**354’839**	**391’405**	**2’844’215**	**2’984’000**	**95.3%**
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%**

As of December 31, 2019, and December 31, 2020, 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 2019 and 2020, 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 2019 and 2020, the members of the Board of Directors held the following shares in the company:

Shareholdings at December 31, 2020

			2020
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares
Board of Directors	**56’020**	**27’510**	**83’530**
Peter Löscher	19’437	6’210	25’647
Matthias Bichsel	8’238	3’853	12’091
Lukas Braunschweiler	1’097	3’106	4’203
Mikhail Lifshitz	4’781	3’106	7’887
Alexey Moskov	–	1’917	1’917
Marco Musetti	8’639	3’106	11’745
Gerhard Roiss	13’012	3’106	16’118
Hanne Birgitte Breinbjerg Sørensen	816	3’106	3’922

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
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
Hanne Birgitte Breinbjerg Sørensen	249	1’951	2’200

KPMG

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, 2020. 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 2020" and "Compensation of the Board of Directors for 2020" 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, 2020 of Sulzer Ltd complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

Rolf Hauenstein	Simon Niklaus
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, February 23, 2021

KPMG AG, Räffelstrasse 28, CH-8036 Zurich