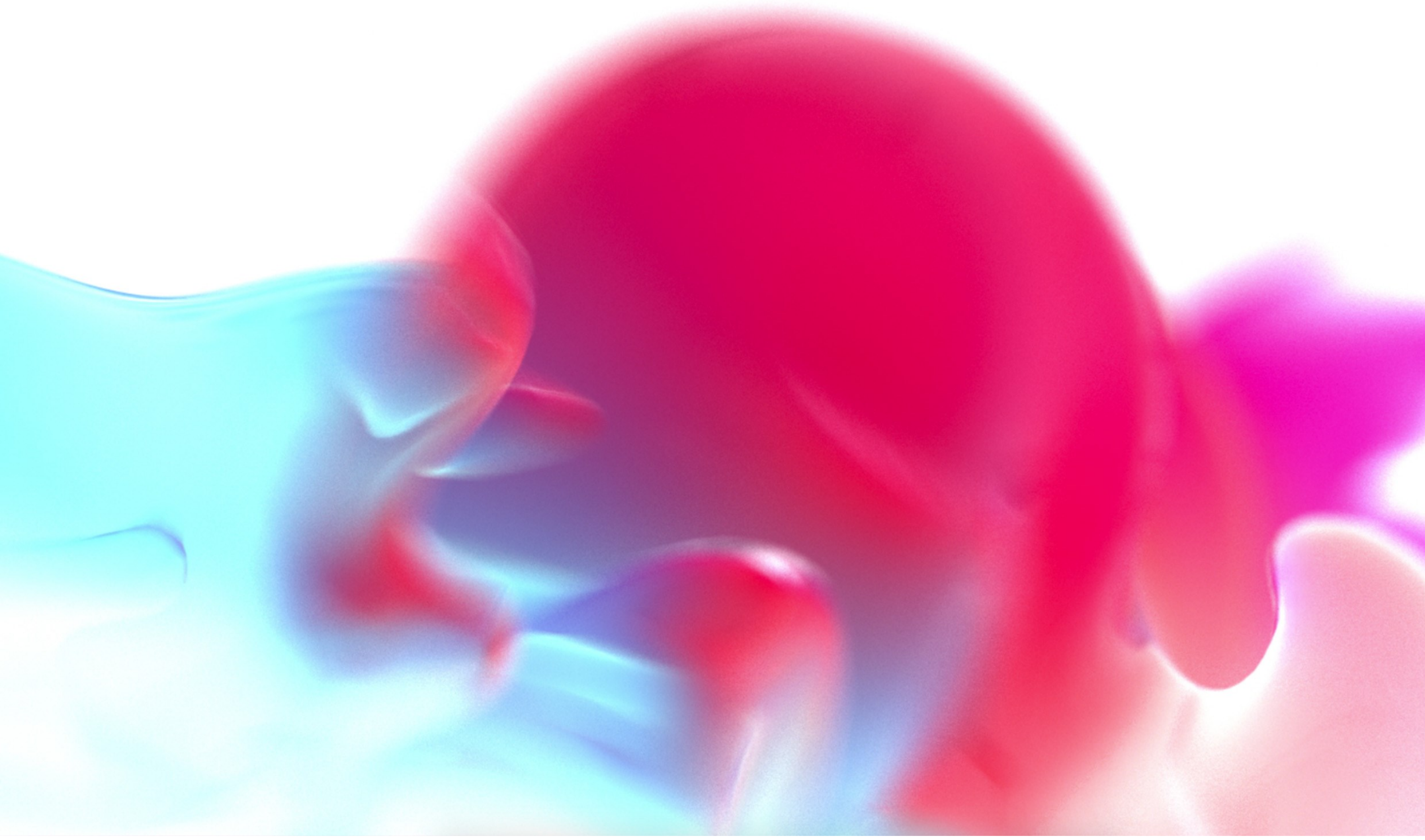


Compensation report

Paying for sustainable performance

Winterthur, February 18, 2022

Dear Shareholder,

On behalf of the Board of Directors as well as the Nomination and Remuneration Committee (NRC), I am pleased to present to you this year's compensation report. Once again in 2021, I appreciated the opportunity to work together with my colleagues and our stakeholders towards ensuring that Sulzer's 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.

2021 was a challenging year — however, I'm proud to say that Sulzer surmounted the challenges and was able to celebrate a strong finish to the year with record-high profitability. What was challenging for our company over the last year? On the one hand, the constraints from COVID-19 in many countries continued to impact our business. Nonetheless, thanks to the outstanding engagement of all employees, Sulzer once again demonstrated resilience and was able to clearly steer back to the path of success that the company was on before the pandemic broke out in 2020. On the other hand, in May 2021, the decision was made to spin off Sulzer's Applicator Systems (APS) division, and the spin-off was successfully executed with the listing of medmix on the Swiss Stock Exchange on September 30, 2021. To find out more about the rationale behind this decision and how it impacted the compensation of our Executive Committee in 2021, please refer to the corresponding special report covering the medmix spin-off.

Notwithstanding our great success story in 2021, a new leadership team will write the next chapter of Sulzer's success story. After 6 years of management stability, we are simply at the end of a leadership cycle and it's time to hand the baton over for the next leg. The leadership changes relate to both the Board of Directors as well as the Executive Committee.

Firstly, on the Board of Directors, Peter Löscher, the long-serving Chairman of Sulzer who has led the Board since 2014, will not stand for re-election at the Annual General Meeting (AGM) 2022. At the AGM 2022, Suzanne Thoma, currently Vice Chairwoman of the Board and member of the NRC, will stand for election as the Chairwoman of the Board. Furthermore, I, Gerhard Roiss, Chairman of the NRC, will also not stand for re-election at the AGM 2022.

At Executive Committee level, Greg Poux-Guillaume, Sulzer's CEO, decided to step down after six years at the helm of Sulzer and having led a successful turnaround of the company. Frederic Lalanne, formerly President of Sulzer's Flow Equipment division, was appointed CEO to succeed Greg Poux Guillaume as of February 18, 2022. Tim Schulten, formerly Sulzer's Group Head of Strategy, Marketing and Digital, has been promoted to be the President of Sulzer's Services division as of January 1, 2022, succeeding Daniel Bischofberger, who is leaving for an external CEO position. These appointments from our internal leadership bench underscore our sharp and committed focus on building our internal talent pipeline.

Executive Committee’s compensation

The compensation eligibilities of our Executive Committee remained unchanged in 2021. Sulzer's compensation represents a modern and tailor-made system to guide the company 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 (PSUs) to align the interests of the Executive Committee with those of shareholders.
- Short- and long-term variable compensation is subject to malus and clawback provisions.
- Share Ownership Guidelines (SOG) are implemented which 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 through severe crises and beyond.

Paying for performance — our year 2021

Despite the constrained environment of the pandemic in 2021, Sulzer demonstrated agility in further strengthening its position as a leading company in industrial flow control products and services for markets such as water, energy, chemicals and industrial infrastructure. During the year, Sulzer streamlined its portfolio with the spin-off of medmix and the acquisition of Nordic Water, while continuing to advance on its growth path. Record-high profitability was achieved in 2021, with all divisions reaching new heights in profitability.

In 2021, we implemented the following adjustments to the Executive Committee’s compensation system:

- To emphasize the pay-for-performance approach of our variable compensation even more, we decided to implement a clawback provision to our short-term incentive, i.e. the annual bonus.
- To reduce the complexity of the performance measurement within the Performance Share Plan (PSP), from 2021, the performance measurement of the relative total shareholder return (TSR) is evaluated against one peer group instead of two different peer groups as done in previous years. This decision reduces and simplifies the performance indicators for the PSP program from four to three, bringing Sulzer in line with market practice. The weighting of 50% of the performance criterion “relative TSR” within the PSP remained unchanged. As a recap, in the past years, the relative TSR was measured against the performance of a peer group of international peers (assigned with a weight of 75% within the “relative TSR” key performance criterion), as well as against the performance of the Swiss Market Index Mid (SMIM, assigned with a weight of 25% within the “relative TSR” key performance criterion). This approach meant that there were four performance indicators being measured for the PSP program, thereby adding complexity and deviating from market practice.
- To better reflect portfolio development and ensure a more appropriate composition of the peer group, there were also changes to the composition of the international peer group: SPX flow and Kirloskar Brothers were replaced by OC Oerlikon and Burckhardt Compression, which were selected from the predefined successor list of companies.

In terms of pay levels, we neither increased base salaries nor the target amounts for the bonus and PSP. In addition, there were no special grants on variable compensation. This given, for 2021, the target cash compensation remained unchanged compared to 2020. The compensation for the Executive Committee amounted to kCHF 14’609 in 2021 and was thereby below the maximum amount previously approved by Sulzer’s AGM 2020 for the respective period.

Board of Directors’ compensation

The Board of Directors compensation paid in 2021 was below the maximum amounts previously approved by the AGM for the respective periods. No changes to the Board's compensation were deemed necessary.

Compared to 2020, the compensation for the Board of Directors paid in 2021 remained unchanged and was 0.7% lower.

Governance

The NRC performed its regular activities in 2021, including recommending Executive Committee performance targets to the Board and compensation of Board, CEO and Executive Committee members. You will find further information on the NRC’s activities, as well as compensation models and governance, in the following pages.

At Sulzer’s AGM in 2022, you will be asked to vote on the maximum aggregate compensation for the Board of Directors for its 2022–2023 term and on the maximum aggregate compensation for the Executive Committee for 2023. For the fourth consecutive year, the maximum aggregate for the Board will remain flat. Reflecting the medmix spin-off and the subsequent reduction of the Executive Committee's size, the maximum aggregate for the Executive Committee will be reduced by CHF 2 million compared to 2022.

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,

Gerhard Roiss
Chairman of the Nomination and
Remuneration Committee

Special report – medmix spin-off

With the approval of Sulzer's shareholders obtained at the Extraordinary General Meeting on September 20, 2021, a 100% spin-off of our former Applicator Systems (APS) division from our core business through a 1:1 share split was successfully completed and we created two focused companies, leading in their respective markets. Since September 30, 2021, Sulzer and the former APS division which is now named medmix are both traded separately on the Swiss Stock Exchange.

Why was medmix separated from Sulzer?

Sulzer has a track record of incubating promising ventures and developing them to become market leaders. Over the past five years, Sulzer developed the former Applicator Systems division to become a global market leader in high-precision delivery devices for the healthcare, consumer and industrial segments. The rapid development of the former Applicator Systems division and the anticipated growth of its healthcare platform made 2021 the right time to spin it off as a separate, standalone company. As a focused company on its own, the growth story of the former Applicator Systems division will advance. The former Applicator Systems division was significantly undervalued as part of Sulzer and, by separating the business, Sulzer can renew its focus and accelerate its transformation. This separation created significant value for all stakeholders of Sulzer. The combined market cap of Sulzer and medmix went up by 45%. Each Sulzer shareholder got one medmix share granted in addition to each Sulzer share held and the combined share price of Sulzer and medmix was CHF 135.01.

How was Sulzer affected by the spin-off?

Sulzer took the opportunity of the spin-off to accelerate its transformation and boosted its business results in 2021, achieving strong growth to reach sales of CHF 3'155.3 million, as well as new highs in profitability across all divisions and at Sulzer level (operational profitability reached a record 9.3% with operational profit of CHF 293.3 million, excluding medmix). The renewed focus on our position as a leading company in industrial flow control products and services for water, energy, chemical and industrial infrastructure is also clearly appreciated by our investors. These positive outcomes validate the decision to separate medmix and Sulzer — with the renewed focus, Sulzer is in an even better position to drive the next level of its development.

What remuneration related measures has the NRC taken, and why?

When defining the target values for the variable compensation at the beginning of financial year 2021, these were defined without anticipating the medmix spin-off. Given this, the NRC adjusted the target values and corresponding thresholds and maximum values for the performance objectives to ensure proper, adequate target setting for the financial year 2021.

1. Bonus 2021

Sulzer demerged the Applicator Systems division by way of a symmetrical split on September 20, 2021. The financial figures of the Applicator Systems division for the year until September 20, 2021 are included in Sulzer's consolidated financial statements for 2021. As the performance objectives set at the beginning of the year during annual target setting included the full year of 2021 for the Applicator Systems division, the target objectives for the Applicator Systems division are adjusted to reflect the phased targets up to September 20, 2021. This ensures that the actual financial figures for the Applicator Systems division are assessed against the corresponding targets for a comparable measurement period. Consistently, Sulzer Group's achievement is assessed based on the aggregation of the full 2021 annual performance of all continuing businesses and Applicator Systems division for the period until September 20, 2021.

2. Performance Share Plan

The key performance targets for the unvested performance share plans of PSP 2019, PSP 2020 and PSP 2021 had been established without the anticipation of the spin-off of the Applicator Systems division. Therefore, the target performance conditions for the respective PSPs were originally determined with the full inclusion of the financial values of the Applicator Systems division. Given the spin-off of the Applicator Systems division, Sulzer adopted the methodology typically used in a spin-off context to neutralize the consequences from the demerger. The number of originally granted PSUs was recalculated to neutralize the effect of the spin-off on share price to continue a fair incentive. The target values of the Applicator Systems division for PSP 2019, PSP 2020 and PSP 2021, as derived from their respective three-year financial plans, are deducted for Sulzer group. As a result, the target values for Sulzer group comprise only what remains as continuing businesses within the group. Furthermore, for each performance condition (i.e. operational profit growth and operational ROCEA) of PSP 2019, PSP 2020 and PSP 2021, the performance curve depicting the gradient formed from the threshold, target and cap performance level remains unchanged. By adopting such a methodology, Sulzer keeps consistency with the performance-based measurement approach of its PSP and upholds the underlying three-year strategic/financial targets of its continuing businesses.

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 on the Board of Directors and Executive Committee, in establishing and reviewing the compensation strategy and principles, and in preparing the respective proposals for 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 for 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 AGM		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 at least 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 AGM. At the 2021 AGM, Gerhard Roiss (Chairman) and Hanne Birgitte Breinbjerg Sørensen were reelected as members of the NRC. Suzanne Thoma was elected for the first time to the Board of Directors in 2021 and since then is also member of the NRC. She replaced Marco Musetti as a member of the NRC.

The NRC meets as often as the business requires, but at least twice a year. In 2021, the NRC held four regular and six 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.

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 AGM, 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 can be found at 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 AGM.
- 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 AGM.
- 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 Executive Committee 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:

Risk	Risk exposure
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 determining 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.

The NRC regularly reviews the composition of the peer group, which is applied for benchmarking purposes. Having reviewed the composition in 2021, the NRC decided that from 2022, the composition of the peer group should be revised. Going forward, companies of a comparable size from the Swiss market will form the respective peer group, which is used to derive the compensation levels for the Board of Directors as well as for the Executive Committee.

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, responsibility and current performance of the individual Executive Committee member is assessed at the same time. A globally applied job-grading methodology fosters internal equity.

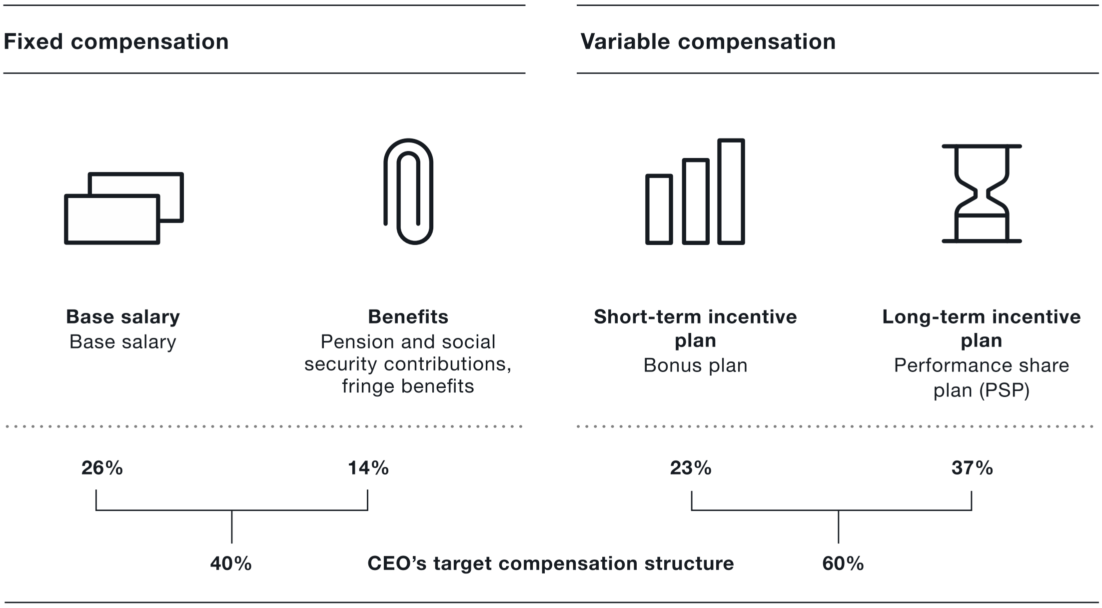
The compensation of the Executive Committee is governed by internal regulations such as the total reward policy, the bonus plan, the performance share plan and benefits plans. The compensation of the Executive Committee is reviewed by the NRC annually and, if necessary, adjusted and approved by decision 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 2021)	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. Clawback provisions implemented.	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, 2021 Vesting: December 31, 2023 Share delivery: March 2024	–
Performance period	–	–	1 year (January 1, 2021–December 31, 2021)	3 years (January 1, 2021–December 31, 2023)	–

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 the interests of the Executive Committee and shareholders, ensure pay for performance and implement the company’s strategy in the Executive Committee’s compensation, it contains also short- and long-term performance-dependent elements:

Overview of compensation elements



In line with the pay-for-performance principle, a significant portion (over 59%) 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, skillset and experience. An internal job-grading methodology 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 149’125 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 assessmanet 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%	ESG	Objectives linked to improvements in the areas of environment, employee engagement and local communities and 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%.

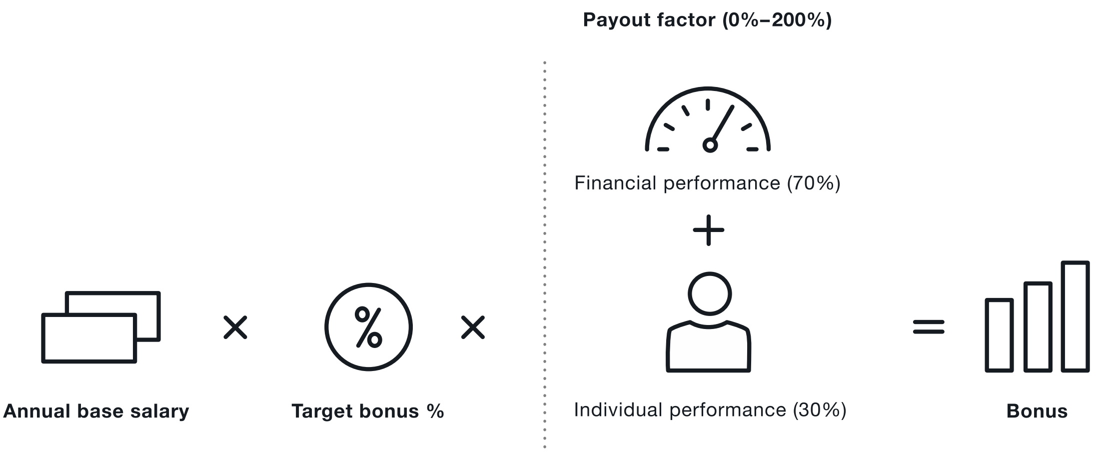
Between threshold and target, as well as between target and cap, the payout factor is interpolated linearly.

For information on the adjustments made to the key performance criteria due to the medmix spin-off, please refer to the section "Special report — medmix spin-off". 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 “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 surveys) 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 Executive Committee 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 2021”).

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 the 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 (PSUs) to the members of the Executive Committee. PSUs 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 PSP is 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 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 PSUs 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, other than in previous tranches, only based on the performance against international peers measured as percentile ranking
- With respect to the adjustments made to the key performance criteria due to the medmix spin-off please refer to the section "Special report — medmix spin-off".

Peer group for relative TSR performance of PSP 2021

International peers

- Andritz
- Burckhardt Compression
- Ebara
- Flowserve
- ITT
- OC Oerlikon
- Pentair
- Wood Group
- Xylem

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 28, 2021, SPX Flow, which recently divested its Pump division and now mainly focuses on dairy systems and Kirloskar Brothers, a family-owned Indian pump company have been replaced by OC Oerlikon and Burckhardt Compression, which were the predefined successors.

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.

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.

Disclosure of internal financial objectives may create a competitive disadvantage for 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 2021”).

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 PSUs is calculated by multiplying the initial number of PSUs 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%) x 25%	+	Achievement average opROCEA (0–250%) x 25%	+	Achievement relative TSR (0–250%) x 50%	=	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 PSUs 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 PSUs 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 the 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 PSUs forfeit.
As a result of retirement	Vesting and performance measurement of PSUs continues according to plan, no early allocation of the shares.
Any other reason	The number of unvested PSUs 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. In 2021, the clawback clause was extended to cover bonuses, whereby Sulzer may recover in full or in part any relevant bonus compensation from Executive Committee members in situations of material misstatement of the financial results, an error in assessing a performance condition or gross misconduct 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 were 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 Executive Committee members	100%

Compensation of the Executive Committee for 2021

Compensation of the Executive Committee: overview

In 2021, the Executive Committee received total compensation in the amount of kCHF 14’609 (previous year: kCHF 14’647). Of this total, kCHF 8’027 was in cash (previous year: kCHF 7’298); kCHF 4’486 was in PSU (previous year: kCHF 5’238); kCHF 1’938 was in pension and social security contributions (previous year: kCHF 1’965), and kCHF 158 was in other payments (previous year: kCHF 147).

Compensation of the Executive Committee

	2021						
	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	1’500	87	461	3’069	1’779	4’849
Total Executive Committee [1]	**3’931**	**4’096**	**158**	**1’938**	**10’123**	**4’486**	**14’609**

	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**

1) The total Executive Committee compensation for 2021 and 2020 includes the compensation of Greg Poux-Guillaume, CEO since December 2015; Jill Lee, CFO since April 2018; Daniel Bischofberger, Division President Services since September 2016; Torsten Wintergerste, Division President Chemtech since June 2016; Armand Sohet, Chief Human Resources Officer since March 2016; Frederic Lalanne, Division President Flow Equipment since January 2019; Girts Cimermans, Division President Applicator Systems since October 21, 2019 until September 19, 2021.
2) Expected bonus for the performance years 2021 and 2020 respectively, to be paid out in the following year (accrual principle).
3) Other consists of housing allowances, 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 2021 and 2020, respectively (PSP).
5) Represents the full fair value of the PSUs granted under the PSP in 2021 and 2020, respectively. PSUs granted in 2021 had a fair value of CHF 124.95 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 PSUs is based on the three-month weighted average share price before the grant date (CHF 101.12 per PSU for April 2021 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 kCHF 14’609 awarded to the members of the Executive Committee for the 2021 financial year is within the maximum aggregate compensation amount of kCHF 19’500 that was approved by the shareholders at the 2020 AGM.

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

As of December 31, 2020, and December 31, 2021, there were no outstanding loans or credits granted to the members of the Executive Committee or former members of the Executive Committee.

In 2020 and 2021, no compensation was granted to former members of the Executive Committee or related parties.

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

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 2021 can be found in the financial report.

a) Total compensation and pay for performance relation

Total compensation of Executive Committee

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)
27%	**14%**	**28%**	**31%**
41%		**59%**	

Total compensation of EC

In 2021, the Executive Committee received total compensation in the amount of kCHF 14’609 (previous year: kCHF 14’647). This was an overall decrease of 0.3% from the previous year. Following the spin-off of medmix, one Executive Committee member left Sulzer to join medmix on September 20, 2021. As a result of this, his compensation at Sulzer in 2021 covered only the period until September 19, 2021, and not the full year as in 2020.

For the entire Executive Committee, the variable component amounted to between 110.2% and 209.0% 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 (Executive Committee members employed in both 2021 and 2020), the base salaries of the Executive Committee members remained unchanged. Regarding cash bonus payments and LTI amounts, see the following paragraphs.

b) Short-term incentive (cash bonus payouts)

Excluding the Applicator Systems division, in 2021 Sulzer increased sales strongly by 6.0% in line with its market guidance, and this despite headwinds from supply chain disruptions. Operational profitability reached a record 9.3%, beating pre-pandemic levels, with all three divisions contributing to this outstanding achievement. This year, Sulzer once again generated strong free cash flow, reaching CHF 210 million. The strong positive financial performance is an outcome of the significant progress achieved by Sulzer on its transformation path. Sulzer took early decisive actions to drive cost take-out measures in 2020 in anticipation of softer energy markets, as well as to counter the impacts of the pandemic. In parallel, Sulzer also continued to expand its market activities with increasing focus on sustainable solutions. In January 2021, Sulzer acquired Nordic Water, a leading supplier of water treatment technology. This acquisition has further strengthened its Water business — Sulzer has one of the largest complete portfolios of water pumping and treatment solutions, and Water now represents the biggest single segment in the Flow Equipment division. In the renewables market, Sulzer also advanced further — order intake in Renewables doubled organically from 2020. During the nine months until September 20, 2021, when the Applicator Systems division was spun off as medmix, the division rebounded strongly on sales, profitability and cashflow. The Applicator Systems division made its debut as a standalone listed company, medmix, on the SIX Swiss Exchange on September 30, 2021, creating close to CHF 2 billion in shareholder value.

As a result of the solid overall performance and successful strategic transformation, the financial component of the bonus ranged from 140.3% to 147.4% of targeted payout (on average 144.9%), thanks also 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%	107%
Sales	25%	146%
Operational ONCF	20%	200% 1)
Total	**70%**	**147%**

1) Actual operational ONCF overachieved in 2022, therefore the maximum payout factor was capped at 200%.

The individual performance ranged from 90% to 200% to consider the exceptional team performance.

In aggregate, the financial and individual performance translated into an overall bonus payout factor ranging from 127% to 163% (on average 150%) 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 2021 compared to previous years. The relevant key performance indicators (KPIs) were growth in 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 measurement period from 2019 to 2021.

Over this three-year period, operational profit adjusted for foreign exchange and M&A impacts grew by 34% even as we had to navigate unexpected and challenging impacts from COVID-19 in 2020 and 2021. Compared to the PSP target set by the Board, this resulted in an achievement factor of 232%.

Operational ROCEA improved significantly on the back of solid cash flow generation and strong profitability for the past three years, thanks to our determined drive for operational excellence, rigorous focus on networking capital management, strict management of capital expenditures and efforts to optimize our footprint. For the maximum 250% target achievement of operational ROCEA, the Board had set a target for Sulzer to improve by 200bps over the course of the PSP 2019 measurement period. An actual achievement of 223% was realized.

Together with a relative TSR achievement factor of 142%, which compared Sulzer's share price development against international peers as well as against the SMIM over the PSP 2019 measurement period, the resultant total payout factor is 185% for the PSP 2019.

The payout factor results and respective weighting are as follows:

KPI	Weighting	Payout factor
Operational profit	25%	232%
Operational ROCEA	25%	223%
Relative TSR	50%	142%
Total	**100%**	**185%**

Overall, the PSP vesting levels fairly reflected the operational performance, also against direct peers, over the respective three-year performance cycles. Therefore, 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 2020 and 2021, the members of the Executive Committee held the following shares in the company:

Shareholdings at December 31, 2021

	2021				
	Sulzer shares	**Share units under vesting in equity plans (RSU and PSP)**			
	Sulzer shares	Restricted share units (RSU)	Performance share units (PSU) 2019	Performance share units (PSU) 2020	Performance share units (PSU) 2021
Executive Committee	**77'941**	**–**	**81'932**	**94'735**	**49'936**
Greg Poux-Guillaume	43'000	–	35'746	50'900	21'789
Daniel Bischofberger	9'720	–	9'932	9'427	6'053
Frederic Lalanne	6'797	–	9'932	9'427	6'053
Jill Lee	5'084	–	9'932	9'427	6'053
Armand Sohet	2'728	–	8'195	7'777	4'994
Torsten Wintergerste	10'612	–	8'195	7'777	4'994

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
Frederic 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

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 RSUs (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 RSUs are granted once a year. The number of RSUs 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 annual results and the AGM. One-third of the RSUs vest after the first, second and third anniversaries of the grant date respectively.

Upon vesting, one vested RSU is converted into one share in the company. The vesting period for RSUs 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 2021

Compensation of the Board of Directors: overview

In 2021, the Board of Directors received total compensation in the amount of kCHF 2’862 (previous year: kCHF 2’808). Of this total, kCHF 1’444 was in the form of cash fees (previous year: kCHF 1’396); kCHF 1’155 was in RSUs (previous year: kCHF 1’155) and kCHF 263 was in the form of social security contributions (previous year: kCHF 257).

The total Board compensation paid in 2021 was 1.9% higher than in 2020, which is due to the appointment of Suzanne Thoma as Vice Chairwoman of the Board and David Metzger as a new member of the Board in 2021. Nevertheless, the aggregated Board compensation was still below the maximum aggregate compensation for the Board, which was approved at the AGM 2020. The structure and level of the Board compensation remained unchanged compared with the previous year.

The portion of compensation delivered in RSUs amounts to 56% of the cash compensation for the Chairman, and to between 71% and 149% for the other active members of the Board of Directors. The RSUs are subject to a staged three-year vesting period.

Compensation of the Board of Directors

				2021
thousands of CHF	Cash fees [3]	Restricted share unit (RSUs) plan [4]	Social security contributions [5]	Total
Board of Directors	**1’444**	**1’155**	**263**	**2’862**
Peter Löscher, Chairman	447	250	66	763
Suzanne Thoma, Vice Chairwoman [1]	136	155	32	323
Matthias Bichsel	138	125	24	286
Lukas Braunschweiler [2]	28	-	3	31
Mikhail Lifshitz	112	125	27	264
David Metzger [1]	84	125	25	234
Alexey Moskov	112	125	27	264
Marco Musetti [2]	37	-	4	41
Gerhard Roiss	173	125	26	324
Hanne Birgitte Breinbjerg Sørensen	176	125	31	332

				2020
thousands of CHF	Cash fees [2]	Restricted share unit (RSUs) plan	Social security contributions [4]	Total
Board of Directors	**1’396**	**1’155**	**257**	**2’808**
Peter Löscher, Chairman	447	250	66	763
Matthias Bichsel, Vice Chairman	142	155	27	324
Lukas Braunschweiler	112	125	26	264
Mikhail Lifshitz	112	125	26	264
Alexey Moskov	84	125	25	234
Marco Musetti	150	125	29	304
Gerhard Roiss	173	125	26	324
Hanne Birgitte Breinbjerg Sørensen	176	125	31	332

1) Member of the Board of Directors since April 14, 2021.
2) Member of the Board of Directors until April 14, 2021
3) Disclosed gross.
4) RSU awards granted in 2021 had a fair value of CHF 106.3229 at grant date. The amount represents the full fair value of grants made in 2021.
5) 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 2021 and 2020 AGMs respectively, shareholders approved a maximum aggregate compensation amount of kCHF 2’984 for the Board of Directors for the period of office from the 2020 AGM until the 2021 AGM and of kCHF 2’984 for the period of office from the 2019 AGM until the 2020 AGM. The table below shows the reconciliation between the compensation that was/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

thousands of CHF	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 2021–AGM 2022	2021	Jan 1, 2021 to 2021 AGM	Jan 1, 2022 to 2022 AGM	2021 AGM to 2022 AGM	2021 AGM	2021 AGM
Board (total)	**2’862**	**386**	**393**	**2’869**	**2’984**	**96.2%**
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)	**2’808**	**355**	**391**	**2’844**	**2’984**	**95.3%**

As of December 31, 2020, and December 31, 2021, 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.

In 2020 and 2021, no compensation was granted to former members of the Board of Directors or related parties.

Shareholdings of the Board of Directors

As of the end of 2020 and 2021, the members of the Board of Directors held the following shares in the company:

Shareholdings at December 31, 2021

			2021
	Sulzer shares	Restricted share units (RSU)	Total share awards and shares
Board of Directors	**55’307**	**34’874**	**90’181**
Peter Löscher	22’238	8’818	31’056
Suzanne Thoma	–	2’232	2’232
Matthias Bichsel	9’976	5’038	15’014
Mikhail Lifshitz	6’182	4’410	10’592
David Metzger	–	1’800	1’800
Alexey Moskov	639	3’756	4’395
Gerhard Roiss	14’413	4’410	18’823
Hanne Birgitte Breinbjerg Sørensen	1’859	4’410	6’269

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

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, 2021. 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 sections "Compensation of the Executive Committee: overview" and "Compensation of the Board of Directors: overview".

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, 2021 of Sulzer Ltd complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

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

Zurich, February 17, 2022